NEO-NEON HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1868.HK; 911868.TDR

# 2014 ANNUAL REPORT

Professional LED product research, development and production.

# CONTENTS

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lu Zhi Cheng *(Chairman)*
(appointed on 25 August 2014)
Mr. Ben Fan
Mr. Wang Liang Hai
(appointed on 25 August 2014)
Mr. Seah Han Leong
(appointed on 25 August 2014)
Mr. Pan Jin
(appointed on 25 August 2014)

### Non-executive Director

Mr. Liu Wei Dong
(appointed on 25 August 2014)

### Independent non-executive Directors

Mr. Fan Ren Da Anthony
(appointed on 25 August 2014)
Mr. Liu Tian Min
(appointed on 25 August 2014)
Ms. Li Ming Qi
(appointed on 25 August 2014)

## AUDIT COMMITTEE

Ms. Li Ming Qi *(Chairman)*
Mr. Liu Tian Min
Mr. Fan Ren Da Anthony

## REMUNERATION COMMITTEE

Mr. Liu Tian Min *(Chairman)*
Mr. Lu Zhi Cheng
Mr. Fan Ren Da Anthony
Ms. Li Ming Qi

## NOMINATION COMMITTEE

Mr. Lu Zhi Cheng *(Chairman)*
Mr. Fan Ren Da Anthony
Mr. Liu Tian Min
Ms. Li Ming Qi

## REGULATORY COMPLIANCE COMMITTEE

Mr. Fan Ren Da Anthony *(Chairman)*
Mr. Pan Jin
Mr. Liu Tian Min
Ms. Li Ming Qi

## AUTHORIZED REPRESENTATIVES

Mr. Seah Han Leong
Mr. Chan Cheung

## COMPANY SECRETARY

Mr. Chan Cheung

## HONG KONG BRANCH SHARE REGISTRAR

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

## AUDITOR

KPMG

## LAWYER AS TO HONG KONG LAWS

Orrick, Herrington & Sutcliffe
43rd Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

## PRINCIPAL BANKS

China Construction Bank Limited, HeShan Branch
Taishin International Bank, Hong Kong Branch
China Everbright Bank Company Limited, Jiangmen Branch

## REGISTERED OFFICE

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 806-810,
Bank of America Tower,
12 Harcourt Road,
Central, Hong Kong

## PRINCIPAL SHARE 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

## COMPANY WEBSITE ADDRESS

www.neo-neon.com

## STOCK CODE

1868

# CHAIRMAN'S STATEMENT

Dear Shareholders,
I am pleased to present the annual report of Neo-Neon Holdings Limited (the "Company" or "Neo-Neon") and its subsidiaries (collectively, the "Group") for nine months ended 31 December 2014.

## TSINGHUA TONGFANG 'S SUBSCRIPTION OF THE SHARES OF THE COMPANY

On 19 March 2014, the Company and THTF Energy-Saving Holdings Limited（"THTF ES"）, an indirect wholly-owned subsidiary of Tsinghua Tongfang Co., Ltd., ("Tsinghua Tongfang") entered into a subscription agreement for the issue of new shares, pursuant to which THTF ES agreed to subscribe for an aggregate of 1,000,000,000 Shares at the subscription price of HK$0.90 per Share (the "Subscription"). The Subscription was completed on 1 August 2014.

Subsequently, THTF ES proposed a mandatory unconditional cash offers for all the issued shares and outstanding options of the Company in the announcement dated 8 August 2014 on the Stock Exchange and confirmed in the joint announcement dated 22 September 2014 that THTF ES had received 692,690 shares under the share offer. As at the date of this report, THTF ES holds 1,000,692,690 shares of the Company and the shareholding of THTF ES in the Company is 51.6%.

Tsinghua Tongfang is a high-technology enterprise listed on The Shanghai Stock Exchange with stock code 600100. The major shareholder of Tsinghua Tongfang is Tsinghua Holdings Co., Ltd. (清華控股有限公司), a wholly-owned subsidiary of Tsinghua University. The principal activities of Tsinghua Tongfang are mainly divided into twelve core areas including computer, smart pad, multi-media television, digital city, the internet of things application, micro-electronics, knowledge network, digital communication & equipment, security system, semiconductor & illuminating, environmental protection and energy saving. Tsinghua Tongfang is ranked among the "100 Top Scientific and Technological Enterprises of China (中國科技百強)" and "100 Top Chinese Enterprises in Electronic Information (中國電子信息百強)".

The subscription of the shares of the Company by Tsinghua Tongfang will strengthen and expand the LED Lighting business of the Company. It possesses a strong upstream LED wafer and chip manufacturing capacity based on its 59 sets of MOCVD equipment, which can organically integrate with the production facilities of the Company. Furthermore, Tsinghua Tongfang has strong technical strength and global sales network in the related applications industries such as multi-media television industry, computer industry, intelligent building industry and energy saving industry. Combined with the strength of strong development, manufacturing and international marketing channels of LED Lighting products of the Company, it would definitely create a good synergy, especially in the area of LED smart lighting. At the same time, it would enhance the corporate governance of the Group by implementing Tsinghua Tongfang's standardized management model, and allow greater room for business diversification in future.

## BUSINESS REVIEW AND PROSPECT

The incandescent light is said to have illuminated the 20th century, the LED will illuminate the 21st century then.

In recent years, the price-performance ratio of LED products is rising with the growing maturity and improvement of LED technology products, the market demand of LED experiences an explosive growth and the global lighting industry has entered into a new era that is led by LED Lighting. Moreover, in October 2014, as highlighted by the Nobel Prize in Physics being awarded to three scientists for their invention of "Highbrightness Blue Light-emitting Diodes", the year 2014 was regarded as "the birth year of LED lighting" and "LED outbreak year", it is widely considered by the industry that the golden development period of LED has arrived.

## CHAIRMAN'S STATEMENT

According to the report of GG-LED industry institute (GLII), the total output value of the China LED industry in 2014 amounted to RMB344.5 billion, representing an increase of 31% over the same period of last year, in which the output value of upstream wafers & chips, midstream packaging and downstream application of LED was RMB12 billion, RMB56.8 billion and RMB275.7 billion respectively, representing an increase of 43%, 20% and 32 % respectively over the same period of last year.

China, being a major manufacturing base for global lighting products, has seen a rising export value of lighting products and a substantial growth in the export of LED lighting products. The CSA Research report indicated that the aggregate LED lighting products export value of China in 2014 was approximately US$10.85 billion, representing a substantial growth of 86% as compared with the same period of 2013.

With the expansion of the overall scale of LED industry chain and the outbreak of the market, LED lighting has fully entered all lighting areas. It has been thoroughly applied in areas such as smart phones, tablet computers and large-size TVs, displays and other fields, while its application in emerging areas such as automotive lighting, medical and agriculture are being constantly explored. The application in smart lighting, optical communication and wearable devices would be the new highlight of LED application in 2014.

In 2014, the overall market of the LED industry experienced a significant growth while competition within the industry intensified. Since only the fittest survives, the continual mergers and acquisitions had further consolidated the industry. Merger and restructuring had become the main trend for LED industry in 2014, which had entered an era of great change and large development.

The application of LED is not simply replacing but transcending traditional lighting, and looking for new business opportunities in "LED-wide lighting". In future, the "1+N"model that takes LED as platform may emerge, then LED may no longer be a illumination light only, but also a platform with multiple functions. It can be used for illumination, while it can also be used in optical communication, connecting camcorder, solar energy, displays, etc. When everything is connected by LED, it would also induce a higher added-value. Due to the possibility for digitalization and the controllability for LED itself, it is possible to satisfy the personalized demand for smart lighting of the internet era, smart lighting would evolve from pure illumination to a smart lighting environment that creates application requirements.

Looking forward to 2015, the penetration rate of LED will surpass 60% to basically capture the tradition lighting market. LED lighting products will continue to enter into millions of household, the market prospect of which is wide and broad. But under intense market competition, the significance of brand, channels and the product innovation will become even more prominent, and business opportunities and challenges co-exist for the Chinese manufactures.

To face such challenges, the Company shall persist in professionalization of LED products foremost, and achieve specialization and professionalization from constant adjustments and innovations, concentrates on selected areas. Secondly, we shall acquire state-of-the-art technology to satisfy customers demand, wide-application would base on both intellectualization and simplification.

Intellectualization will become a new trend for LED in the future, and smart lighting will be the new gold mining for the LED industry. With increasing awareness of energy-saving and environmental protection, together with Chinese government's preferential policy on energy-saving and environmental protection industry, the demand for lighting system intellectualization has gradually been put on the agenda. As various intelligent-driven and light-adjusting techniques are continuously emerging , it creates substantial development opportunities for smart lighting. The Company has taken all initiatives to capture the tremendous business opportunities.

## CHAIRMAN'S STATEMENT

In 2015, Neo-neon will continue to persist innovation and breakthrough from traditional operation concepts for development; consolidate internal and external resources and enhance operation efficiency and performances through detailed management; adhere to LED industrial direction, implement industrial development strategies and promote the horizontal and vertical integration of the Company through "merger and restructuring". Meanwhile, the Group will put the advantages of international brands such as Neo-Neon, American Lighting and Tivoli to good use and stabilize the competitiveness of the THTF Lighting brand in China to realize the true value of the brand of the Group.

## APPRECIATION

"The way ahead is said long and hard as the iron, and we will strike unswervingly to cross its summit". Neo-neon will take the investment from Tsinghua Tongfang as a turning point to continuously explore the LED industry. We will overcome the challenges ahead in the course of development and maintain a leading position in the industry. Meanwhile, we will actively explore new frontiers and new products that are energy-saving and environmental-friendly and are adaptable to the internet era and new energy technologies. We will look out for business diversification of the Company to create value for our shareholders and fulfil the expectation of investors.

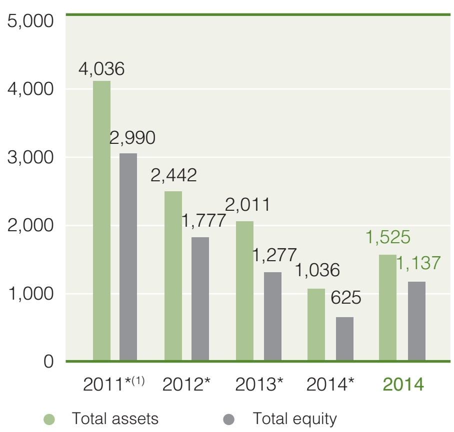
**Mr Lu Zhi Cheng**
*Chairman*

Hong Kong, 18 March 2015

# FINANCIAL HIGHLIGHTS

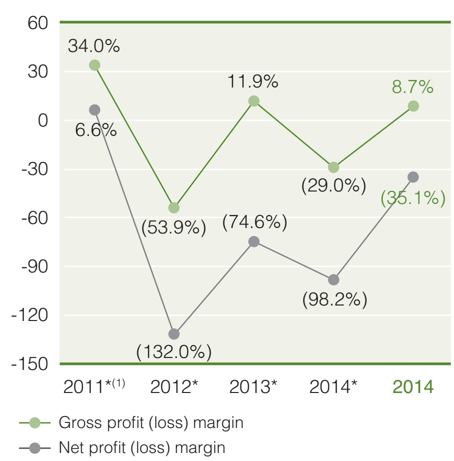
| Expressed in RMB million | Year ended 31 March 2011*[(1)] | Year ended 31 March 2012* | Year ended 31 March 2013* | Year ended 31 March 2014* | Nine months ended 31 December 2014 |
|---|---|---|---|---|---|
| Turnover | 1,475 | 897 | 670 | 671 | **558** |
| Gross profit (loss) | 502 | (484) | 80 | (195) | **48** |
| Profit (loss) attributable to owners of the Company | 101 | (1,184) | (500) | (659) | **(196)** |
| EBITA | 286 | (1,018) | (349) | (581) | **(162)** |
| Total assets | 4,036 | 2,442 | 2,011 | 1,036 | **1,525** |
| Total equity | 2,990 | 1,777 | 1,277 | 625 | **1,137** |
| Gross profit (loss) margin | 34.0% | (53.9%) | 11.9% | (29.0%) | **8.7%** |
| Net profit (loss) margin | 6.6% | (132.0%) | (74.6%) | (98.2%) | **(35.1%)** |
| (Loss) EPS-basic (RMB cents) | 10.9 | (125.6) | (53.2) | (70.2) | **(13.1)** |

**Total assets/Total equity**
RMB M

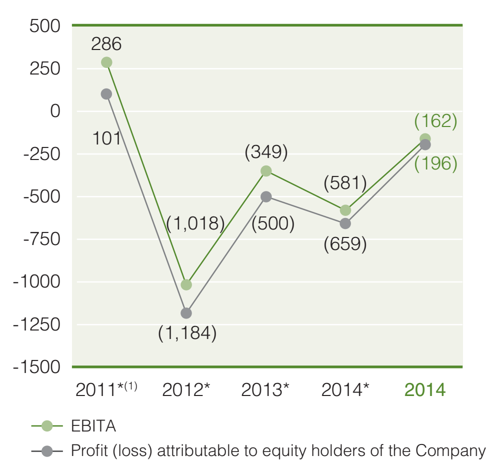



**Turnover**
RMB M


**Gross and net profit (loss) margin**
%




**EBITA and profit (loss) attributable to equity holders of the Company**
RMB M




* *Restated – See Note 3(c) to the consolidated financial statements*
(1) *For the period from 1 January 2010 to 31 March 2011.*

# DIRECTORS, AND SENIOR MANAGEMENT PROFILES

## EXECUTIVE DIRECTORS

### Mr. Lu Zhi Cheng (陸致成)

Mr. Lu Zhi Cheng (陸致成), aged 67, was appointed as an executive Director and the chairman of the Board on 25 August 2014. He is a professor at Tsinghua University. He began serving as the chairman of the board of Tsinghua Tongfang (stock code: 600100) since 15 May 2013. He is also the chairman of the board and a non-executive director of Technovator International Limited (stock code: 1206), the chairman of the board of Tellhow Sci-Tech Co. Ltd (stock code: 600590) and Tongfang Guoxin Electronics Co., Ltd. (stock code: 002049). Mr. Lu was the general manager of Beijing Tsinghua Artificial Environmental Engineering Co. which was established in 1989. In 1997, this company was restructured with some other companies held by Tsinghua University and formed Tsinghua Tongfang. Tsinghua Tongfang was listed on the Shanghai Stock Exchange on 27 June 1997. Mr. Lu served as the director, vice chairman and the president of Tsinghua Tongfang from 1997 to 2013. Tsinghua Tongfang and Tellhow Sci-Tech Co. Ltd are listed on the Shanghai Stock Exchange in China. Tongfang Guoxin Electronics Co., Ltd. is listed on the Shenzhen Stock Exchange in China, while Technovator International Limited is listed on the Main Board of the Stock Exchange. Mr. Lu acted as a non-executive Director of CIAM Group Limited (stock code: 0378), a listed company on the Main Board of the Stock Exchange from July 2009 to March 2015.

### Mr. Ben Fan (樊邦弘)

Mr. Ben Fan (樊邦弘), aged 61, was appointed as an executive Director in August 2006. He is currently a substantial shareholder of the Company. In 1977, Mr. Fan graduated from Shih Hsin College in Taiwan where he studied journalism. He commenced decorative lighting business in 1981, and he has over 30 years of experience in the decorative lighting industry. During the course of his career in the decorative lighting industry, Mr. FAN received many awards such as "1998 Hong Kong Youth Industrialist Awards" which was granted to Mr. FAN in recognition of his success and contribution to the industrial sector.

### Mr. Wang Liang Hai (王良海)

Mr. Wang Liang Hai (王良海), aged 50, was appointed as an executive Director on 25 August 2014. He was awarded a master degree in Engineering from Tsinghua University. He was appointed as the vice president, general manager of multi-media industrial group and general manager of semiconductor and lighting industrial group of Tsinghua Tongfang since May 2010. Mr. Wang has served as deputy general manager of the digital TV system group and general manager of consumer electronics division, assistant president of Tsinghua Tongfang since 2007.

### Mr. Seah Han Leong (謝漢良)

Mr. Seah Han Leong (謝漢良), aged 52, was appointed as an executive Director on 25 August 2014, the president and the chief executive officer of the Company on 26 August 2014, and he is responsible for the day-to-day operations and international business of the Company. He is also the president of THTF Lighting Group Limited (同方照明產業集團有限公司), a wholly-owned subsidiary of the Company. He is also a founder, an executive director and chief operating officer of Technovator International Limited ("Technovator"), is responsible for the day-to-day operations and general management of Technovator and its subsidiaries. He was appointed as a director of Technovator on 25 May 2005 and was re-designated as an executive director of Technovator on 12 April 2011. Technovator is a company listed on the Main Board of the Stock Exchange (stock code: 1206). Mr. Seah received a certificate for attending the INSEAD-T.A.C. Management Development Programme from INSEAD Fontainebleau, France in 2003 and Technician Diploma in Electronics and Communication Engineering from Singapore Polytechnic in 1984. Prior to founding Technovator, Mr. Seah joined Honeywell Southeast Asia in 1990 and worked in various sales management positions covering different countries. In 1994, he was transferred to Honeywell China Inc. and his last position with Honeywell was the sales manager covering the Greater China market. He was also the managing director of TAC Controls Asia Pte Ltd from 1998 to 2005. Mr. Seah was recognized as the key personnel of the Asia Pacific management team of TAC Controls Asia Pte Ltd. He received various awards including Winners Club Award by Honeywell Asia Pacific Inc. and President's Club Award by Honeywell Inc. Mr. Seah was admitted as ordinary member of the Singapore Institute of Directors on 18 April 2012.

### Mr. Pan Jin (潘晉)

Mr. Pan Jin (潘晉), aged 53, was appointed as an executive Director on 25 August 2014 and the vice president of the Company on 26 August 2014, and he is responsible for the investment, property management and the science park development business of the Company. He is also the vice president of THTF Lighting Group Limited (同方照明產業集團有限公司), a wholly-owned subsidiary of the Company. He was awarded a PhD of Engineering from Tsinghua University. Since 2003, Mr. Pan has served as deputy general manager and general manager of the Investment Development Department of Tsinghua Tongfang, and the assistant president of Tsinghua Tongfang and the general manager of the Investment Development Department. Mr. PAN is also a director of Tongfang Guoxin Electronics Co., Ltd. (stock code: 002049) and a non-executive director of Tai Shing International (Holdings) Limited (stock code: 8103). Tongfang Guoxin Electronics Co., Ltd. is listed on the Shenzhen Stock Exchange in China and Tai Shing International (Holdings) Limited is listed on the GEM of the Stock Exchange.

## NON-EXECUTIVE DIRECTOR

### Mr. Liu Wei Dong (劉衛東)

Mr. Liu Wei Dong (劉衛東), aged 52, was appointed as a non-executive Director on 25 August 2014. He is an accountant and holds an MBA. He graduated from School of Economics and Management of Tsinghua University, has more than 20 years of management experience in finance and auditing. Since 2004, Mr. Liu has served as deputy general manager of the audit department, vice general accountant and general accountant of Tsinghua Tongfang. He is currently the vice president, chief financial officer and finance director of Tsinghua Tongfang.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Mr. Fan, Ren Da Anthony (范仁達)

Mr. Fan, Ren Da Anthony (范仁達), aged 55, was appointed as an independent non-executive Director on 25 August 2014. In 1986, Mr . Fan received his Master of Business Administration from the University of Dallas of the United States. Mr. Fan is an independent non-executive director of Uni-President China Holdings Ltd. (stock code: 220), Citic Resources Holdings Limited (stock code: 1205), Shanghai Industrial Urban Development Group Limited (stock code: 563), Renhe Commercial Holdings Company Limited (stock code: 1387), Technovator International Limited (stock code: 1206), Guodian Technology & Environment Group Corporation Limited (stock code: 1296), Tenfu (Cayman) Holdings Company Limited (stock code: 6868), China Development Bank International Investment Limited (stock code: 1062), Hong Kong Resources Holdings Company Limited (stock code: 2882), LT Holdings Limited (stock code: 112) and Raymond Industrial Limited (stock code: 229), all of which are listed on the Main Board of the Hong Kong Stock Exchange.

### Mr. Liu Tian Min (劉天民)

Mr. Liu Tian Min (劉天民), aged 53, was appointed as an independent non-executive Director on 25 August 2014. He is the managing partner of SB China Venture Capital Limited, non-executive director of Technovator International Limited (stock code: 1206) and the independent director of Taiwan Wax Company, Ltd. (stock code: 1742). Mr. Liu served as vice president of Tsinghua Tongfang and the general manager of digital TV system group from 2003 to 2009. Technovator International Limited is listed on the Main Board of Stock Exchange, and Taiwan Wax Company, Ltd. is listed on Taiwan Stock Exchange.

### Ms. Li Ming Qi (李明綺)

Ms. Li Ming Qi (李明綺), aged 47, was appointed as an independent non-executive Director on 25 August 2014. She was graduated from Fudan University in Shanghai. She received a Bachelor of Economics and has also obtained a Master of Economics from the Southern Methodist University and a Master of Science in Management and Administrative Sciences from the University of Texas in Dallas. She is currently an independent director of Sino Gas International Holdings, Inc. (stock code: SGAS). Ms. Li had served as senior associate of JP Morgan Chase, associate/portfolio manager of BHF Capital, vice president/portfolio manager of Transamerica Business Capital, vice president/senior relationship manager of Morgan Stanley and hedge fund controller of Mercury Capital Management. Sino Gas International Holdings is listed on the Over-The-Counter Bulletin Board in the US.

## SENIOR MANAGEMENT

**Mr. Seah Han Leong (謝漢良). Please refer to the details set out above under the paragraph headed "Executive Directors" in this section.**

**Mr. Pan Jin (潘晉). Please refer to the details set out above under the paragraph headed "Executive Directors" in this section.**

### Mr. Fu Kai (付凱)

Mr. Fu Kai (付凱), aged 40, is a Certified Tax Agent and also an accountant. He graduated from Department of Accounting of College of Economics of Hubei University. Mr. Fu is currently the chief accountant of the Company, mainly responsible for accounting and financial management of the Company. He is also the chief accountant and the general manager of the financial centre of THTF Lighting Group Limited (同方照明產業集團有限公司), a wholly-owned subsidiary of the Company. He has served as the cost manager and financial manager of the financial department of Tongfang Gigamega Tech Co., Ltd (同方吉兆科技有限公司), the financial manager of financial department of digital TV system group of Tsinghua Tongfang, as well as the assistant general manager and deputy general manager of the financial department of Tsinghua Tongfang since 2004.

### Mr. Fan Pong Yang (樊邦揚)

Mr. Fan Pong Yang (樊邦揚), aged 59, is the assistant president of the Company. He is currently a Jiangmen Municipal Committee member of the Political Consultative Conference of Guangdong Province (廣東省江門市政協委員) and the Honorary President of Jiangmen Association of Taiwan Businesses (江門市台商協會). Mr. Fan has worked in the LED lighting industry since 1990, focusing on the research and development as well as the promotion of LED semiconductor lighting industry. From October 2006 to September 2014, he served as the executive Director of the Company.

### Mr. Jang Jann Huan (張震寰)

Mr. Jang Jann Huan (張震寰), aged 61, graduated from the Texas Tech University, where he obtained a Doctor of Philosophy degree in Business Administration. He is the assistant president of the Company, mainly responsible for the Company's business in the US. He is also currently the chief executive officer (CEO) and the acting CEO of American Lighting and Tivoli, both of which are the wholly-owned subsidiary of the Company, respectively. From 1999 to 2004, Mr. Jang was responsible for expanding our business in the US. From 2004 to 2006, he was the CEO of Tivoli. From 2006 to 2009, he served as the director of the marketing department, the executive Director and the CEO of the Company.

### Mr. Xu Dong (許東)

Mr. Xu Dong (許東), aged 48, graduated from Beijing University of Aeronautics and Astronautics and is currently an accountant. He is the assistant president of the Company, mainly responsible for the operation management, including information system, procurement, logistic control and storage. He is also the vice president and the general manager of operation centre of THTF Lighting Group Limited (同方照明產業集團有限公司), a wholly-owned subsidiary of the Company. Since 1997, he has served as the financial manager of the computer company, the chief financial officer of the computer systems group, the chief financial officer as well as the chief operation officer of the semiconductor lighting group, of Tsinghua Tongfang.

## Mr. Liu Tong (劉彤)

Mr. Liu Tong (劉彤), aged 46, was awarded a master degree in Engineering from Tsinghua University (清華大學). He is the assistant president of the Company, mainly responsible for the Company's business in the PRC. He is also the vice president and general manager of domestic centre of THTF Lighting Group Limited (同方照明產業集團有限公司), a wholly-owned subsidiary of the Company. Since 1997, he has served as the deputy general manager of Tsinghua Tongfang Artificial Environment Co., Ltd, the deputy general manager of production base construction department of Tsinghua Tongfang, the general manager of lighting business division of Tsinghua Tongfang, as well as the general manager of Beijing Tongfang Lighting Technology Co., Ltd.

## Mr. Li Zheng Cheng (李政城)

Mr. Li Zheng Cheng (李政城), aged 47, was awarded a bachelor degree in Business and Administration from National Chung Hsing University in Taiwan (now known as National Taipei University). He is the assistant president of the Company, mainly responsible for the management of production and quality control of products of the Company. He is also the vice president and general manager of domestic centre of THTF Lighting Group Limited (同方照明產業集團有限公司), a wholly-owned subsidiary of the Company. He has served as the assistant general manager of Xinmao Science and Technology (Shenzhen) Co., Ltd., and the general manager of Da An Investments International Limited since 1998.

## Mr. Xu Hui Lai (徐惠來)

Mr. Xu Hui Lai (徐惠來), aged 43, was awarded a bachelor degree in Laws from the China Youth University for Political Sciences (中國青年政治學院). He is the assistant president of the Company, mainly responsible for human resources and administration of the Company. He is also the vice president and general manager of domestic centre of THTF Lighting Group Limited (同方照明產業集團有限公司), a wholly-owned subsidiary of the Company. Since 2000, he has served as the deputy head of human resources department of Nuctech Company Limited, the assistant general manager of human resources department of Tsinghua Tongfang, the director of human resources department of 同方光電科技有限公司 and the director of human resource of semiconductor lighting group of Tsinghua Tongfang.

## Mr. Zhou Fu Min (周福民)

Mr. Zhou Fu Min (周福民), aged 43, was awarded a master degree in Laws from Tsinghua University (清華大學). He is the assistant president of the Company, mainly responsible for the legal affairs of the Company. Since 1998, he has served as the chief counsel and the general manager of the legal department of Yongjin Industry (Group) Co., Ltd., the general manager of the trust department, the general manager of legal department and the vice president of Yunnan International Trust Co., Ltd. (雲南國際信託有限公司), and the assistant president of Tsinghua Tongfang.

## Mr. Chan Cheung (陳璋)

Mr. Chan Cheung (陳璋), aged 59, is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, United Kingdom. Mr. Chan graduated from The Chinese University of Hong Kong. He is currently the company secretary of Neo-Neon Holdings Limited, mainly responsible for the information disclosures of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The revenue for the nine months ended 31 December 2014 was approximately RMB558.2 million, as compared to approximately RMB670.7 million for the year ended 31 March 2014, which remained stable.

### Cost of goods sold

For nine months ended 31 December 2014, the cost of goods sold was approximately RMB509.8 million, representing a decrease of approximately RMB355.7 million over approximately RMB865.5 million for the year ended 31 March 2014.

### Gross profit (Loss) and gross profit (loss) margin

For nine months ended 31 December 2014, the Group recorded a gross profit of approximately RMB48.4 million. This represents an improvement compared with the year ended 31 March 2014, when the Group recorded a gross loss of approximately RMB194.7 million for the year ended 31 March 2014.

The Group recorded a gross profit margin of approximately 8.7% for the nine months ended 31 December 2014, representing an increase of 37.7% over a gross loss margin of approximately 29.0% for the year ended 31 March 2014, primarily due to decrease in manufacturing expenses of approximately RMB160.0 million.

### Other gains, losses and expenses

For the nine months ended 31 December 2014, the Group recorded other losses of approximately RMB15.1 million, representing a decrease of approximately RMB37.3 million over other gains of RMB22.2 million for the year ended 31 March 2014, due to the net income of approximately RMB52.8 million resulted from a disposal of plant and land relating to the advertising lights factory of Heshan Tongfang Lighting Technology Co., Ltd. (鶴山同方照明科技有限公司) ("Heshan Tongfang Lighting") during the period, as compared to the net income of approximately RMB84.5 million resulted from disposal of its Hong Kong office and exhibition hall on ground floor and basement Level 1 located at New East Ocean Centre, No. 9 Science Museum Road, Tsim Sha Tsui, Hong Kong during the period ended 31 March 2014.

### Impairment loss of property, plant and equipment

As at 31 December 2014, the amount of impairment losses recognised in respect of property, plant and equipment were approximately RMB32.7 million (31 March 2014: RMB258.4 million as restated).

### Operating expenses

The distribution and selling expenses mainly comprised staff costs, promotion and advertising, freight and transportation, agency and custom costs and rent and rates.

For the nine months ended 31 December 2014, the distribution and selling expenses of the Group were approximately RMB68.6 million, representing a decrease of approximately RMB6.3 million over approximately RMB74.9 million for the year ended 31 March 2014, due to decrease in expenses in relation to freight of approximately RMB2.5 million and decrease in after-sales service expenses of approximately RMB6.1 million.

The administrative expenses mainly comprised staff costs, directors remuneration, depreciation charge, professional and legal fee and business tax. The administrative expenses for the nine months ended 31 December 2014 were approximately RMB124.9 million, representing a decrease of approximately RMB19.4 million over approximately RMB144.3 million for the year ended 31 March 2014, mainly due to decrease in depreciation on fixed assets of approximately RMB10.5 million.

## Finance costs

The finance costs for the nine months ended 31 December 2014 was approximately RMB4.2 million, representing a decrease over RMB13.4 million for the year ended 31 March 2014, mainly due to the decrease in bank loan of RMB62.2 million.

## Taxation

For the nine months ended 31 December 2014, the Group's tax charge of RMB4.2 million (31 March 2014: tax credit of RMB1.2 million as restated) mainly included taxation imposed in overseas jurisdictions of approximately RMB3.0 million, provision in prior years of approximately RMB2.0 million and deferred taxation of approximately RMB0.9 million.

## Loss attributable to owners of the Company

For nine months ended 31 December 2014, the Group recorded a loss attributable to owners of the Company of RMB196.0 million. This represents an improvement compared with the year ended 31 March 2014 when the Group recorded a loss attributable to owners of the Company of RMB659.4 million. Such improvement was mainly due to (i) increase in gross profit of approximately RMB243.1 million, (ii) decrease in net income from disposal of fixed assets of approximately RMB31.7 million, (iii) decrease in provisions in relation to fixed assets, goodwill and financial instrument of approximately RMB233.1 million, and (iv) decrease in sales and administrative expenses of approximately RMB25.7 million.

## Financial Resources and Liquidity and Gearing Ratio

The Group maintained a stable financial position. As at 31 December 2014, the Group had bank balances of RMB674.8 million and short-term bank loans of RMB112.8 million. The gearing ratio representing the ratio of short-term bank loans to total equity of the Group was 9.9% as at 31 December 2014 (31 March 2014: 27.9% as restated). Such decrease was mainly caused by (1) decrease in bank loan, and (2) investment in the Company by Tsinghua Tongfang during the period.

## Cash flows

The Group's financial resources mainly consist of cash flow from investing activities and financing activities.

The Group recorded (1) cash outflow from operating activities of approximately RMB56.1 million (the year ended 31 March 2014: RMB16.9 million as restated) for the nine months ended 31 December 2014, (2) cash outflow from investing activities of approximately RMB2.4 million (the year ended 31 March 2014: cash inflow of approximately RMB207.8 million as restated) for the nine months ended 31 December 2014, and (3) cash inflow from financing activities of approximately RMB646.5 million (the year ended 31 March 2014: cash outflow of approximately RMB301.6 million as restated) for the nine months ended 31 December 2014.

The above increase cash outflow from operating activities was mainly attributable to the decrease in trade and other receivables of approximately RMB43.3 million.

The above increase cash inflow from financing activities was mainly attributable to (1) the decrease in bank loan of approximately RMB62.2 million and (2) the subscription of Shares in the Company by THTF ES for a consideration of RMB716.2 million.

## Assets and liabilities

As at 31 December 2014, the Group recorded the total assets of approximately RMB1,524.6 million (31 March 2014: RMB1,036.6 million as restated) and total liabilities of approximately RMB387.8 million (31 March 2014: RMB411.5 million as restated).

As at 31 December 2014 the Group's current assets and non-current assets were approximately RMB1,068.7 million (31 March 2014: RMB653.4 million as restated) and approximately RMB455.9 million (31 March 2014: RMB383.2 million as restated) respectively. The increase in current assets was mainly attributable to increase in cash and cash equivalents of approximately RMB585.4 million and the change in non-current assets was mainly attributable to (1) a disposal of plant and land from the advertising lights factory of Heshan Tongfang Lighting Technology Company Limited during the period and acquisition of 50% issued share capital of Tivoli, LLC, which results in decrease in interest in a jointly controlled entity and increase in total assets, (2) the Group's participation in the overseas assets management plan operated by China AMC (as defined under "Investment during the period" below) in October 2014 by depositing the investment amount of RMB105.5 million, resulting in the increase in financial assets at fair value through profit or loss.

As at 31 December 2014, the Group's current liabilities and long-term liabilities were approximately RMB367.8 million (31 March 2014: RMB390.6 as restated) and approximately RMB20.0 million (31 March 2014: RMB20.9 million as restated) respectively. The decrease in current liabilities was mainly attributable to decrease in bank loan of approximately RMB62.2 million.

## Foreign Exchange Risk

Several subsidiaries of the Company have sales and purchases denominated in currencies other than the functional currency of respective entity, which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

## Charge on Assets

As at 31 December 2014, the Group had pledged certain of its land and buildings with an aggregate carrying value of RMB10.7 million (31 March 2014: RMB83.1 million as restated), certain of its trade receivables and inventories with an aggregate carrying value of RMB27.0 million (31 March 2014: RMB26.9 million as restated), and also bank deposits of aggregate carrying value of RMB1.2 million) (31 March 2014: RMB35.0 million as restated) to secure bank credit facilities granted to the Group.

### Capital Commitments

As at 31 December 2014, the Group had capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment of RMB13.0 million (31 March 2014: RMB12.6 million as restated).

### Contingent Liabilities

During the nine months ended 31 December 2014, certain subsidiaries are parties to various legal claims in their ordinary course of business. In the opinion of the Directors, these claims would not have a significant impact on the Group's results and financial position.

### Capital Structure

As at 31 December 2014, the issued share capital of the Company was RMB171,896,724 (equivalent to HK$193,931,969) (31 March 2014: RMB92,316,724 as restated (equivalent to HK$93,931,969)), divided into 1,939,319,694 ordinary shares of HK$0.10 each.

## MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

### Acquisition of Tivoli, LLC.

On 8 May 2014, Neo-Neon LED USA Holdings Limited and American Lighting Inc., both of which are wholly-owned subsidiaries of the Company entered into an acquisition agreement to acquire 50% issued share capital of Tivoli, LLC. at the consideration of US$3,000,000 (equivalent to approximately RMB18,509,000), to be funded by the existing general working capital of the Group. Such acquisition was completed on 15 May 2014 and Tivoli, LLC became a wholly-owned subsidiary of the Group accordingly. Tivoli, LLC is principally engaged in the trading of lighting products. Such acquisition would enable the Company to consolidate its distribution business of the Group's LED products in the USA and enhance the profitability of the Company. Further details were disclosed in the announcement of the Company dated 8 May 2014.

### Tsinghua Tongfang's subscription of the Shares in the Company

On 19 March 2014, the Company and THTF ES, an indirect wholly-owned subsidiary of Tsinghua Tongfang entered into a subscription agreement, pursuant to which the Company agreed to allot and issue to THTF ES, and THTF ES agreed to subscribe in cash for, an aggregate of 1,000,000,000 Shares, at the subscription price of HK$0.90 per subscription Share. Such subscription was completed on 1 August 2014 and THTF ES became the controlling shareholder of the Company accordingly. THTF ES intends to continue the principal businesses of the Group after the completion of the subscription.

In addition, THTF ES announced the mandatory unconditional cash offers for all the issued shares and outstanding options of the Company on 8 August 2014. According to the joint announcement dated 22 September 2014, THTF ES had received 692,690 shares under the share offer. As at the date of this report, the shareholding of THTF ES in the Company is 51.6%.

Such subscription and capital increase represent a valuable opportunity for the Group to bring in a solid strategic corporate investor which has extensive experience, strong expertise and a wide business network in the industry. The ultimate beneficial owner of THTF ES, Tsinghua Tongfang, is a renowned high-tech enterprise in the PRC. It possesses the capabilities to manufacture upstream LED chips and wafers based on its 59 sets of MOCVD equipment. Furthermore, Tsinghua Tongfang has strong technical strength and global sales network in the related applications industries such as multi-media television industry, computer industry, intelligent building industry and energy saving industry. With its strong technical strength and wide business network, the introduction of Tsinghua Tongfang as a strategic investor of the Group can support the rapid development and expansion of the Group's businesses, enhance the corporate governance of the Group with the implementation of regulated management system used by Tsinghua Tongfang, and to allow greater room for the Group's diversification in business structure in the future. The Directors consider that entering into the subscription agreement represents a good opportunity to (i) raise a substantial amount of additional funds for the Company; (ii) improve the financial position and liquidity of the Group; and (iii) provide the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective investment opportunity as and when it arises.

Further details of such subscription were contained in the announcements of the Company dated 25 March 2014, 8 August 2014, 18 August 2014, 22 September 2014 and the circular of the Company dated 16 May 2014.

Save as disclosed above, there are no major acquisitions, disposals or investments during the period under review.

### Final Dividend

The Board resolved not to declare any dividend for the nine months ended 31 December 2014 (31 March 2014: nil as restated).

## BUSINESS REVIEW

### Production Facilities and Capacity

During the period under review, the Group vertically integrated the operations from chips, packaging, moulding, lighting products and application so as to achieve a more professional level of division of labour in the LED lighting industry.

### Sales and Distribution

During the period under review, the Group put much effort in distribution and marketing, improves and expands the sales channel of general LED lighting products, so as to strengthen its presence in one of the world's fastest growing markets, to better integrate its branches and to provide more quality before-sales and after-sales services to its existing customers.

### Research and Development ("R&D")

The Group's R&D efforts were driven towards product design, new product development and production efficiency improvement in order to reduce the overall production cost.

## Employees and Remuneration Policy

As at 31 December, 2014, the Group's total number of employees was approximately 3,300 (31 March 2014: 3,400). The basic remunerations of the employees are determined with reference to the industry remuneration benchmark, the employees' experience and their performance. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits required by laws, the Group provides discretionary bonus based upon the Group's results and the individual performance of the staff.

## Investment during the period

On 29 October 2014 (after trading hours), Heshan Tongfang Lighting Technology Company Limited ("Heshan Tongfang Lighting"), a wholly-owned subsidiary of the Company, as principal, entered into an overseas assets management plan contract with China Asset Management Co., Ltd. ("China AMC", as asset manager) and China Construction Bank Corporation ("CCBC", as asset custodian), pursuant to which Heshan Tongfang Lighting has agreed to participate in the overseas assets management plan operated by China AMC (the "Plan") by depositing the investment amount of RMB105.5 million (equivalent to approximately HK$133.6 million) (the "Investment Amount") in a designated account maintained with CCBC. Pursuant to the Plan, the Investment Amount is proposed to be invested principally in equity interest and equity-linked structured products of Sinopec Marketing Co., Ltd. and bonds (including convertible bonds), funds, money market instruments, derivatives commodities and other financial instruments as permitted by the applicable securities laws and the requirements of the China Securities Regulatory Commission. For further details, please refer to the announcement of the Company dated 29 October 2014.

## Change of Principal Place of Business in Hong Kong

On 23 December 2014, the principal place of business of the Company in Hong Kong was changed to Unit 806-810, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

## Disciplinary Hearing Result

On 8 August 2014, the Company received a letter from the Secretary to the Listing (Disciplinary) Committee (the "Committee") of the Stock Exchange, stating that the Committee conducted a hearing into the conduct of the Company and its Director, and the disciplinary hearing result concluded that the Company and its Directors did not breach Rule 13.09(1) of the Listing Rules, and the Committee decided not to impose any sanctions or directions on the Company and its Directors. Such hearing was about the failure of the Company to publish an announcement as soon as reasonably practicable to inform its Shareholders and the market of the significant magnitude of expected loss for the year ended 31 March 2012, which was enquired by the Committee in March 2014.

# DIRECTORS' REPORT

The Directors are pleased to present their annual report and the audited financial statements for the nine months ended 31 December 2014.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 39 to the consolidated financial statements.

## SUBSIDIARIES

Details of the principal subsidiaries of the Group as of 31 December 2014 as set out in note 39 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The results of the Group the nine months ended 31 December 2014 are set out in the "Consolidated Statement of Comprehensive Income" on page 48.

The Board resolved not to declare any dividend for the nine months ended 31 December 2014 (31 March 2014: nil).

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on Wednesday, 20 May 2015, the register of members of the Company will be closed from Monday, 18 May 2015 to Wednesday, 20 May 2015, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrars in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 May 2015. The record date for the entitlement to attend the annual general meeting will be on Wednesday, 20 May 2015.

## PROPERTY, PLANT AND EQUIPMENT

Movements during the period in the Group's property, plant and equipment are set out in note 16 to the consolidated financial statements.

Movements during the period in the Group's investment properties are set out in note 15 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements during the period in the share capital of the Company are set out in note 32 to the consolidated financial statements.

## RESERVES

Details of movements in reserves of the Group are set out in consolidated statement of changes in equity of the financial statement. As at 31 December 2014, the Company does not have reserves available for distribution to equity shareholders.

## PRE-EMPTIVE RIGHTS

There are no pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

## DIRECTORS

The Directors of the Company up to the date of this report are:

### Executive Directors

Mr. Lu Zhi Cheng *(Chairman)*
Mr. Ben Fan
Mr. Wang Liang Hai
Mr. Seah Han Leong
Mr. Pan Jin

### Non-executive Director

Mr. Liu Wei Dong

### Independent non-executive Directors

Mr. Fan Ren Da, Anthony
Mr. Liu Tian Min
Ms. Li Ming Qi

Note:

(1) Each of Mr. Lu Zhi Cheng, Mr. Wang Liang Hai, Mr. Seah Han Leong, Mr. Pan Jin, Mr. Liu Wei Dong, Mr. Fan Ren Da Anthony, Mr. Liu Tian Min, Ms. Li Ming Qi was appointed as a Director on 25 August 2014.

(2) Each of Ms. Michelle Wong, Mr. Fan Pong Yang, Mr. Wong Kon Man, Jason, Mr. Weng Shih Yuan, Ms. Liu Sheng Ping and Mr. Suen Man Tak, Stephen resigned as a Director on 22 September 2014.

According to Article 87(1) of the Articles of Association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company. According to Article 87(2), the retiring Director shall be eligible for re-election.

In addition, according to Article 86(3) of the Articles of Association, any Director appointed by the Board either to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

In accordance with Article 87(1) of the Articles of Association, Mr. Ben Fan shall retire by rotation at the AGM and, being eligible, will offer himself for re-elections at the AGM.

In accordance with Article 86(3) of the Articles of Association, Mr. Lu Zhi Cheng, Mr. Wang Liang Hai, Mr. Seah Han Leong, Mr. Pan Jin, Mr. Liu Wei Dong, Mr. Fan Ren Da Anthony, Mr. Liu Tian Min and Ms. Li Ming Qi will retire at the AGM and, being eligible, will offer himself or herself for re-election.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The Directors' updated information is set out on page 8 to page 12 of this report.

## DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance in relation to the Group's business to which the Company or any of subsidiaries and fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the period was the Company or any of its subsidiaries a party to any arrangement whose objectives are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than under the Share Option Scheme, as disclosed below.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business, apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the period ended 31 December 2014 and up to the date hereof.

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

As at 31 December 2014, the interests or short positions of the Directors and the chief executives in the Shares, underlying Shares and debentures of the Company and its associated corporations of the Company, within the meaning of Part XV of the SFO which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

## Long positions in the Shares and underlying Shares of the Company:

| Name | Capacity | Number of Ordinary Shares as at the date of this report | Percentage of total issued share capital as at the date of this report |
|---|---|---|---|
| Mr. Ben Fan[1] | Beneficial owner, spouse interest and interest of controlled corporation | 363,366,000 | 18.74% |

Note:

(1) Mr. Ben beneficially holds 600,000 Shares and holds the entire issued share capital of Rightmass Agents Limited ("Rightmass") and is therefore deemed to be interested in all 336,400,000 Shares held by Rightmass. Mr. Ben Fan is the spouse of Ms. Michelle Wong and he is therefore deemed to be interested in all 26,366,000 Shares in which Ms. Michelle Wong is interested in by reason that she directly holds 10,668,000 Shares and holds 35% interest in Charm Light International Limited, which in turn holds 15,698,000 Shares of the Company.

Save as mentioned above, as at 31 December 2014, none of the Directors and the chief executives had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations which had been entered in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, so far as the Directors are aware, the following persons (other than the Directors and the executive officers) have interests or short positions in the Shares or underlying Shares which are required to be disclosed to the provisions of Divisions 2 and 3 of Part XV of the SFO or, are directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

| Name | Capacity | Number of Ordinary Shares as at the date of this report | Percentage of total issued share capital as at the date of this report |
|---|---|---|---|
| THTF ES[(1)] | Beneficial owner | 1,000,692,690 | 51.60% |
| Resuccess Investments Limited[(1)] | Interest of controlled corporation | 1,000,692,690 | 51.60% |
| Tsinghua Tongfang[(1)] | Interest of controlled corporation | 1,000,692,690 | 51.60% |
| Rightmass | Beneficial owner | 336,400,000 | 17.35% |
| Ms. Michelle Wong[(2)] | Beneficial owner, Interest of spouse, and Interest of controlled corporation | 363,366,000 | 18.74% |

Notes:

(1) Resuccess Investments Limited ("Resuccess") holds the entire issued share capital of THTF ES and Tsinghua Tongfang holds the entire issued share capital of Resuccess, therefore, each of Resuccess and Tsinghua Tongfang is deemed to be interested in all 1,000,692,690 Shares held by THTF ES.

(2) Ms. Michelle Wong is the spouse of Mr. Ben Fan and she is therefore deemed to be interested in all Shares held by him. Ms. Michelle Wong directly holds 10,668,000 Shares and holds 35% issued share capital of Charm Light International Limited and she therefore deemed to be interested in all 15,698,000 Shares held by Charm Light.

Save as mentioned above, as at 31 December 2014, the Company had not been notified of any interests and short positions in the Shares and underlying Shares of the Company which had been entered in the register required to be kept under Section 336 of the SFO.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group for the nine months ended 31 December 2014 are set out in note 37 to the financial statements.

## CONNECTED TRANSACTIONS

### Continuing Connected Transactions

On 9 December 2014, the Company entered into a mutual supply framework agreement (the "**Mutual Supply Framework Agreement**") with Tsinghua Tongfang for a period commencing from 9 December 2014 to 31 December 2014.

Pursuant to the Mutual Supply Framework Agreement, the Company agreed to supply and procure its subsidiaries to supply to the Tsinghua Tongfang Group LED decorative lights, LED general lighting products, professional LED lighting products and lighting projects; and Tsinghua Tongfang agreed to supply and procure its subsidiaries (other than the Group) to supply to the Group epitaxial wafers, accessories, spare parts and peripherals and related services.

The parties shall adhere to the following transaction principles in any sale and purchase of products and/or services contemplated under the Mutual Supply Framework Agreement:

(a) the terms for any sale of the relevant products and/or services shall not be less favourable to a contractual party than the terms made available to an Independent Third Party;

(b) the terms of any purchase of the relevant products and/or services shall not be more favourable to a contractual party than the terms made available by the other contractual party to an Independent Third Party;

(c) where the terms for purchasing the relevant product and/or service from an Independent Third Party is comparable with that offered by the other contractual party, a contractual party shall give priority to the other contractual party and purchase such product and/or service from the other contractual party.

The pricing for the products and/or services supplied by and/or to Tsinghua Tongfang Group (the "**Relevant Transaction**") will be determined following arm's length negotiation with reference to the following factors in order of priority:

(a) the average sale price of products and/or services of comparable nature and scale offered by a contractual party and accepted by an Independent Third Party in the twelve month period (the "**Reference Period**") prior to the Relevant Transaction, including the sale price under the most recent transaction (the "**Comparable Price**");

(b) where there is no Comparable Price available during the Reference Period, any available sale price of products and/or services of comparable nature and scale offered by a contractual party and accepted by an Independent Third Party prior to the Reference Period and the latest available market data; or

(c) the prevailing market price for the sale of products and/or services of comparable nature and scale.

From 9 December 2014 to 31 December 2014, the aggregate transactions under the sales by the Group to Tsinghua Tongfang Group was approximately RMB5.0 million, which was within the cap of approximately RMB7.9 million under the Mutual Supply Framework Agreement, and there was no supply by the Group to Tsinghua Tongfang Group, which was within the cap of approximately RMB7.9 million under the Mutual Supply Framework Agreement.

As at the date of this annual report, Tsinghua Tongfang is a controlling shareholder of the Company by virtue of its indirect 100% interest in THTF ES, which in turn holds 51.6% of the total issued share capital of the Company. Therefore, Tsinghua Tongfang is a connected person of the Company and the transactions under the Mutual Supply Framework Agreement constitute continuing connected transactions.

Further details of the Mutual Supply Framework Agreement are set out in the announcement of the Company dated 9 December 2014.

Save as disclosed above, no non-exempt connected or continuing connected transactions subsisted or have been entered into by the Group during the period under review.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of the business of the Company;

(ii) either (a) on normal commercial terms or; (b) where there is no available comparable terms, on terms no less favorable to the Company than terms available to or from Independent Third Parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditors of the Company to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. KPMG have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group.

The auditors of the Company have reported to the Directors that during the period:

(i) the above continuing connected transactions have been approved by the board of Directors;

(ii) the above continuing connected transactions are in accordance with the pricing policies of the Company;

(iii) the above continuing connected transactions have been entered into in accordance with the terms of the agreements governing such transactions; and

(iv) the respective cap amounts set out in the relevant agreements referred to above have not been exceeded.

## SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company pursuant to the Shareholders' resolutions passed on 20 November 2006 for the primary purpose of providing incentives to Directors and eligible employees. The Share Option Scheme became effective on 15 December 2006 and the options issued pursuant to the Share Option Scheme will expire no later than 10 years from the date of grant of the option. Under the Share Option Scheme, the Board may grant options to any employees of the Company or any of its subsidiaries to subscribe shares of the Company.

For any options granted to Directors, chief executives or substantial shareholders of the Company, options to be granted shall be approved by the independent non-executive Directors of the Company (excluding any independent non-executive Director who is the proposed grantee of options).

The maximum number of shares which may be issued upon the exercise of all the options to be granted under the Share Option Scheme was refreshed at the annual general meeting of the Company held on 10 August 2012. Subsequently, the number of options available for future grants is 94,244,069 shares, representing 10% of the issued share capital of the Company under the refreshed scheme mandate limit.

The number of shares issued and to be issued in respect of options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the total shares of the Company in issue at any point in time, without prior approval from the Company's Shareholders.

The amount payable on acceptance of an option is HK$1.00. In relation to any options granted under the Scheme, the exercise price is determined by the Directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of the share options under the Share Option Scheme during the period ended 31 December 2014 are set forth as below.

| Category of participants | Date of grant | Exercise price per share (HK$) | Exercisable period[2] | Outstanding at 31 March 2014 | Forfeited/ Lapsed during the period[3] | Outstanding at 31 December 2014 |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| Mr. Weng Shih Yuan[1] | 22.01.2010 | 6.75 | 22.01.2010-21.01.2018 | 200,000 | (200,000) | – |
| | 14.12.2012 | 1.99 | 14.12.2012-13.12.2016 | 100,000 | (100,000) | – |
| Mr. Wong Kon Man, Jason[1] | 14.12.2012 | 1.99 | 14.12.2012-13.12.2016 | 100,000 | (100,000) | – |
| Ms. Liu Sheng Ping[1] | 14.12.2012 | 1.99 | 14.12.2012-13.12.2016 | 100,000 | (100,000) | – |
| Mr. Fan Pong Yang[1] | 22.01.2010 | 6.75 | 22.01.2010-21.01.2018 | 760,000 | (760,000) | – |
| **Employees** | | | | | | |
| Employees, in aggregate | 15.02.2007 | 8.72 | 15.02.2007-14.02.2015 | 5,970,000 | (5,970,000) | – |
| | 01.02.2008 | 5.03 | 01.02.2008-31.01.2016 | 1,521,500 | (1,521,500) | – |
| | 29.02.2008 | 5.90 | 28.02.2008-28.02.2016 | 1,417,500 | (1,417,500) | – |
| | 13.07.2009 | 2.19 | 13.07.2009-12.07.2017 | 7,910,000 | (7,910,000) | – |
| | 22.01.2010 | 6.75 | 22.01.2010-21.01.2018 | 7,145,000 | (7,145,000) | – |
| | 23.07.2010 | 4.51 | 23.07.2010-22.07.2018 | 1,050,000 | (1,050,000) | – |
| | 19.08.2011 | 1.95 | 19.08.2011-18.08.2015 | 10,690,000 | (10,690,000) | – |
| | 14.12.2012 | 1.99 | 14.12.2012-13.12.2016 | 10,473,000 | (10,473,000) | – |

Notes:

(1) Each of Mr. Weng Shih Yuan, Mr. Wong Kon Man, Jason, Ms. Liu Shengping and Mr. Fan Pongyang resigned as a Director on 22 September 2014.

(2) The options set forth in the above table are subject to an option period of 4 to 8 years from the date of grant.

(3) According to the circular of the Company dated 8 September 2014, optionholders (holders of all the outstanding options granted under the Share Option Scheme) were reminded that according to the Share Option Scheme, optionholders are entitled to exercise their options in full or in part by notice in writing to the Company within 21 days after the mandatory unconditional cash offers are made. Upon the expiry of such 21-day period, the right to exercise the options (to the extent not already exercised or accepted under the option offer) will be terminated immediately and the options would be lapsed accordingly. Therefore, no exercise of options or acceptance of the option offer may be made in relation to any such option that has lapsed. At 4:00 p.m. on Monday, 22 September 2014, being the latest time and date for acceptance of the option offer, there has been no acceptance received in respect of the option offer. Based on the aforesaid, all of the options, which had not been exercised/accepted pursuant to the option offer, were lapsed and the Company does not have any options in issue immediately after the close of the offers.

Save as disclosed above, no share option was granted, exercised, lapsed, or cancelled during the period ended 31 December 2014.

Further details of the Share Option Scheme are set out in note 33 to the financial statements.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 19 March 2014, the Company entered into a subscription agreement with THTF ES, pursuant to which the Company has conditionally agreed to allot and issue to THTF ES, and THTF ES has conditionally agreed to subscribe in cash for an aggregate of 1,000,000,000 subscription shares for a consideration of HK$900,000,000. The completion of such subscription took place on 1 August 2014. In addition, THTF ES announced the mandatory unconditional cash offers for all the issued shares and outstanding options of the Company on 8 August 2014. According to the joint announcement dated 22 September 2014, THTF ES had received 692,690 Shares under the share offer.

Save as disclose above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the nine months ended 31 December 2014.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period.

## CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders during the period ended 31 December 2014.

## NON-COMPETE UNDERTAKINGS

Each of Mr. Ben Fan, Ms. Michelle Wong, Mr. Fan Pong Yang, Rightmass Agents Limited and Charm Light International Limited being the controlling shareholders of the Company until 1 August 2014 (the date they ceased to be controlling shareholders of the Company due to investment in the Company by Tsinghua Tongfang), has confirmed to the Company of his/her/its compliance with the non-compete undertakings provided to the Company under the Deed of Non-competition (as defined in the prospectus of the Company dated 4 December 2006) from the signing of the Deed of Non-competition until 1 August 2014. The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-compete have been complied with by them until 1 August 2014.

## USE OF PROCEEDS

| Date of initial Announcement | Capital raising activity | Use of net proceeds | Intended use of net proceeds not yet utilised |
|---|---|---|---|
| 25 March 2014 | On 19 March 2014, the Company entered into a subscription agreement with THTF ES, pursuant to which the Company has conditionally agreed to allot and issue to THTF ES, and THTF ES has conditionally agreed to subscribe in cash for an aggregate of 1,000,000,000 subscription shares for a consideration of HK$900,000,000.<br><br>The subscription price was HK$0.90 per Share. The gross proceeds from the subscription would amount to HK$900,000,000. The net proceeds, after taken into account the estimated expenses in relation to the subscription, would be approximately HK$896.80 million, representing a net price of approximately HK$0.897 per subscription Share. | It was intended that the net proceeds would be used as working capital of the Group as to approximately 65% of the net proceeds to fund the future development and expansion of the business scale of lighting products in the PRC and global LED lightings market so as to grasp the opportunities brought by the rapid growth of the LED market, and as to approximately 35% of the net proceeds for potential investment/acquisition opportunities in the future. | As at the date of this annual report, approximately 20% of the net proceeds have been used as working capital of the Group. The remaining 45% of the net proceeds would be used to fund future development and expansion of the business scale of lighting products in the PRC and global LED lightings market so as to grasp the opportunities brought by the rapid growth of the LED market, and the remaining 35% would be used for potential investment/acquisition opportunities in the future, which is consistent with the intended use of proceeds. |

Save as disclosed above, the Company did not undertake any equity fund raising in the past 12 months immediately prior to the date of this report.

# MAJOR SUPPLIERS AND CUSTOMERS

During the period ended 31 December 2014, the largest supplier accounted for 3.4% of the Group's purchases and the five largest suppliers accounted for 14.0% of the Group's total purchases. The largest customer accounted for 7.6% of the Group's total revenue and the five largest customers accounted for 22.6% of the Group's total revenue.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has an interest in the Group's five largest suppliers and customers.

# CORPORATE GOVERNANCE

Details of corporate governance are set out in the section headed "Corporate Governance Report" on pages 32 to 45 of the annual report.

# COMPENSATION POLICY

The compensation package for each employee is structured in a way to attract and retain the best talents available, and will contain a combination or modification of some or all of the following four main components:

## I. Basic salary

Basic salary and wage rate ranges are established for each position by evaluating the responsibilities and the duties required to be performed. The actual salary or wage rate for the person filling the position is determined based on the experience and ability of the individual selected for the position.

The basic salary and wage rate ranges are reviewed periodically with reference to the prevailing market level and similar positions of competitors in the relevant industry. The actual salaries and wage rates of employees are reviewed annually and may be adjusted from time to time based on the cost of living and financial performance of the Company.

Salaries and wages are basic compensation and not intended to reward performance, either individually or corporately. Performance is rewarded through the other components of the compensation plan.

## II. Incentive bonus

Incentive bonus is linked to individual and corporate performance. Every year, profitability and other corporate performance targets are set and incentive bonuses will only be paid for that year if the targets are achieved.

The incentive bonus for each employee is determined with reference to his/her position and his/her individual performance during the period.

## III. Share Option Scheme

The Company adopted the Share Option Scheme on 20 November 2006. Granting of the options to employees from time to time will be at the discretion of the Board. The Scheme allows the Company to retain valuable human resources and to motivate future performance of the employees.

Options granted to individual employees are determined with reference to their positions, length of service with the Company, their performance and ability to contribute to the overall corporate success.

### IV. Other benefits

In addition to the above three main components, the Group offers other customary and/or mandatory benefits to employees, such as retirement fund scheme, medical benefits, insurance and paid holiday, with reference to prevailing industry practices in the relevant jurisdictions.

## AUDITORS

KPMG will retire and, being eligible, offer themselves for reappointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the period ended 31 December 2014.

## BANK LOANS

Details of bank loans of the Company and the Group as at 31 December 2014 are set out in note 29 to the financial statements.

On behalf of the Board

**Lu Zhi Cheng**
*Chairman*
Hong Kong, 18 March 2015

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

Except for the following deviations from code provision A.2.1 of the Corporate Governance Code, the Company has complied with the Corporate Governance Code for the nine months ended 31 December 2014.

From 31 March 2014 to 24 August 2014, the Group did not separate the roles of the chairman and chief executive officer and Mr. Ben Fan was both of the chairman and chief executive officer of the Group because he has the vision on the LED industry, technology and market development which is necessary for the Group to maximize the edge solutions for the upstream, middle and downstream industrial chain integration from LED wafers & chip production packaging and the LED lighting applications.

Due to investment by Tsinghua Tongfang and for good corporate governance purpose, the Group separated the roles of the chairman and chief executive officer starting from 25 August 2014. Mr. Lu Zhi Cheng was appointed as the chairman of the Board on 25 August 2014, and Mr. Seah Han Leong was appointed as the president and the chief executive officer of the Company on 26 August 2014.

## BOARD OF DIRECTORS

The overall management of the Company's operation is vested in the Board.

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems, and monitoring of the performance of the senior management. The Directors have to make decisions objectively in the interests of the Company.

The Board exercises a number of authorities which include:

– Formulating the Group's long-term strategy;

– Approving major acquisitions, disposals and capital investment;

– Reviewing operational and financial performance;

– Approving financial results and public announcements;

– Reviewing the effectiveness of internal control;

– Authorizing material borrowings;

– Deciding dividend policy;

– Any issue or repurchase of the Company's securities under general mandate;

– Approving appointment to the Board and senior management;

– Deciding the Group's remuneration policy;

To assist in fulfilling its duties and responsibilities, the Board established four committees, namely the audit committee, the remuneration committee, the nomination committee and regulatory compliance committee.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

## Board Composition

The Board currently comprises nine Directors, consisting of five executive Directors, Mr. Lu Zhi Cheng (the chairman of the Board), Mr. Ben Fan, Mr. Wang Liang Hai, Mr. Seah Han Leong and Mr. Pan Jin, one non-executive Director, Mr. Liu Wei Dong and three independent non-executive Directors, Mr. Fan Ren Da Anthony, Mr. Liu Tian Min and Ms. Li Ming Qi. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Biographical information of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

To the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive Directors. The Company has appointed three independent non-executive Directors representing more than one-third of the Board and is in compliance with Rule 3.10A of the Listing Rules.

## Independent Non-Executive Directors

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at the Board meeting and scrutinizing the Group's performance. Their views carry significant weight in the Board's decision, in particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advices to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of Shareholders can be taken into account, and the interests of the Company and its Shareholders can be protected.

The Board has three independent non-executive Directors with one of them, Ms. Li Ming Qi, one of the independent non-executive Directors, possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

## Board Diversity Policy

Pursuant to the code provisions of the Corporate Governance Code relating to board diversity which has come into effect since 1 September 2013, the Board approved a new board diversity policy (the "**Board Diversity Policy**") on 1 April 2013. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

## Model Code

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors' securities transactions for the nine months ended 31 December 2014.

## Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company.

The Directors have been informed of the requirement under code provision A.6.5 of the Corporate Governance Code regarding continuous professional development. According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the Corporate Governance Code on continuous professional development for the nine months ended 31 December 2014:

| | Corporate Governance/Updates on Laws, Rules and Regulations | | Accounting/Financial/Management or Other Professional Skills | |
|---|---|---|---|---|
| **Name of Director** | **Read materials** | **Attend Seminars/ Briefings** | **Read materials** | **Attend Seminars/ Briefings** |
| **Executive Directors** | | | | |
| Mr. Lu Zhi Cheng | ✓ | ✓ | ✓ | ✓ |
| Mr. Ben Fan | ✓ | ✓ | ✓ | ✓ |
| Mr. Wang Liang Hai | ✓ | ✓ | ✓ | ✓ |
| Mr. Seah Han Leong | ✓ | ✓ | ✓ | ✓ |
| Mr. Pan Jin | ✓ | ✓ | ✓ | ✓ |
| **Non-executive Director** | | | | |
| Mr. Liu Wei Dong | ✓ | ✓ | ✓ | ✓ |
| **Independent non-executive Directors** | | | | |
| Mr. Fan Ren Da Anthony | ✓ | ✓ | ✓ | ✓ |
| Mr. Liu Tian Min | ✓ | ✓ | ✓ | ✓ |
| Ms. Li Ming Qi | ✓ | ✓ | ✓ | ✓ |

## Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

## Meetings

All Directors are regularly updated on governance and regulatory matters. There is an established procedure for Directors to obtain independent professional advice at the expense of the Company in the furtherance of their duties.

The Board meets regularly throughout the period to review the overall strategy and to monitor the operation as well as the financial performance of the Group. The Chairman focuses on Group strategy and is responsible for chairing and managing the efficient operation of the Board and ensuring that all key issues are considered by the Board in a timely manner. Notice of at least 14 days has been given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda whenever they consider appropriate and necessary. Agenda and accompanying Board papers in respect of regular Board meetings are dispatched in full to all Directors within a reasonable time before the meeting. Directors have to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at board meetings and abstain from voting as appropriate. Draft minutes of all board meetings are circulated to Directors for comment within a reasonable time prior to confirmation. Minutes of board meetings and meetings of board committees are kept by the company secretary. All Directors have free access to board papers and related materials, and are provided with adequate information in a timely manner, enabling the Board to make informed decision on matters placed before it.

The individual attendance record of each Director at the meetings of the Board and the general meetings during the period ended 31 December 2014 is set out below:

| Name of Director | Attendance/ Number of Board Meeting(s) | Attendance/ Number of General Meeting(s) |
|---|---|---|
| **Executive Directors** | | |
| Mr. Lu Zhi Cheng *(Chairman)*(1) | 6/8 | 2/4 |
| Mr. Ben Fan | 5/8 | 2/4 |
| Mr. Wang Liang Hai(1) | 6/8 | 2/4 |
| Mr. Seah Han Leong(1) | 6/8 | 2/4 |
| Mr. Pan Jin(1) | 6/8 | 2/4 |
| Ms. Michelle Wong(2) | 3/8 | 2/4 |
| Mr. Fan Pong Yang(2) | 3/8 | 2/4 |
| **Non-executive Director** | | |
| Mr. Liu Wei Dong(1) | 4/8 | 1/4 |
| **Independent non-executive Directors** | | |
| Mr. Fan Ren Da Anthony(1) | 6/8 | 2/4 |
| Mr. Liu Tian Min(1) | 5/8 | 2/4 |
| Ms. Li Ming Qi(1) | 6/8 | 2/4 |
| Mr. Wong Kon Man, Jason(2) | 3/8 | 2/4 |
| Mr. Weng Shih Yuan(2) | 3/8 | 1/4 |
| Ms. Liu Sheng Ping(2) | 3/8 | 2/4 |
| Mr. Suen Man Tak, Stephen(2) | 2/8 | 2/4 |

Notes:

(1) Each of Mr. Lu Zhi Cheng, Mr. Wang Liang Hai, Mr. Seah Han Leong, Mr. Pan Jin, Mr. Liu Wei Dong, Mr. Fan Ren Da Anthony, Mr. Liu Tian Min, Ms. Li Ming Qi was appointed as a Director on 25 August 2014.

(2) Each of Ms. Michelle Wong, Mr. Fan Pong Yang, Mr. Wong Kon Man, Jason, Mr. Weng Shih Yuan, Ms. Liu Sheng Ping and Mr. Suen Man Tak, Stephen resigned as a Director on 22 September 2014.

## Appointments, Re-election and Removal of Directors

Each of the executive Directors of the Company has entered into a service contract with the Company for a specific term of three years commencing from 25 August 2014 (except that Mr. Ben Fan has entered into a service contract with the Company since September 2006 which has been renewed on 25 August 2014) and will automatically continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

The non-executive Director of the Company has entered into a service contract with the Company for a specific term of three years commencing from 25 August 2014 and will continue thereafter until terminated by not less than two months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of the independent non-executive Directors of the Company has entered into a service contract with the Company for a specific term of three years commencing from 25 August 2014 and will thereafter until terminated by not less than two months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

During the period ended 31 December 2014, Mr. Ben Fan and Ms. Michelle Wong (who ceased to be a Director on 22 September 2014) have waived their emoluments of approximately RMB1.4 million and RMB0.4 million in relation to their services respectively.

The above service contracts are subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the articles of association of the Company.

The articles of association of the Company provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

According to Article 87(1) of the Articles of Association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company. According to Article 87(2), the retiring Director shall be eligible for re-election.

In addition, according to Article 86(3), any Director appointed by the Board either to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

In accordance with Article 87(1) of the Articles of Association, Mr. Ben Fan shall retire by rotation at the AGM and, being eligible, will offer himself for re-election at the AGM.

In accordance with Article 86(3), Mr. Lu Zhi Cheng, Mr. Wang Liang Hai, Mr. Seah Han Leong, Mr. Pan Jin, Mr. Liu Wei Dong, Mr. Fan Ren Da Anthony, Mr. Liu Tian Min and Ms. Li Ming Qi will retire at the AGM and, being eligible, will offer himself or herself for re-elections at the AGM.

## Board Committees

The Board has established (i) audit committee, (ii) remuneration committee; (iii) nomination committee and (iv) regulatory compliance committee, with defined terms of reference. The terms of reference of the board committees which explain their respective role and the authority delegated to them by the Board are available on the website of the Company at http://www.neo-neon.com and the website of the Stock Exchange at www.hkexnews.hk. The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

## Audit Committee

The Company established an audit committee with written terms of reference. The audit committee currently comprises of three members, being all independent non-executive Directors, Mr. Fan Ren Da Anthony, Mr. Liu Tian Min and Ms. Li Ming Qi. Ms. Li Ming Qi is the chairman of the audit committee. The primary duties of the audit committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the internal control procedures of the Company. Their composition and written terms of reference are in line with the Corporate Governance Code.

The Group's unaudited interim results for the six months ended 30 September 2014 and the audited annual results for the year ended 31 March 2014 and the nine months ended 31 December 2014, respectively have been reviewed by the audit committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors. In addition, the audit committee reviewed the internal control of the Group during the nine months ended 31 December 2014.

During the nine months ended 31 December 2014, two meetings were held by the audit committee. The individual record of each member of the audit committee at the meetings of the audit committee is set out below:

| Name of Director | Attendance/Number of Committee Meeting(s) |
|---|---|
| Mr. Fan Ren Da Anthony(1) | 2/2 |
| Mr. Liu Tian Min(1) | 2/2 |
| Ms. Li Ming Qi(1) | 2/2 |
| Mr. Wong Kon Man, Jason(2) | 0/2 |
| Mr. Weng Shih Yuan(2) | 0/2 |
| Ms. Liu Sheng Ping(2) | 0/2 |
| Mr. Suen Man Tak, Stephen(2) | 0/2 |

Notes:

(1) Each of Mr. Fan Ren Da Anthony, Mr. Liu Tian Min, Ms. Li Ming Qi was appointed as a member of the audit committee on 26 August 2014.

(2) Each of Mr. Wong Kon Man, Jason, Mr. Weng Shih Yuan, Ms. Liu Sheng Ping and Mr. Suen Man Tak, Stephen ceased to be a member of the audit committee on 22 September 2014.

## Remuneration Committee

The Company established a remuneration committee on with written terms of reference. The remuneration committee comprises of four members, namely, Mr. Lu Zhi Cheng, an executive Director, and three independent non-executive Directors, Mr. Fan Ren Da Anthony, Mr. Liu Tian Min and Ms. Li Ming Qi. Mr. Liu Tian Min is the chairman of the remuneration committee. The primary duties of the remuneration committee are to advise the Board on the Group's overall policy and structure for the remuneration of Directors and senior management, and ensures that no Director or any of his associate is involved in deciding his/her own remuneration. Their composition and written terms of reference are in line with the Corporate Governance Code.

During the nine months ended 31 December 2014, the remuneration Committee reviewed the remuneration packages of the Directors and the senior management.

During the nine months ended 31 December 2014, two meetings were held by the remuneration committee. The individual record of each member of the remuneration committee at the meeting of the remuneration committee is set out below:

| Name of Director | Attendance/Number of Committee Meeting(s) |
|---|---|
| Mr. Lu Zhi Cheng(1) | 2/2 |
| Mr. Fan Ren Da Anthony(1) | 2/2 |
| Mr. Liu Tian Min(1) | 2/2 |
| Ms. Li Ming Qi(1) | 2/2 |
| Ms. Michelle Wong(2) | 0/2 |
| Mr. Wong Kon Man, Jason(2) | 0/2 |
| Mr. Weng Shih Yuan(2) | 0/2 |
| Ms. Liu Sheng Ping(2) | 0/2 |
| Mr. Suen Man Tak, Stephen(2) | 0/2 |

Notes:

(1) Each of Mr. Lu Zhi Cheng, Mr. Fan Ren Da Anthony, Mr. Liu Tian Min, Ms. Li Ming Qi was appointed as a member of the remuneration committee on 26 August 2014.

(2) Each of Ms. Michelle Wong, Mr. Wong Kon Man, Jason, Mr. Weng Shih Yuan, Ms. Liu Sheng Ping and Mr. Suen Man Tak, Stephen ceased to be a member of the remuneration committee on 22 September 2014.

## Nomination Committee

The Company established a nomination committee on with written terms of reference. The nomination committee currently comprises of four members, namely, Mr. Lu Zhi Cheng, an executive Director and three independent non-executive Directors, Mr. Fan Ren Da Anthony, Mr. Liu Tian Min and Ms. Li Ming Qi. Mr. Lu Zhi Cheng is the chairman of the nomination committee. The primary duties of the nomination committee are to review the structure, size and composition of the Board on a regular basis and to recommend to the Board the suitable candidates for directors after consideration of the nominees' independence and quality in order to ensure the fairness and transparency of all nominations. In identifying suitable director candidates and making such recommendations to the Board, the nomination committee would also take into account various aspects of a candidate, including but not limited to his/her education background, professional experience, experience with the relevant industry and past directorships. Their composition and written terms of reference are in line with the Corporate Governance Code.

The nomination committee reviewed the structure, size and composition of the Board, during the period ended 31 December 2014.

During the nine months ended 31 December 2014, two meetings were held by the nomination committee. The individual record of each member of the nomination committee at the meeting of the nomination committee is set out below:

| Name of Director | Attendance/Number of Committee Meeting(s) |
|---|---|
| Mr. Lu Zhi Cheng(1) | 2/2 |
| Mr. Fan Ren Da Anthony(1) | 2/2 |
| Mr. Liu Tian Min(1) | 2/2 |
| Ms. Li Ming Qi(1) | 2/2 |
| Ms. Michelle Wong(2) | 0/2 |
| Mr. Wong Kon Man, Jason(2) | 0/2 |
| Mr. Weng Shih Yuan(2) | 0/2 |
| Ms. Liu Sheng Ping(2) | 0/2 |
| Mr. Suen Man Tak, Stephen(2) | 0/2 |

Notes:

(1) Each of Mr. Lu Zhi Cheng, Mr. Fan Ren Da Anthony, Mr. Liu Tian Min, Ms. Li Ming Qi was appointed as a member of the nomination committee on 26 August 2014.

(2) Each of Ms. Michelle Wong, Mr. Wong Kon Man, Jason, Mr. Weng Shih Yuan, Ms. Liu Sheng Ping and Mr. Suen Man Tak, Stephen ceased to be a member of the nomination committee on 22 September 2014.

## Regulatory Compliance Committee

The Company established a regulatory compliance committee on with written terms of reference. The regulatory compliance committee currently comprises of four members, namely, Mr. Pan Jin, an executive Director and three independent non-executive Directors, Mr. Fan Ren Da Anthony, Mr. Liu Tian Min and Ms. Li Ming Qi. Mr. Fan Ren Da Anthony is the chairman of the regulatory compliance committee. The primary duties of the regulatory compliance committee are to monitor the compliance of the Company's existing or future business, and review and make recommendations on the compliance of applicable laws and regulations, including matters relating to the Listing Rules.

During the period ended 31 December 2014, the regulatory compliance committee regularly reported to the Board on any alleged frauds and non-compliances, internal control deficiencies or alleged violation of laws, regulations and rules. The regulatory compliance committee is authorised by the Board to seek relevant information from the management of the Company to achieve its objectives, duties and responsibilities, and all employees must cooperate to meet its needs.

During the nine months ended 31 December 2014, one meeting was held by the regulatory compliance committee. The individual record of each member of the regulatory compliance committee at the meeting of the regulatory compliance committee is set out below:

| **Name of Director** | **Attendance/Number of Committee Meeting(s)** |
|---|---|
| Mr. Pan Jin(1) | 1/1 |
| Mr. Fan Ren Da Anthony(1) | 1/1 |
| Mr. Liu Tian Min(1) | 1/1 |
| Ms. Li Ming Qi(1) | 1/1 |
| Ms. Michelle Wong(2) | 0/1 |
| Mr. Weng Shih Yuan(2) | 0/1 |
| Ms. Liu Sheng Ping(2) | 0/1 |
| Mr. Suen Man Tak, Stephen(2) | 0/1 |

Notes:

(1) Each of Mr. Pan Jin, Mr. Fan Ren Da Anthony, Mr. Liu Tian Min, Ms. Li Ming Qi was appointed as a member of the regulatory compliance committee on 26 August 2014.

(2) Each of Ms. Michelle Wong, Mr. Weng Shih Yuan, Ms. Liu Sheng Ping and Mr. Suen Man Tak, Stephen ceased to be a member of the regulatory compliance committee on 22 September 2014.

### Corporate Governance function

The Company's corporate governance function is carried out by the Board. The duties of the corporate governance committee include: (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

During the nine months ended 31 December 2014, the Board reviewed the compliance with the code provisions and the recommended best practices under the Corporate Governance Code and give considered reasons for any deviation.

### Company Secretary

The secretary of the Company is Mr. Chan Cheung, whose biography details are set out in the section headed "Directors and Senior Management" in this annual report. Mr. Chan Cheung has informed of the requirement of the Rule 3.29 of the Listing Rules. Mr. Chan Cheung has informed the Company that he took approximately 40 hours of training covering corporate governance and accounting matters. The Company considers that the training of the company secretary is in compliance with the requirements under Rule 3.29 of the Listing Rules.

## FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for that period. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of KPMG, the Company's external auditors, on the financial statements are set out in the section headed "Independent Auditors' Report" in this annual report.

### Auditor's Remuneration

The audit committee of the Board is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorized external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. The Company engages KPMG as its external auditors. Details of the fees paid/payable to KPMG during the nine months ended 31 December 2014 are as follows.

| | RMB'000 |
|---|---|
| Audit services | 2,297 |
| Non-audit services | 1,575 |
| | 3,872 |

Note: The non-audit services mainly covered tax advisory.

## INTERNAL CONTROLS

The Board has overall responsibility for maintaining an adequate system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of Shareholders and the Company's assets.

The Group's internal control system is designed in consideration of the nature of business as well as the organization structure. The system is designed to manage rather than eliminate the risk of failure in operational systems and to provide reasonable, but not absolute, assurance against material misstatement or loss. The system is designed further to safeguard the Group's assets, maintain appropriate accounting records and financial reporting, maintain efficiency of operations and ensure compliance with applicable laws and regulations.

The Board and management held its half-year and annual review of internal controls as required under C.2.1 of the Corporate Governance Code. The audit committee meetings provided an opportunity for direct communication between audit committee members and the Company's management and internal audit manager. The Company regarded the annual audit committee meeting as an important event in which the Chairman and all members of audit committee would make an effort to attend. External auditors were also invited to attend the Company's audit committee meetings and were also available to assist the Directors in addressing queries from external auditors relating to the conduct of the audit and the preparation and content of their auditor report.

The Directors have reviewed the need for an internal audit function and are of the view that it would be more cost effective to recruit professionals to perform internal audit functions for the Group. Currently an in-house internal audit function was set up within the Group to review its system of internal controls annually.

# INVESTOR AND SHAREHOLDER RELATION

The Company endeavors to continue maintaining a high level of transparency in communicating with Shareholders and the investment community at large. Briefings and meetings with institutional investors and analysts are conducted regularly. The Company is committed to maintain an open and effective investor communication policy and to update investors on relevant information on its business on a timely manner, subject to relevant regulatory requirements.

In order to ensure effective, clear and accurate communications with the investors and analysts, all corporate communications are arranged and handled by the chief financial officer of the Company.

Financial information and all shareholder corporate communications of the Company are made available on the Company's website at http://www.neo-neon.com and updated regularly on a timely basis.

The Board and management shall ensure Shareholders' right and all Shareholders are treated equitably and fairly.

The Company has announced its half-year and annual results in a timely manner, which is well before the time limits set out in the Listing Rules. Separate resolutions will be proposed at the general meetings on each substantially separate issue, including the re-election of individual Directors.

The annual general meeting will provide an opportunity for direct communication between the Board and the Company's Shareholders. The Company regards the annual general meeting as an important event in which the chairman and all Directors will make an effort to attend. External auditors shall also be invited to attend the Company's annual general meeting and are also available to assist the Directors in addressing queries from Shareholders relating to the conduct of the audit and the preparation and content of their auditor report. All Shareholders are given prior notice on timely basis together with a detailed agenda. The Board, according to the Listing Rules, will conduct voting at the forthcoming AGM by poll. The results of the Company will be declared at the meeting, and announced timely on the Stock Exchange's website and the Company's website.

# SHAREHOLDERS' RIGHTS

## Procedures for shareholders to convene an extraordinary general meeting and putting forward proposals at shareholders' meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition (the "Requisition") to the Board or the company secretary to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in the Requisition. The Requisition shall be deposited at the principal place of business in Hong Kong (806-810, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong). The extraordinary general meeting shall be held within two (2) months after the deposit of the Requisition. If within twenty-one (21) days of deposit of the Requisition, the Board fails to proceed to convene the extraordinary general meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Procedures by which enquiries may be put to the Board

Shareholders may put forward enquiries to the Board through Mr. Chan Cheung or Mr. Seah Han Leong who will direct the enquiries to the Board for handling. The contact details are as follows:

Address: Unit 806-810, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
Email: investors@neo-neon.com
Tel No.: (852) 3565 5980
Fax No.: (852) 2786 2479

## FAMILY MEMBERS AND CLOSE PERSONAL RELATIONSHIPS

The Board recognises that talents, relevant experience and skills are the most important considerations in executive officers and staff selection. It is the Group's policy that job positions are filled by suitably qualified candidates selected through internal promotions or from the open market on the merits of qualification, experience, skills and achievements. No employee is hired on account of family or close personal connection to any Board member.

## CONSTITUTIONAL DOCUMENTS

There has been no significant change in the Company's constitutional documents during the period ended 31 December 2014.

# INDEPENDENT AUDITOR'S REPORT

**INDEPENDENT AUDITOR'S REPORT**
**TO THE SHAREHOLDERS OF NEO-NEON HOLDINGS LIMITED**
*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Neo-Neon Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 48 to 126, which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the nine months then ended and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014 and of the Group's loss and cash flows for the nine months then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**KPMG**
*Certified Public Accountants*
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

18 March 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2014
(Expressed in Renminbi ("RMB"))

| | Note | Nine months ended 31 December 2014 RMB'000 | Year ended 31 March 2014 RMB'000 Restated* |
|---|---|---|---|
| **Turnover** | 7 | **558,173** | 670,738 |
| Cost of goods sold | | **(509,765)** | (865,454) |
| **Gross profit/(loss)** | | **48,408** | (194,716) |
| Other income | | **7,457** | 15,254 |
| Other gains and losses | 8(a) | **3,444** | 43,343 |
| Other expenses | 8(b) | **(18,511)** | (21,129) |
| Impairment losses recognised in respect of | | | |
| – property, plant and equipment | 9 | **(32,737)** | (258,443) |
| – goodwill | | **–** | (600) |
| – available-for-sale investments | | **–** | (37) |
| – deposits made on acquisition of available-for-sale investment | | **–** | (6,711) |
| Distribution and selling expenses | | **(68,554)** | (74,942) |
| Administrative expenses | | **(124,864)** | (144,256) |
| Finance costs | 10 | **(4,174)** | (13,367) |
| Share of losses of associates | | **–** | (97) |
| Share of loss of a jointly controlled entity | | **(6,409)** | (7,673) |
| **Loss before taxation** | 11 | **(195,940)** | (663,374) |
| Taxation (expense)/credit | 13 | **(4,186)** | 1,226 |
| Loss for the year | | **(200,126)** | (662,148) |
| Other comprehensive income for the year | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| – exchange differences arising on translation | | **(5,406)** | 6,347 |
| Other comprehensive income for the year | | **(5,406)** | 6,347 |
| Total comprehensive income for the year | | **(205,532)** | (655,801) |
| Loss for the year attributable to | | | |
| – owners of the Company | | **(196,048)** | (659,422) |
| – non-controlling interests | | **(4,078)** | (2,726) |
| | | **(200,126)** | (662,148) |
| Total comprehensive income for the year attributable to | | | |
| – owners of the Company | | **(201,826)** | (652,952) |
| – non-controlling interests | | **(3,706)** | (2,849) |
| | | **(205,532)** | (655,801) |
| | | **RMB cents** | RMB cents |
| **Loss per share** | 14 | | |
| – Basic and diluted | | **(13.1)** | (70.2) |

* See Note 3(c)

The notes on pages 54 to 126 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014
(Expressed in Renminbi ("RMB"))

| | Note | At 31 December 2014 RMB'000 | At 31 March 2014 RMB'000 Restated* | At 31 March 2013 RMB'000 Restated* |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Investment properties | 15 | **15,300** | 15,000 | 13,900 |
| Property, plant and equipment | 16 | **244,143** | 263,696 | 667,703 |
| Prepaid lease payments | 17 | **58,049** | 60,055 | 60,734 |
| Goodwill | 18 | **7,661** | – | 600 |
| Intangible assets | 19 | **16,292** | 7,547 | 11,629 |
| Interests in associates | 20 | **1,444** | 444 | 3,563 |
| Interest in a jointly controlled entity | 21 | **–** | 17,089 | 25,313 |
| Available-for-sale investments | 22 | **3,126** | 3,217 | 4,454 |
| Financial asset at fair value through profit or loss | 23 | **105,500** | – | – |
| Deposits made on acquisition of property, plant and equipment | | **4,380** | 15,195 | 66,585 |
| Deposit made on formation of an associate | 20 | **–** | 1,000 | 2,000 |
| Deposit made on acquisition of available-for-sale investment | | **–** | – | 6,711 |
| | | **455,895** | 383,243 | 863,192 |
| **Current assets** | | | | |
| Inventories | 24 | **170,024** | 275,087 | 593,291 |
| Trade and other receivables | 25 | **218,500** | 214,785 | 221,137 |
| Loan receivable | 26 | **–** | 34,901 | 59,000 |
| Tax recoverable | 13 | **4,159** | 4,146 | 1,416 |
| Investments held-for-trading | | **–** | – | 42,010 |
| Pledged bank deposits | 27 | **1,167** | 35,031 | 25,375 |
| Cash and cash equivalents | 27 | **674,806** | 89,434 | 205,149 |
| | | **1,068,656** | 653,384 | 1,147,378 |
| **Current liabilities** | | | | |
| Trade and other payables | 28 | **246,276** | 211,244 | 238,551 |
| Amount due to a director | | **–** | – | 7,347 |
| Taxation payable | | **8,730** | 4,318 | 7,143 |
| Bank borrowings repayable within one year | 29 | **112,783** | 175,005 | 373,745 |
| | | **367,789** | 390,567 | 626,786 |
| **Net current assets** | | **700,867** | 262,817 | 520,592 |
| **Total assets less current liabilities** | | **1,156,762** | 646,060 | 1,383,784 |

* See Note 3(c)

The notes on pages 54 to 126 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014
(Expressed in Renminbi ("RMB"))

| | Note | At 31 December 2014 RMB'000 | At 31 March 2014 RMB'000 Restated* | At 31 March 2013 RMB'000 Restated* |
|---|---|---|---|---|
| **Non-current liabilities** | | | | |
| Bank borrowings | 29 | – | – | 82,162 |
| Government grants | 30 | 15,811 | 15,869 | 18,781 |
| Deferred taxation | 31 | 4,194 | 5,021 | 6,385 |
| | | 20,005 | 20,890 | 107,328 |
| **Net assets** | | 1,136,757 | 625,170 | 1,276,456 |
| **Capital and reserves** | | | | |
| Share capital | 32 | 171,897 | 92,317 | 92,317 |
| Reserves | | 962,021 | 526,619 | 1,175,056 |
| Equity attributable to owners of the Company | | 1,133,918 | 618,936 | 1,267,373 |
| Non-controlling interests | | 2,839 | 6,234 | 9,083 |
| Total equity | | 1,136,757 | 625,170 | 1,276,456 |

* See Note 3(c)

Approved and authorised for issue by the board of directors on 18 March 2015.

**Seah Han Leong**
Director

**Pan Jin**
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2014
(Expressed in Renminbi ("RMB"))

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Capital redemption reserve (Note(i)) | Special reserve (Note(ii)) | Other reserve (Note(iii)) | Share compensation reserve (Note(iv)) | Share options reserve | Translation reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 April 2013 (restated) | 92,317 | 1,628,288 | 255 | 55,238 | (7,699) | 50,024 | 63,278 | (278,662) | (335,666) | 1,267,373 | 9,083 | 1,276,456 |
| Loss for the year (restated) | – | – | – | – | – | – | – | – | (659,422) | (659,422) | (2,726) | (662,148) |
| Other comprehensive income (restated) | – | – | – | – | – | – | – | 6,470 | – | 6,470 | (123) | 6,347 |
| Total comprehensive income for the year (restated) | – | – | – | – | – | – | – | 6,470 | (659,422) | (652,952) | (2,849) | (655,801) |
| Recognition of equity-settled share based payments (restated) | – | – | – | – | – | – | 4,515 | – | – | 4,515 | – | 4,515 |
| At 31 March 2014 (restated) | 92,317 | 1,628,288 | 255 | 55,238 | (7,699) | 50,024 | 67,793 | (272,192) | (995,088) | 618,936 | 6,234 | 625,170 |
| Loss for the nine months ended 31 December 2014 | – | – | – | – | – | – | – | – | (196,048) | (196,048) | (4,078) | (200,126) |
| Other comprehensive income | – | – | – | – | – | – | – | (5,778) | – | (5,778) | 372 | (5,406) |
| Total comprehensive income for the nine months ended 31 December 2014 | – | – | – | – | – | – | – | (5,778) | (196,048) | (201,826) | (3,706) | (205,532) |
| Issuance of new shares (note 32) | 79,580 | 636,640 | – | – | – | – | – | – | – | 716,220 | – | 716,220 |
| Acquisition of non-controlling interest in a subsidiary | – | – | – | – | (521) | – | – | 19 | – | (502) | 311 | (191) |
| Recognition of equity-settled share based payments | – | – | – | – | – | – | 1,090 | – | – | 1,090 | – | 1,090 |
| Share option lapsed (note 33) | – | – | – | – | – | – | (68,883) | – | 68,883 | – | – | – |
| | 79,580 | 636,640 | – | – | (521) | – | (67,793) | 19 | 68,883 | 716,808 | 311 | 717,119 |
| At 31 December 2014 | 171,897 | 2,264,928 | 255 | 55,238 | (8,220) | 50,024 | – | (277,951) | (1,122,253) | 1,133,918 | 2,839 | 1,136,757 |

Notes:

(i) Capital redemption reserve represents the amount by which the issued share capital of the Company is diminished through the repurchase of shares.

(ii) The special reserve represents the differences between the nominal amount of the shares issued by the Company and the Group's former holding company, THTF Lighting Group Limited ("THTF Lighting"), and the aggregate amount of share capital and share premium of the subsidiaries acquired pursuant to a corporate reorganisation in 1996 and a group reorganisation in preparation for the listing of the Company's shares in 2006.

(iii) Other reserve represents the difference between the consideration paid for acquiring additional interests in non-wholly owned subsidiaries of the Company and the amount of non-controlling interests acquired.

(iv) Share compensation reserve represents the difference of fair value of certain THTF Lighting's shares (the "Shares") transferred to the Group's certain senior management by the Company's shareholders and the consideration paid by the senior management in obtaining the Shares in 2004.

The notes on pages 54 to 126 form part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the nine months ended 31 December 2014
(Expressed in Renminbi ("RMB"))

| | Nine months ended 31 December 2014 RMB'000 | Year ended 31 March 2014 RMB'000 Restated* |
|---|---|---|
| **Operating activities** | | |
| Loss before taxation | (195,940) | (663,374) |
| Adjustments for: | | |
| Interest income | (2,019) | (6,548) |
| Finance costs | 4,174 | 13,367 |
| Share of losses of associates | – | 97 |
| Share of loss of a jointly controlled entity | 6,409 | 7,673 |
| Loss on disposal of an associate | – | 3,063 |
| Gain on disposal of investments held-for-trading | – | (335) |
| Depreciation and amortisation | 29,366 | 69,135 |
| Change in fair value of investment properties | (253) | (1,469) |
| Gain on disposal of property, plant and equipment and prepaid lease payments | (52,751) | (84,468) |
| Impairment losses in respect of long-lived assets | 32,737 | 265,791 |
| Amortisation of government grants | (58) | (1,291) |
| Net allowance for inventories | 37,945 | 32,906 |
| Net allowance for bad and doubtful debts | 51,079 | 24,968 |
| Equity-settled share based payments | 1,090 | 4,515 |
| Effect of foreign exchange rate changes | (1,519) | 1,098 |
| Operating cash flows before movements in working capital | (89,740) | (334,872) |
| Decrease in inventories | 76,696 | 285,298 |
| Increase in trade and other receivables | (43,310) | (17,409) |
| Decrease in investments held-for-trading | – | 41,862 |
| Increase in trade and other payables | 910 | 10,922 |
| Cash used in operations | (55,444) | (14,199) |
| Income tax paid | (614) | (2,663) |
| **Net cash used in operating activities** | (56,058) | (16,862) |

* See Note 3(c)

The notes on pages 54 to 126 form part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the nine months ended 31 December 2014
(Expressed in Renminbi ("RMB"))

| | Nine months ended 31 December 2014 RMB'000 | Year ended 31 March 2014 RMB'000 Restated* |
|---|---|---|
| **Investing activities** | | |
| Interest received | 2,019 | 6,548 |
| Placement of pledged bank deposits | (977) | (33,481) |
| Release of pledged bank deposits | 34,841 | 23,059 |
| Purchase of property, plant and equipment | (12,318) | (26,724) |
| Payment for lease prepayment | – | (1,000) |
| Proceeds from disposal of property, plant and equipment and prepaid lease payments | 61,024 | 215,404 |
| Purchase of intangible assets | – | (3,138) |
| Acquisition of a subsidiary, net of cash and cash equivalents acquired | (16,349) | – |
| Repayment from non-controlling shareholders | – | 2,000 |
| Cash received from loan receivable | 34,901 | 24,099 |
| Payment for financial asset at fair value through profit or loss | (105,500) | – |
| Proceeds from disposal of deposit made on formation of an associate | – | 1,000 |
| **Net cash (used in)/generated from investing activities** | (2,359) | 207,767 |
| **Financing activities** | | |
| Bank loans raised | 72,486 | 252,772 |
| Repayment of bank loans | (137,775) | (533,674) |
| Interest paid | (4,174) | (13,367) |
| Acquisition of non-controlling interests of a subsidiary | (210) | – |
| Proceeds from issuance of shares | 716,220 | – |
| Repayment of borrowings to a director | – | (7,347) |
| **Net cash generated from/(used in) financing activities** | 646,547 | (301,616) |
| **Net increase/(decrease) in cash and cash equivalents** | 588,130 | (110,711) |
| **Cash and cash equivalents at the beginning of the year** | 89,434 | 205,149 |
| **Effect of foreign exchange rate changes** | (2,758) | (5,004) |
| **Cash and cash equivalents at the end of the year** | 674,806 | 89,434 |

* See Note 3(c)

The notes on pages 54 to 126 form part of these consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Consolidated financial statements for the nine months ended 31 December 2014
(Expressed in RMB)

## 1 GENERAL

Neo-Neon Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands and acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 39. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and certain of its shares are listed as Depositary Receipts in Taiwan Stock Exchange.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

On 19 March 2014, a subscription agreement was entered into between the Company and Tsinghua Tongfang Co., Ltd. ("Tsinghua Tongfang") via THTF Energy-Saving Holdings Limited ("THTF ES") (an indirectly wholly-owned subsidiary of Tsinghua Tongfang), in relation to the subscription (the "Subscription") of 1,000,000,000 shares (representing approximately 106.46% of the then issued share capital of the Company) at the subscription price of Hong Kong Dollar ("HK$") 0.90 per share by THTF ES. The completion of the Subscription pursuant to the subscription agreement took place on 1 August 2014 and the consideration for the Subscription in the sum of HK$900,000,000 has been fully paid by THTF ES to the Company on 1 August 2014. Upon completion, THTF ES has subscribed for an aggregate of approximately 51.56% of the issued share capital of the Company.

By a special resolution passed at the Extraordinary General Meeting held on 5 January 2015, the Chinese name of the Company is changed from "真明麗控股有限公司" to "同方友友控股有限公司". The English name "Neo-Neon Holdings Limited" remains unchanged. The change of company name will not affect any of the right of the shareholders.

## 2 CHANGE IN FINANCIAL YEAR END DATE

Pursuant to the announcement dated 19 November 2014, the Company changed its financial year end date from 31 March to 31 December.

The change of the Company's financial year end date is to unify the financial year end date of the Company and its ultimate holding company, Tsinghua Tongfang, which is established in the People's Republic of China ("PRC"). Accordingly, the current financial period covers a period of nine months from 1 April 2014 to 31 December 2014. The comparative figures (which cover a period of twelve months from 1 April 2013 to 31 March 2014) for the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes are therefore not entirely comparable with those of the current period.

# 3 SIGNIFICANT ACCOUNTING POLICIES

## (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual 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 disclosures requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively the "Group") is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

## (b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the nine months ended 31 December 2014 comprise the Group's interest in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment property (see note 3(k)); and

– financial instruments classified as available-for-sale or as financial asset at fair value through profit or loss (see note 3(s)).

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (b) Basis of preparation of the consolidated financial statements *(Continued)*

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 4.

## (c) Changes in presentation currency

Following the Subscription, the Company determined to change its presentation currency from HK$ to RMB, which is the presentation currency of the Company's ultimate holding company (Tsinghua Tongfang) in the PRC. The consolidated financial statements for the year ended 31 March 2014 with an additional statement of financial position as at 31 March 2013 have been re-translated into RMB from HK$. All financial information presented in RMB has been rounded to the nearest thousand.

## (d) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (d) Changes in accounting policies *(Continued)*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

### Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

### Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

### Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The initial adoption in 2014 did not have a significant impact on the financial statements.

### Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

### HK (IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (e) Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, being the change in proportionate share of the net book value of subsidiaries and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

## (f) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

– assets (or disposal groups) that are classified as held for sale are measured in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations".

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (f) Business combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

## (g) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (h) Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a jointly controlled entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (i) Joint ventures

### Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group; and

– the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Rental income from investment properties let under operating leases is recognised on a straight line basis over the period of the respective leases.

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (k) Investment properties

Investment properties are properties held to earn rentals and for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

## (l) Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods, or for administrative purposes, other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and any identified impairment losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost which includes all development expenditure and other direct costs, attributable to such projects, less any recognised impairment loss.

They are not depreciated until completion of construction and the asset is ready for intended use. Cost of completed construction works is transferred to the appropriate category of property, plant and equipment.

Buildings are depreciated over their estimated useful lives or lease terms of the relevant leasehold land on a straight line basis, whichever is shorter.

For the leasehold land and buildings in Hong Kong, the cost of leasehold land and buildings is depreciated over their estimated useful lives of 50 years. The cost of buildings in the PRC is depreciated over 20 years.

Depreciation is recognised so as to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight line method.

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (m) Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the statement of financial position and is amortised over the lease term on a straight line basis except for investment properties under the fair value model.

## (n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## (o) Intangible assets

### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (o) Intangible assets *(Continued)*

### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

### Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the intention to complete the intangible asset and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

## (q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

## (r) Onerous contracts

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. When the Group has a contract that is onerous, the unavoidable costs under the contract is recognised and measured as a provision.

## (s) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the Group has become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (s) Financial instruments *(Continued)*

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivable, loan receivables, amounts due from non-controlling shareholders, pledged bank deposits and cash and cash equivalents) are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") represent financial assets held-for-trading. A financial asset is classified as held-for-trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

Investments held-for-trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (s) Financial instruments *(Continued)*

### Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

### Impairment of financial assets

Financial assets, other than investments held-for-trading, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (s) Financial instruments *(Continued)*

### Impairment of financial assets *(Continued)*

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For available-for-sale financial asset carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

### Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (s) Financial instruments *(Continued)*

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

### Financial liabilities

Financial liabilities, including trade and other payables, amount due to a director, and bank loans, are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## (t) Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (t) Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) *(Continued)*

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. The impairment loss shall be allocated to reduce carrying amount of the assets comprising the CGU firstly to reduce the carrying amount of any goodwill allocated to the CGU, and then to the other assets within the CGU pro rata on the basis of the carrying amount of each asset in the CGU. When allocating an impairment loss to individual assets within a cash-generating unit, the carrying amount of an individual asset should not be reduced below the highest of its fair value less cost of disposal (if measureable), its value in use (if determinable), and zero. If this results in an amount being allocated to an asset which is less than its pro rata share of the impairment loss, the excess is allocated to the remaining assets within the cash-generating unit on a pro rata basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

## (u) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from 'loss before taxation' as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (u) Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable loss. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (v) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

## (w) Share-based payment transactions

### Share options granted to employees, directors and non-executive directors

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to the accumulated losses.

## (x) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in RMB, which is the presentation currency for the consolidated financial statements. The functional currency of the Company is HK$.

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (x) Foreign currencies *(Continued)*

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's operations are expressed in RMB using exchange rates prevailing at the end of the reporting period.

Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

## (y) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease.

### The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

### The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

# 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (z) Retirement benefits costs

Payments to defined contribution retirement benefits plan are recognised as an expense when employees have rendered services entitling them to the contributions.

## (aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- The entity is controlled or jointly controlled by a person identified in (a).
- A person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## (bb) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

# 4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

### Estimated impairment of property, plant and equipment

When there is indication that property, plant and equipment may be impaired, the Group estimates the recoverable amount of the relevant asset or the cash-generating unit ("CGU") to which the asset belongs. The amount of the impairment loss is measured as the difference between the asset's carrying amount and its recoverable amount. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU in which the relevant property, plant and equipment are attached to. The recoverable amount is higher of value in use and fair value less costs to sell. Value in use is the estimated future cash flows discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Where there are changes in facts and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss or reversal of impairment loss may arise. As at 31 December 2014, the carrying amount of property, plant and equipment is RMB244,143,000 net of accumulated depreciation and impairment of RMB1,750,678,000 (year ended 31 March 2014: RMB263,696,000 net of accumulated depreciation and impairment of RMB1,750,405,000). Details about impairment losses provided during the year and basis thereon are set out in note 9.

### Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the recoverable amount of the relevant cash-generating units to which intangible assets have been allocated. The recoverable amount is higher of value in use and fair value less costs to sell. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where there are unfavourable changes in facts and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss may arise. For intangible assets, where there are favourable changes in value in use, reversal of impairment loss may arise. As at 31 December 2014, the carrying amount of intangible assets are RMB16,292,000 net of accumulated amortisation of RMB102,796,000. As at 31 March 2014, the carrying amount of intangible assets are RMB7,547,000 net of accumulated amortisation of RMB99,948,000. Details of the recoverable amount calculation are disclosed in note 19.

# 4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY *(Continued)*

## Key sources of estimation uncertainty *(Continued)*

### Allowance for bad and doubtful debts

The policy for allowance for doubtful debts of the Group is based on the evaluation of recoverability and aging analysis of each customer individually based on management's judgement. A net impairment loss of allowance for doubtful debts of RMB51,079,000 (year ended 31 March 2014: RMB24,968,000 as restated) for the year ended 31 December 2014 was recognised in the profit or loss. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. If the financial condition of customers of the Group were improved and is able to repay the receivable, reversal of allowance may be required. The carrying amounts of the Group's trade receivables as at 31 December 2014 are RMB87,931,000 net of allowance for bad and doubtful debts of RMB87,588,000 (31 March 2014: RMB107,016,000 net of allowance for bad and doubtful debts of RMB71,419,000).

### Allowance for inventories

The management of the Group reviews an aging analysis and market demands of inventories at the end of each reporting period, and makes allowance for inventory obsolescence for items that are identified as obsolete, slow-moving and for inventories with net realisable values lower than their carrying amounts taking into account of market demands and the estimated selling prices. The allowance for inventories as at 31 December 2014 amounted to RMB397,439,000 (31 March 2014: RMB359,422,000 as restated). The management estimates the net realisable value for goods based primarily on the latest selling prices and current market conditions. The carrying amount of the inventories of the Group as at 31 December 2014 is RMB170,024,000 (31 March 2014: RMB275,087,000 as restated).

### Taxation

As detailed in note 13, there are tax audit cases initiated on the Hong Kong tax affairs of certain group entities for which the ultimate tax determination is uncertain up to the issue of these consolidated financial statements. Where the final tax outcome of such cases is different from initial estimate, such differences will have material impact on the current income tax in the period when such a determination is made.

No tax provision is recognised in current year (year ended 31 March 2014: nil) as the directors of the Company are of the opinion that the tax audit exercise is still at a preliminary stage and that no profits tax is payable by the Group as the subsidiaries in question did not carry out any business, nor derive any profits, in Hong Kong except for one subsidiary which has Hong Kong operation with accumulated tax losses carried forward amounted to HK$96,743,000 (equivalent to approximately RMB76,553,000). Accordingly, no additional provision for Hong Kong Profits Tax is considered necessary in respect of the tax audit.

# 5 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. The Group's overall strategy remains unchanged from prior year.

At the end of the year, the capital structure of the Group consisted of debts, net cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, issue of new shares and the raising of loans.

# 6 FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

| | **At 31 December 2014 RMB'000** | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables | | |
| (including cash and cash equivalents) | **785,589** | 287,638 |
| Available-for-sale investment | **3,126** | 3,217 |
| Financial asset at fair value | | |
| through profit or loss | **105,500** | – |
| **Financial liabilities** | | |
| Amortised cost | **328,011** | 338,863 |

## (b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, available-for-sale investment, loan receivables, pledged bank deposits, cash and cash equivalents, trade and other payables and bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), liquidity risk and credit risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

# 6 FINANCIAL INSTRUMENTS *(Continued)*

## (b) Financial risk management objectives and policies *(Continued)*

### Market risk

*(i) Currency risk*

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and inter-company balances, which expose the Group to foreign currency risk at the reporting date are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **At 31 December 2014 RMB'000** | At 31 March 2014 RMB'000 (Restated) | **At 31 December 2014 RMB'000** | At 31 March 2014 RMB'000 (Restated) |
| HK$ | **1,799,711** | 1,794,018 | **2,744,682** | 2,598,095 |
| Renminbi ("RMB") | **260,295** | 286,771 | **596,418** | 583,110 |
| United States dollar ("US$") | **1,081,654** | 964,508 | **1,287,724** | 1,166,421 |
| New Taiwan dollar ("NT$") | **27,953** | 24,738 | **11,942** | 11,422 |
| Great British Pound ("GBP") | **6,421** | 6,149 | **7,789** | 7,789 |
| Japanese Yen ("JPY") | **2,879** | 2,865 | **3,632** | 3,633 |

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

# 6 FINANCIAL INSTRUMENTS *(Continued)*

## (b) Financial risk management objectives and policies *(Continued)*

### Market risk *(Continued)*

#### *(i) Currency risk (Continued)*

Sensitivity analysis

The Group is mainly exposed to currency of HK$, RMB and US$.

The following table details the Group's sensitivity to a 5% increase and decrease in HK$, RMB and US$ against the relevant functional currencies of the group entities. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes receivables, payables, inter-company balances and external loans where the denomination is in a currency other than the functional currency of the relevant group entity. A negative number below indicates an increase in loss for the nine months ended 31 December 2014 and year ended 31 March 2014 where HK$, RMB and US$ strengthen 5% against the functional currency of the respective group entities. For a 5% weakening of HK$, RMB and US$ against the functional currency of the respective group entities, there would be an equal and opposite impact on the loss for the nine months ended 31 December 2014 and year ended 31 March 2014.

| | HK$ impact | | RMB impact | | US$ impact | |
|---|---|---|---|---|---|---|
| | **Nine months ended 31 December 2014 RMB'000** | Year ended 31 March 2014 RMB'000 (Restated) | **Nine months ended 31 December 2014 RMB'000** | Year ended 31 March 2014 RMB'000 (Restated) | **Nine months ended 31 December 2014 RMB'000** | Year ended 31 March 2014 RMB'000 (Restated) |
| Increase in loss | **(47,249)** | (40,204) | **(16,806)** | (14,817) | **(10,304)** | (10,096) |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. The financial impact on exchange difference from GBP, JPY, Euro and NT$ is immaterial and therefore no sensitivity analysis has been prepared.

# 6 FINANCIAL INSTRUMENTS *(Continued)*

## (b) Financial risk management objectives and policies *(Continued)*

### Market risk *(Continued)*

*(ii) Interest rate risk*

During the year, the Group was exposed to cash flows interest rate risk through the impact of the rate changes on floating interest rate bank loans.

The Group's cash flow interest rate risk was mainly concentrated on the fluctuation of Hong Kong Inter-Bank Offered Rate arising from the Group's US$ denominated borrowings.

The Group's cash and cash equivalents have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on cash and cash equivalents. The directors consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing cash and cash equivalents are within short maturity period.

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivable and bank borrowings (see note 29 for details of these borrowings). The management monitors interest rate exposure and will consider repay the fixed-rate bank borrowings when significant interest rate exposure is anticipated.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank loans. The analysis is prepared assuming the amount of variable-rate bank loans outstanding at the end of the year was outstanding for the whole period.

If interest rates had been 30 basis points (year ended 31 March 2014: 30 basis points) higher and all other variables were held constant, the potential effect on loss for the nine months year ended 31 December and for the year ended 31 March 2014 is as follows:

| | Nine months ended 31 December 2014 RMB'000 | Year ended 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Increase in loss | 288 | 387 |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

# 6 FINANCIAL INSTRUMENTS *(Continued)*

## (b) Financial risk management objectives and policies *(Continued)*

### Liquidity risk management

The directors of the Company have built a liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

| | Weighted effective interest rate % | On demand RMB'000 | Less than 1 year RMB'000 | Total undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|---|---|---|---|---|---|
| At 31 December 2014 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Non-interest bearing | | **16,769** | **198,459** | **215,228** | **215,228** |
| Bank loans | **2.15** | **–** | **115,208** | **115,208** | **112,783** |
| | | **16,769** | **313,667** | **330,436** | **328,011** |
| At 31 March 2014 (restated) | | | | | |
| Non-derivative financial liabilities | | | | | |
| Non-interest bearing | | 29,442 | 134,416 | 163,858 | 163,858 |
| Bank loans | 1.91 | – | 178,259 | 178,259 | 175,005 |
| | | 29,442 | 312,675 | 342,117 | 338,863 |

# 6 FINANCIAL INSTRUMENTS *(Continued)*

## (b) Financial risk management objectives and policies *(Continued)*

### Credit risk

The Group's principal financial assets are trade and other receivables, pledged bank deposits and cash and cash equivalents, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, if any, estimated by the Group's management based on prior experience and their assessment of the current lighting industry environment.

In order to minimise the credit risk in relation to trade receivables, the management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are mainly banks with high credit-ratings assigned by international credit-rating agencies and PRC state-owned banks with good reputation.

The Group has concentration of credit risk in trade receivables as 14.3% (31 March 2014: 17.4%) and 47.8% (31 March 2014: 46.5%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively.

### Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

# 6 FINANCIAL INSTRUMENTS *(Continued)*

## (b) Financial risk management objectives and policies *(Continued)*

### Fair value measurements recognised in the consolidated statement of financial position

This is an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# 7 TURNOVER AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

| | | |
|---|---|---|
| Light emitting diode ("LED") decorative lighting | – | manufacture and distribution of LED decorative lighting products |
| LED general illumination lighting | – | manufacture and distribution of LED general illumination lighting products |
| Incandescent decorative lighting | – | manufacture and distribution of incandescent decorative lighting products |
| Entertainment lighting | – | manufacture and distribution of entertainment lighting products |
| All others | – | distribution of lighting product accessories |

Turnover represents the fair value of the consideration received and receivable for goods sold by the Group to outside customers during the period.

## 7 TURNOVER AND SEGMENT INFORMATION *(Continued)*

### Segment revenue and results

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

| | Nine months ended 31 December 2014 RMB'000 | Year ended 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| **Segment revenue** | | |
| LED decorative lighting | 307,713 | 357,988 |
| LED general illumination lighting | 154,204 | 209,879 |
| Incandescent decorative lighting | 53,362 | 55,182 |
| Entertainment lighting | 35,901 | 38,512 |
| All others | 6,993 | 9,177 |
| | 558,173 | 670,738 |
| **Segment results** | | |
| LED decorative lighting | 7,313 | (328,410) |
| LED general illumination lighting | (92,593) | (150,696) |
| Incandescent decorative lighting | (50,548) | (107,841) |
| Entertainment lighting | (10,292) | (59,563) |
| All others | (1,467) | (4,250) |
| | (147,587) | (650,760) |
| Unallocated expenses | (30,160) | (21,620) |
| Unallocated other gains, losses and expenses | (7,863) | 23,582 |
| Unallocated interest income | – | 5,092 |
| Finance costs | (4,174) | (13,367) |
| Change in fair value of investment properties | 253 | 1,469 |
| Share of losses of associates | – | (97) |
| Share of loss of a jointly controlled entity | (6,409) | (7,673) |
| **Loss before taxation** | (195,940) | (663,374) |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss incurred by each segment without allocation of unallocated expenses, certain other gains or losses and expenses, certain interest income, finance costs, change in fair value of investment properties, share of loss of associates and share of loss of a jointly controlled entity. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment.

# 7 TURNOVER AND SEGMENT INFORMATION *(Continued)*

## Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

| | At 31 December 2014 RMB'000 | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| **Segment assets** | | |
| LED decorative lighting | 443,610 | 603,987 |
| LED general illumination lighting | 242,603 | 266,271 |
| Incandescent decorative lighting | 83,997 | 64,040 |
| Entertainment lighting | 47,873 | 26,941 |
| All others | 7,418 | 3,737 |
| Total segment assets | 825,501 | 964,976 |
| Unallocated assets | 699,050 | 71,651 |
| Consolidated assets | 1,524,551 | 1,036,627 |
| **Segment liabilities** | | |
| LED decorative lighting | 140,445 | 117,230 |
| LED general illumination lighting | 70,533 | 69,527 |
| Incandescent decorative lighting | 24,408 | 16,459 |
| Entertainment lighting | 16,421 | 10,872 |
| All others | 3,199 | 1,474 |
| Total segment liabilities | 255,006 | 215,562 |
| Unallocated liabilities | 132,788 | 195,895 |
| Consolidated liabilities | 387,794 | 411,457 |

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable and operating segments other than investment properties, goodwill, interest in associates, interest in a jointly controlled entity, deposits made on formation of an associate, loan receivable, financial asset at fair value through profit or loss and available-for-sale investments. Assets used jointly by reportable and operating segments are allocated on the basis of the revenues earned by individual reportable and operating segments; and

- all liabilities are allocated to reportable and operating segments other than bank borrowings, government grants and deferred taxation. Liabilities for which operating segments are jointly liable are allocated in proportion to the revenues earned by individual reportable and operating segments.

## 7 TURNOVER AND SEGMENT INFORMATION *(Continued)*

### Geographical information

The analysis of the Group's revenue from external customers is analysed by the geographical area in which the customers are located as follows:

| | Nine months ended 31 December 2014 RMB'000 | Year ended 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| United States of America ("USA") | 182,346 | 157,903 |
| PRC | 61,418 | 115,249 |
| Netherlands | 13,259 | 21,946 |
| France | 25,369 | 25,875 |
| Russia | 48,418 | 57,962 |
| Other countries* | 227,363 | 291,803 |
| | 558,173 | 670,738 |

* Countries included in this category representing their revenue from external customers is individually less than 10% of the total sales of the Group for the nine months ended 31 December 2014 and for the year ended 31 March 2014.

### Information about major customers

There were no customers who individually contribute over 10% of the total sales of the Group for the nine months ended 31 December 2014 and for the year ended 31 March 2014.

# 7 TURNOVER AND SEGMENT REPORTING *(Continued)*

## Other segment information

| | LED decorative lighting RMB'000 | LED general illumination lighting RMB'000 | Incandescent decorative lighting RMB'000 | Entertainment lighting RMB'000 | All others RMB'000 | Segment-total RMB'000 | Unallocated amount RMB'000 | Consolidated RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Nine months ended 31 December 2014** | | | | | | | | |
| Additions to non-current segment assets | 32,090 | 20,372 | 6,002 | 3,452 | 823 | 62,739 | – | 62,739 |
| Depreciation and amortisation | 15,252 | 8,941 | 2,351 | 1,641 | 391 | 28,576 | 790 | 29,366 |
| Net allowance for bad and doubtful debts | 27,262 | 15,983 | 4,202 | 2,934 | 698 | 51,079 | – | 51,079 |
| Gain on disposal of property, plant and equipment and prepaid lease payments | 28,154 | 16,506 | 4,340 | 3,029 | 722 | 52,751 | – | 52,751 |
| Net allowance for inventories | 20,252 | 11,873 | 3,122 | 2,179 | 519 | 37,945 | – | 37,945 |
| Impairment loss recognised in respect of property, plant and equipment | 4,221 | 21,769 | 6,747 | – | – | 32,737 | – | 32,737 |
| Transfer of impairment of onerous contracts upon receipt of property, plant and equipment | 406 | 1,001 | 671 | 76 | – | 2,154 | – | 2,154 |
| **Year ended 31 March 2014 (restated)** | | | | | | | | |
| Additions to non-current segment assets | 39,735 | 25,226 | 7,432 | 4,275 | 1,018 | 77,686 | – | 77,686 |
| Depreciation and amortisation | 35,906 | 21,051 | 5,535 | 3,863 | 920 | 67,275 | 1,860 | 69,135 |
| Net allowance for bad and doubtful debts | 13,326 | 7,813 | 2,054 | 1,434 | 341 | 24,968 | – | 24,968 |
| Gain on disposal of property, plant and equipment | 45,082 | 26,431 | 6,949 | 4,850 | 1,156 | 84,468 | – | 84,468 |
| Net allowance for inventories | 17,563 | 10,297 | 2,707 | 1,889 | 450 | 32,906 | – | 32,906 |
| Impairment loss recognised in respect of | | | | | | | | |
| – property, plant and equipment | 123,344 | 28,948 | 69,332 | 36,819 | – | 258,443 | – | 258,443 |
| – deposit made on acquisition of available-for-sale investments | – | – | – | – | – | – | 6,711 | 6,711 |
| Transfer of impairment of onerous contracts upon receipt of property, plant and equipment | 5,025 | 12,374 | 8,290 | 943 | – | 26,632 | – | 26,632 |

# 8(a) OTHER GAINS AND LOSSES

| | Nine months ended 31 December 2014 RMB'000 | Year ended 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Gain on disposal of property, plant and equipment and prepaid lease payments | 52,751 | 84,468 |
| Net allowance for bad and doubtful debts | (51,079) | (24,968) |
| Increase in fair value of investments held-for-trading | – | 335 |
| Net exchange gain/(loss) | 1,519 | (14,506) |
| Loss on disposal of an associate | – | (3,063) |
| Others | 253 | 1,077 |
| | 3,444 | 43,343 |

# 8(b) OTHER EXPENSES

| | Nine months ended 31 December 2014 RMB'000 | Year ended 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Research and development costs, net (note 30) | 9,403 | 15,606 |
| Compensation relating to litigation | 9,108 | 5,523 |
| | 18,511 | 21,129 |

# 9 IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT

The impairment losses by CGUs are as follows:

| | Nine months ended 31 December 2014 RMB'000 | Year ended 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| CGU1 (note 1) | – | 36,819 |
| CGU2 (note 2) | 6,747 | 69,332 |
| CGU3 (note 3) | 21,769 | 28,948 |
| CGU4 (note 4) | 4,221 | 123,344 |
| Total | 32,737 | 258,443 |

Note 1: CGU1 represents the group of assets that generate cash inflow from manufacturing and distribution of entertainment lighting products with operations located in PRC.

Note 2: CGU2 represents the group of assets that generate cash inflow from manufacturing and distribution of incandescent decorative lighting products with operations located in PRC and Vietnam.

Note 3: CGU3 represents the group of assets that generate cash inflow from manufacturing and distribution of LED general illumination lighting products with operations located in PRC.

Note 4: CGU4 represents the group of assets that generate cash inflow from manufacturing and distribution of LED decorative lighting products with operations located in PRC.

# 9 IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT *(Continued)*

## CGU1

No impairment losses were recognised in respect of property, plant and equipment for the nine months ended 31 December 2014.

For the year ended 31 March 2014, as the market in which CGU1 was engaged has not performed in accordance with what the directors expected, the directors of the Company considered this was an impairment indicator. The directors of the Company have first considered the recoverable amounts of individual assets in CGU1 unless the asset's value in use ("VIU") cannot be estimated to be close to its fair value less costs to sell or the assets do not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the assets belong. An impairment assessment was conducted by the directors of the Company on CGU1. There were impairment losses of RMB36,819,000 as at 31 March 2014 for CGU1 which has been allocated to property, plant and equipment. The impairment loss was recognised for CGU1 for which the recoverable amount, which was based on value in use, was less than the carrying amount. The value in use calculation used cash flow forecast derived from the most recent financial budget approved by management based on their best estimates. The reason for the further impairment loss was mainly due to the decrease in market demand on the products of CGU1 and the directors of the Company revised the estimated future sales accordingly.

At 31 December 2014, the projected period was 3 years (31 March 2014: 4 years) for CGU1, which represents the average remaining useful lives of the property, plant and equipment in CGU1 and all the budget covering the projection have been approved by the management. The growth rate used in the forecast was 15% for year ending 31 December 2015, 10% for year ending 31 December 2016, and 5% for the year ending 31 December 2017. The directors of the Company believe that the growth rates used in the forecast are justifiable to the PRC and overseas markets CGU1 engaged into. The cash flow forecast was discounted at 15.28% (31 March 2014: 15.08%) which reflected the return on assets and the risks specific to CGU1. Some of the key assumptions of the value in use calculations related to the estimation of budgeted sales and gross margin, such estimation was based on the expectation for the market development based on the management's estimate.

# 9 IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT *(Continued)*

## CGU2

For the nine months ended 31 December 2014, as the market in which CGU2 was engaged has not performed in accordance with what the directors expected, the directors of the Company considered this was an impairment indicator. The directors of the Company have first considered the recoverable amounts of individual assets in CGU2 unless the asset's VIU cannot be estimated to be close to its fair value less costs to sell or the assets do not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the assets belong. An impairment assessment was conducted by the directors of the Company on CGU2. There were impairment losses of RMB6,747,000 as at 31 December 2014 for CGU2 which has been allocated to the property, plant and equipment. The impairment loss was recognised for CGU2 for which the recoverable amount, which was based on value in use, was less than the carrying amount. The value in use calculation used cash flow forecast derived from the most recent financial budget approved by management based on their best estimates. The reason for the further impairment loss was mainly due to the decrease in market demand on the products of CGU2 and the directors of the Company revised the estimated future sales accordingly.

At 31 December 2014, the projected period was 6 years (31 March 2014: 7 years) for CGU2, which represents the average remaining useful lives of the property, plant and equipment in CGU2 and all the budget covering the projection have been approved by the management. The growth rate used in the forecast was 0% for year ending 31 December 2015, 0% for year ending 31 December 2016, and 3% for year ending 31 December 2017 to 31 December 2020. The directors of the Company believe that the growth rates used in the forecast are justifiable to the PRC and overseas markets CGU2 engaged into. The cash flow forecast was discounted at 15.28% (31 March 2014: 15.08%) which reflected the return on assets and the risks specific to CGU2. Some of the key assumptions of the value in use calculations related to the estimation of budgeted sales and gross margin, such estimation was based on the expectation for the market development based on the management's estimate.

## CGU3

For the nine months ended 31 December 2014, as the market in which CGU3 was engaged has not performed in accordance with what the directors expected, the directors of the Company considered this was an impairment indicator. The directors of the Company have first considered the recoverable amounts of individual assets in CGU3 unless the asset's VIU cannot be estimated to be close to its fair value less costs to sell or the assets do not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for CGU3 to which the assets belong. An impairment assessment was conducted by the directors of the Company on CGU3. There were impairment losses of RMB21,769,000 as at 31 December 2014 for CGU3 which has been allocated to property, plant and equipment. The impairment loss was recognised for CGU3 for which the recoverable amount, which was based on value in use, was less than the carrying amount. The value in use calculation used cash flow forecast derived from the most recent financial budget approved by management based on their best estimates. The reason for the impairment loss was mainly due to the significant over-supply of the products in the market that CGU3 was engaged which lead to the decrease in selling price in the market.

## 9 IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT *(Continued)*

### CGU3 *(Continued)*

At 31 December 2014, the projected period was 6 years (31 March 2014: 7 years) for CGU3, which represents the average remaining useful lives of the property, plant and equipment in CGU3 and all the budget covering the projection have been approved by the management. The growth rate used in the forecast was 13% for the year ending 31 December 2015, 6% for year ending 31 December 2016, and 3% for year ending 31 December 2017 to 31 December 2020. The directors of the Company believe that the growth rates used in the forecast are justifiable to the PRC and overseas markets CGU3 engaged into. The cash flow forecast was discounted at 15.28% (31 March 2014: 15.08%) which reflected the return on assets and the risks specific to CGU3. Some of the key assumptions of the value in use calculations related to the estimation of budgeted sales and gross margin, such estimation was based on the expectation for the market development based on the management's estimate.

### CGU4

For the nine months ended 31 December 2014, as the market in which CGU4 was engaged has not performed in accordance with what the directors expected, the directors of the Company considered this was an impairment indicator. The directors of the Company have first considered the recoverable amounts of individual assets in CGU4 unless the asset's VIU cannot be estimated to be close to its fair value less costs to sell or the assets do not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for CGU4 to which the assets belong. An impairment assessment was conducted by the directors of the Company on CGU4. There were impairment losses of RMB4,221,000 as at 31 December 2014 for CGU4 which has been allocated to the property, plant and equipment. The impairment loss was recognised for CGU4 for which the recoverable amount, which was based on value in use, was less than the carrying amount. The value in use calculation used cash flow forecast derived from the most recent financial budget approved by management based on their best estimates. The reason for the impairment loss was mainly due to the significant over-supply of the products in the market that CGU4 was engaged which lead to the decrease in selling price in the market.

At 31 December 2014, the projected period was 6 years (31 March 2014: 7 years) for CGU4, which represents the average remaining useful lives of the property, plant and equipment in CGU4 and all the budget covering the projection have been approved by management. The growth rate used in the forecast was 18% for the year ending 31 December 2015, 11% for year ending 31 December 2016, and 5% for year ending 31 December 2017 to 31 December 2020. The directors of the Company believe that the growth rates used in the forecast are justifiable to the PRC and overseas markets CGU4 engaged into. The cash flow forecast was discounted at 15.28% (31 March 2014: 15.08%) which reflected the return on assets and the risks specific to CGU4. Some of the key assumptions of the value in use calculations related to the estimation of budgeted sales and gross margin, such estimation was based on the expectation for the market development based on the management's estimate.

## 10 FINANCE COSTS

| | Nine months ended 31 December 2014 RMB'000 | Year ended 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Interest on bank borrowings | | |
| – wholly repayable within five years | 4,174 | 13,367 |

## 11 LOSS BEFORE TAXATION

| | Nine months ended 31 December 2014 RMB'000 | Year ended 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Loss before taxation has been arrived at after charging: | | |
| Directors' remuneration | | |
| – current year | 3,503 | 5,647 |
| – waived during the year | (1,768) | (4,310) |
| Other staff's retirement benefits scheme contributions | 131 | 132 |
| Other staff's equity-settled share based payments | 934 | 4,308 |
| Other staff costs | 179,759 | 157,166 |
| | 182,559 | 162,943 |
| Less: Staff costs included in research and development costs | (6,498) | (8,054) |
| | 176,061 | 154,889 |
| Depreciation of property, plant and equipment | 25,509 | 61,089 |
| Less: Depreciation included in research and development costs | (235) | (816) |
| | 25,274 | 60,273 |

# 11 LOSS BEFORE TAXATION *(Continued)*

| | Nine months ended 31 December 2014 RMB'000 | Year ended 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Auditor's remuneration | | |
| – audit service | **2,297** | 1,517 |
| – non-audit services | **1,575** | – |
| | **3,872** | 1,517 |
| Cost of inventories recognised as an expense including cost of materials used for research and development purpose of RMB2,670,000 included in other expense (year ended 31 March 2014: RMB3,762,000 as restated) | **512,435** | 869,216 |
| Operating lease rentals in respect of | | |
| – prepaid lease payments | **1,303** | 1,424 |
| – rented premises | **3,506** | 5,998 |
| and after crediting: | | |
| Interest income from | | |
| – bank deposits | **2,019** | 1,456 |
| – loan receivable | **–** | 5,092 |
| | **2,019** | 6,548 |
| Property rental income before deduction of negligible outgoings | **2,184** | 3,612 |

# 12 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

| | Nine months ended 31 December 2014 | | | | | | Year ended 31 March 2014 (restated) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Fees RMB'000 | Salaries and other benefits RMB'000 | Retirement benefits scheme contributions RMB'000 | Equity-settled share based payments RMB'000 | Waived during the year RMB'000 | Total RMB'000 | Fees RMB'000 | Salaries and other benefits RMB'000 | Retirement benefits scheme contributions RMB'000 | Equity-settled share based payments RMB'000 | Waived during the year RMB'000 | Total RMB'000 |
| **Executive directors** | | | | | | | | | | | | |
| – Mr. Lu Zhi Cheng (appointed on 25 August 2014) | – | 84 | – | – | – | 84 | – | – | – | – | – | – |
| – Mr. Ben Fan | – | 1,443 | – | – | (1,359) | 84 | – | 3,448 | – | – | (3,448) | – |
| – Mr. Wang Liang Hai (appointed on 25 August 2014) | – | 56 | – | – | – | 56 | – | – | – | – | – | – |
| – Mr. Seah Han Leong (appointed on 25 August 2014) | – | 351 | – | – | – | 351 | – | – | – | – | – | – |
| – Mr. Pan Jin (appointed on 25 August 2014) | – | 208 | – | – | – | 208 | – | – | – | – | – | – |
| – Ms. Michelle Wong (resigned on 22 September 2014) | – | 454 | 2 | – | (409) | 47 | – | 958 | 5 | – | (862) | 101 |
| – Mr. Fan Pong Yang (resigned on 22 September 2014) | – | 273 | – | 61 | – | 334 | – | 575 | – | 62 | – | 637 |
| **Independent non-executive directors** | | | | | | | | | | | | |
| – Mr. Fan Ren Da, Anthony (appointed on 25 August 2014) | – | 67 | – | – | – | 67 | – | – | – | – | – | – |
| – Mr. Liu Tian Min (appointed on 25 August 2014) | – | 67 | – | – | – | 67 | – | – | – | – | – | – |
| – Ms. Li Ming Qi (appointed on 25 August 2014) | – | 67 | – | – | – | 67 | – | – | – | – | – | – |
| – Mr. Wong Kon Man, Jason (resigned on 22 September 2014) | – | 55 | – | 26 | – | 81 | – | 115 | – | 27 | – | 142 |
| – Mr. Suen Man Tak, Stephen (resigned on 22 September 2014) | – | 55 | – | – | – | 55 | – | 69 | – | – | – | 69 |
| – Mr. Zhao Shan Xiang (resigned on 22 August 2013) | – | – | – | – | – | – | – | 42 | – | 46 | – | 88 |
| – Mr. Weng Shih Yuan (resigned on 22 September 2014) | – | 55 | – | 42 | – | 97 | – | 115 | – | 43 | – | 158 |
| – Ms. Liu Sheng Ping (resigned on 22 September 2014) | – | 55 | – | 26 | – | 81 | – | 115 | – | 27 | – | 142 |
| **Non-executive director** | | | | | | | | | | | | |
| – Mr. Liu Wei Dong (appointed on 25 August 2014) | – | 56 | – | – | – | 56 | – | – | – | – | – | – |
| | – | 3,346 | 2 | 155 | (1,768) | 1,735 | – | 5,437 | 5 | 205 | (4,310) | 1,337 |

## 12 DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

The five highest paid individuals included one (year ended 31 March 2014: one) director of the Company, details of whose emoluments are set out above. The emoluments of the remaining four (year ended 31 March 2014: four) highest paid employees are as follows:

| | **Nine months ended 31 December 2014 RMB'000** | Year ended 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Employees | | |
| – basic salaries and allowances | **1,710** | 2,468 |

Their emoluments were within the following bands:

| | **Nine months ended 31 December 2014** | Year ended 31 March 2014 |
|---|---|---|
| Up to HK$1,000,000 | **4** | 3 |
| HK$1,000,001 to HK$1,500,000 | **–** | 1 |

During the nine months ended 31 December 2014, no emoluments were paid by the Group to directors and other four highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

# 13 TAXATION

| | Nine months ended 31 December 2014 RMB'000 | Year ended 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Taxation in the consolidated statement of comprehensive income represents: | | |
| PRC Enterprise Income Tax ("PRC EIT") | – | – |
| Taxation in overseas jurisdictions | 3,041 | 141 |
| Under/(over)-provision in respect of prior years | 1,997 | (157) |
| | 5,038 | (16) |
| Deferred taxation (Note 31) | (852) | (1,210) |
| | 4,186 | (1,226) |

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The PRC EIT and overseas taxation are calculated at the rates prevailing in the respective jurisdictions.

The Company's PRC subsidiaries are subject to PRC EIT at 25% for the nine months ended 31 December 2014, except that one entity was entitled to preferential EIT rate of 15% as it was officially endorsed as High-New Technology Enterprise till 31 December 2014.

Under the PRC EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. At 31 December 2014 and 31 March 2014, there were no remaining retained profits earned by these PRC subsidiaries since 1 January 2008, therefore there are no related deferred tax liabilities recognised.

Dividends paid to the non-resident shareholder of a Taiwan subsidiary are generally subject to withholding tax of 20%.

Pursuant to the relevant laws and regulations in Vietnam, the Company's subsidiary in Vietnam was entitled to exemption from Vietnam income tax for two years from the first profit-making year in 2008 plus the preferential tax rate of 10% from 2010 to 2012, and the preferential tax rate of 20% from 2013 to 2018.

Pursuant to the relevant laws and regulations in the USA, the Company's subsidiaries in the USA are subject to the gradual USA corporate income tax rate up to 35%.

## 13 TAXATION *(Continued)*

Tax audit conducted by the Inland Revenue Department ("IRD") in Hong Kong

IRD is conducting a tax audit to the Group for the year of assessment back from 2005/06.

On 26 March 2012, the IRD issued protective profits tax assessments in aggregate of HK$5,250,000 (approximately equivalent to RMB4,154,000) relating to the year of assessment 2005/06, that is, for the financial year ended 31 December 2005, against certain subsidiaries of the Company. The Group lodged objections to the IRD against these protective assessments.

On 8 March 2013, the IRD additionally issued protective profits tax assessments in aggregate of HK$5,425,000 (approximately equivalent to RMB4,150,000) relating to the year of assessment 2006/07, that is, for the financial year ended 31 December 2006, against certain subsidiaries of the Company. The Group lodged objections to the IRD against these protective assessments.

On 14 March 2014 and 29 April 2014, the IRD additionally issued estimated profits tax assessments in aggregate of HK$28,425,000 (approximately equivalent to RMB22,493,000) relating to the year of assessment 2007/08, that is, for the financial year ended 31 December 2007, against certain subsidiaries of the Company. The Group lodged objections to the IRD against these estimated assessments.

On 9 January 2015, the IRD additionally issued protective profits tax assessments in aggregate of HK$35,145,000 (approximately equivalent to RMB27,810,000) relating to the year of assessment 2008/09, that is, for the financial year ended 31 December 2008, against certain subsidiaries of the Company. The Group lodged objections to the IRD against these protective assessments.

Out of the total, the IRD agreed to hold over the tax demanded claimed of totaling HK$14,250,000 on the condition of the purchase of tax reserve certificates ("TRCs"). At 31 December 2014, the Group purchased TRCs totaled HK$5,250,000 (approximately equivalent to RMB4,154,000) which have been recorded as tax recoverable. On 16 March 2015, the Group purchased TRCs totaled HK$9,000,000 (approximately equivalent to RMB7,122,000).

The directors of the Company are of the opinion that no profits tax is payable by the Group as the subsidiaries in question did not carry out any business, nor derive any profits, in Hong Kong except for one subsidiary which has Hong Kong operation with accumulated tax losses carried forward amounted to HK$96,743,000 (approximately equivalent to RMB76,553,000) at 31 December 2014. Accordingly, no additional provision for Hong Kong Profits Tax is considered necessary in respect of the tax audit.

# 13 TAXATION *(Continued)*

Taxation for the year is reconciled to loss before taxation as follows:

| | **Nine months ended 31 December 2014 RMB'000** | Year ended 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Loss before taxation | **(195,940)** | (663,374) |
| Tax at the applicable income tax rate of 25% (year ended 31 March 2014: 25%) | **48,985** | 165,844 |
| Tax effect of share of results of associates | **–** | (24) |
| Tax effect of share of results of a jointly controlled entity | **(1,602)** | (1,918) |
| Tax effect of expenses not deductible for tax purposes | **(2,556)** | (2,802) |
| Tax effect of income not taxable for tax purposes | **3,114** | 21,485 |
| Tax effect of tax losses not recognised | **(7,821)** | (41,800) |
| Tax effect of temporary difference not recognised | **(33,196)** | (83,158) |
| Effect of different tax rates on subsidiaries operating in other jurisdictions | **(9,113)** | (56,558) |
| (Under)/over-provision in prior years | **(1,997)** | 157 |
| Actual tax (expense)/credit | **(4,186)** | 1,226 |

## 14 LOSS PER SHARE

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

| | Nine months ended 31 December 2014 RMB'000 | Year ended 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Loss for the period/year attributable to owners of the Company | **(196,048)** | (659,422) |

| | Number of shares | |
|---|---|---|
| | Nine months ended 31 December 2014 '000 | Year ended 31 March 2014 '000 |
| Issued ordinary shares at 1 April | **939,320** | 939,320 |
| Effect of shares issued upon the Subscription | **555,555** | – |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | **1,494,875** | 939,320 |

The equity-settled share options were not included in the calculation of diluted earnings per share because they are antidilutive for the nine months ended 31 December 2014 and for the year ended 31 March 2014.

# 15 INVESTMENT PROPERTIES

| | RMB'000 |
|---|---|
| At 1 April 2013 (restated) | 13,900 |
| Increase in fair value recognised in profit or loss (restated) | 1,469 |
| Currency realignment (restated) | (369) |
| At 31 March 2014 (restated) | 15,000 |
| Increase in fair value recognised in profit or loss | 253 |
| Currency realignment | 47 |
| At 31 December 2014 | 15,300 |

| | **At 31 December 2014 RMB'000** | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| The carrying value of investment properties comprises: | | |
| Properties held under medium-term leases in the PRC | **15,300** | 15,000 |

The fair value of the Group's investment properties at the end of the reporting period has been arrived at by the directors on the basis of a valuation carried out on that date by an independent external valuer. The valuation was made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests. The valuation was determined based on direct comparison approach by reference to recent market prices for similar properties in the similar locations and conditions. At 31 December 2014 and 31 March 2014, the Group is yet to obtain the property certificates of the investment properties.

# 16 PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings RMB'000 | Furniture, fixtures and equipment RMB'000 | Leasehold improvements RMB'000 | Vehicles RMB'000 | Moulds RMB'000 | Plant and machinery RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 April 2013 (restated) | 571,908 | 64,325 | 297,123 | 18,522 | 109,219 | 946,111 | 135,567 | 2,142,775 |
| Currency realignment (restated) | (771) | 306 | (268) | (317) | (667) | (2,472) | (305) | (4,494) |
| Additions (restated) | – | 1,318 | 3,833 | 229 | 1,193 | 3,386 | 63,589 | 73,548 |
| Disposals (restated) | (118,110) | (390) | (8,529) | (2,077) | – | (57,704) | (10,918) | (197,728) |
| Transfers (restated) | 104,137 | – | 38,748 | – | – | – | (142,885) | – |
| At 31 March 2014 (restated) | 557,164 | 65,559 | 330,907 | 16,357 | 109,745 | 889,321 | 45,048 | 2,014,101 |
| Currency realignment | (1,736) | 158 | (282) | (43) | 54 | (1,239) | (49) | (3,137) |
| Additions | 1,108 | 2,719 | 330 | 109 | 2,691 | 52,050 | 1,434 | 60,441 |
| Acquisition of a subsidiary (note 18) | 168 | 177 | 237 | – | 1,071 | 104 | – | 1,757 |
| Disposals | (40,644) | (3,143) | (27,906) | (2,583) | (447) | (3,618) | – | (78,341) |
| At 31 December 2014 | 516,060 | 65,470 | 303,286 | 13,840 | 113,114 | 936,618 | 46,433 | 1,994,821 |
| **Depreciation and impairment** | | | | | | | | |
| At 1 April 2013 (restated) | 205,828 | 61,028 | 278,688 | 17,452 | 104,972 | 731,671 | 75,433 | 1,475,072 |
| Currency realignment (restated) | (399) | 277 | (259) | (298) | (633) | (2,012) | (715) | (4,039) |
| Charge for the year (restated) | 18,469 | 1,770 | 11,045 | 917 | 2,988 | 25,900 | – | 61,089 |
| Impairment losses recognised in profit or loss (restated) | 113,656 | – | 15,970 | – | 1,879 | 103,968 | 22,970 | 258,443 |
| Impairment losses recognised in prior year in connection with obligation under onerous contracts (restated) | 5,110 | – | – | – | – | – | 21,522 | 26,632 |
| Eliminated on disposals (restated) | (8,196) | (257) | (3,277) | (2,077) | – | (48,422) | (4,563) | (66,792) |
| Transfers (restated) | 59,473 | – | 15,244 | – | – | – | (74,717) | – |
| At 31 March 2014 (restated) | 393,941 | 62,818 | 317,411 | 15,994 | 109,206 | 811,105 | 39,930 | 1,750,405 |
| Currency realignment | (898) | 143 | (272) | (40) | 51 | (1,008) | (115) | (2,139) |
| Charge for the period | 5,889 | 1,138 | 3,020 | 171 | 488 | 14,803 | – | 25,509 |
| Impairment losses recognised in profit and loss | – | – | – | – | – | 32,737 | – | 32,737 |
| Impairment losses recognised in prior year in connection with obligation under onerous contracts | – | – | – | – | – | – | 2,154 | 2,154 |
| Eliminated on disposals | (22,616) | (3,069) | (26,278) | (2,583) | (447) | (2,995) | – | (57,988) |
| At 31 December 2014 | 376,316 | 61,030 | 293,881 | 13,542 | 109,298 | 854,642 | 41,969 | 1,750,678 |
| **Carrying values** | | | | | | | | |
| **At 31 March 2014 (restated)** | 163,223 | 2,741 | 13,496 | 363 | 539 | 78,216 | 5,118 | 263,696 |
| **At 31 December 2014** | 139,744 | 4,440 | 9,405 | 298 | 3,816 | 81,976 | 4,464 | 244,143 |

## 16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment other than those under construction in progress are depreciated on a straight-line basis at the following rates per annum:

For the leasehold land and buildings in Hong Kong, the cost of leasehold land and buildings is depreciated over their estimated useful lives of 50 years. The cost of buildings in PRC is depreciated over 20 years.

| | |
|---|---|
| Furniture, fixtures and equipment | 15%-20% |
| Leasehold improvements | 20% |
| Vehicles | 20% |
| Moulds | 20% |
| Plant and machinery | 10% |

The carrying value of property interests which are held under medium-term leases comprises:

| | **At 31 December 2014 RMB'000** | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Buildings in the PRC | **87,876** | 107,867 |
| Buildings in Vietnam | **7,931** | 10,856 |
| Land and buildings in Dubai | **34,985** | 35,429 |
| Land and buildings in United Kingdom | **8,952** | 9,071 |
| | **139,744** | 163,223 |
| Properties included in construction in progress held under medium-term prepaid lease payments in the PRC | **4,464** | 5,118 |
| | **144,208** | 168,341 |

The Group has pledged certain of its buildings with aggregate carrying values of RMB10,748,000 (31 March 2014: RMB63,602,000 as restated) at the end of the reporting period to secure the credit facilities granted to the Group.

At 31 December 2014, property certificates of the Group's properties with an aggregate net book value of RMB21,144,000 are yet to be obtained (31 March 2014: RMB23,102,000 as restated).

## 17 PREPAID LEASE PAYMENTS

| | At 31 December 2014 RMB'000 | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| **Carrying value** | | |
| At the beginning of the year | 60,055 | 60,734 |
| Currency realignment | (81) | (255) |
| Additions | 2,298 | 1,000 |
| Disposals | (2,920) | – |
| Amortisation for the year | (1,303) | (1,424) |
| At the end of the year | 58,049 | 60,055 |
| The carrying value of medium-term prepaid lease payments are situated in | | |
| – the PRC | 49,027 | 52,783 |
| – Vietnam | 9,022 | 7,272 |
| | 58,049 | 60,055 |

The amount represents the prepayment of rentals for land use rights situated in the PRC and Vietnam for a period of 50 years.

The Group has pledged certain of its prepaid lease payments with aggregate carrying values of RMBnil (31 March 2014: RMB19,544,000 as restated) at the end of the reporting period to secure the credit facilities granted to the Group.

# 18 GOODWILL

| | **At 31 December 2014 RMB'000** | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Balance at 1 April | **600** | 600 |
| Currency realignment | **(44)** | – |
| Additions | **7,705** | – |
| Accumulated impairment losses | **(600)** | (600) |
| At the end of the year | **7,661** | – |

On 8 May 2014, the Group entered into an acquisition agreement to acquire 50% issued share capital of Tivoli, LLC at the consideration of US$3,000,000 (equivalent to approximately RMB18,509,000) (the "Acquisition"). Completion of the Acquisition took place on 15 May 2014. Prior to completion of the Acquisition, Tivoli was a jointly controlled entity of the Group. Upon the completion of the Acquisition, Tivoli became a wholly-owned subsidiary of the Company.

The goodwill of RMB7,705,000 arising from the acquisition is attributable to the profitability and the synergies expected to arise from the acquired business.

The acquired business contributed revenue of RMB46,114,000 and net profit of RMB10,663,000 to the Company's shareholders for the period from the acquisition date up to 31 December 2014. If the acquisition had occurred on 1 April 2014, the contributed revenue and loss attributable to Company's shareholders for the year ended 31 December 2014 would have been RMB60,087,000 and RMB2,155,000, respectively.

## 18 GOODWILL *(Continued)*

The identifiable assets acquired and liabilities assumed in the above acquisition were as follows:

| | **Fair values on the acquisition-date** RMB'000 |
|---|---|
| Property, plant and equipment | 1,757 |
| Intangible assets | 11,334 |
| Inventories | 9,737 |
| Trade and other receivables | 13,861 |
| Cash and cash equivalents | 2,160 |
| Trade and other payables | (14,156) |
| Bank loan | (3,085) |
| Net fair value of the identifiable assets acquired and liabilities assumed in the acquisition | 21,608 |
| Cash paid | 18,509 |
| Fair value of the previously held 50% equity interest in Tivoli LLC | 10,804 |
| Total consideration | 29,313 |
| Less: net fair value of the identifiable assets acquired and liabilities assumed | (21,608) |
| Goodwill | 7,705 |
| Cash and cash equivalents acquired | 2,160 |

# 19 INTANGIBLE ASSETS

| | Customer relationship RMB'000 | Licenses, patent and trademarks RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2013 (restated) | 18,250 | 88,860 | 107,110 |
| Currency realignment (restated) | (463) | (2,290) | (2,753) |
| Additions (restated) | – | 3,138 | 3,138 |
| At 31 March 2014 (restated) | 17,787 | 89,708 | 107,495 |
| Currency realignment | 57 | 202 | 259 |
| Acquisition of a subsidiary (note 18) | – | 11,334 | 11,334 |
| **At 31 December 2014** | 17,844 | 101,244 | 119,088 |
| **Amortisation and impairment** | | | |
| At 1 April 2013 (restated) | (17,034) | (78,882) | (95,916) |
| Currency realignment (restated) | 438 | 2,152 | 2,590 |
| Amortisation for the year (restated) | (580) | (6,042) | (6,622) |
| At 31 March 2014 (restated) | (17,176) | (82,772) | (99,948) |
| Currency realignment | (51) | (243) | (294) |
| Amortisation for the nine months ended 31 December 2014 | (430) | (2,124) | (2,554) |
| **At 31 December 2014** | (17,657) | (85,139) | (102,796) |
| **Carrying values** | | | |
| **At 31 March 2014 (restated)** | 611 | 6,936 | 7,547 |
| **At 31 December 2014** | 187 | 16,105 | 16,292 |

The above intangible assets are amortised on a straight line basis over the following periods:

| | |
|---|---|
| Customer relationship | 5-8 years |
| Licenses and patent | 3-8 years |
| Trademark | 4-5 years |

## 20 INTERESTS IN ASSOCIATES AND DEPOSIT MADE ON FORMATION OF AN ASSOCIATE

| | At 31 December 2014 RMB'000 | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Unlisted investments, at cost | 1,755 | 755 |
| Share of net assets | (311) | (311) |
| | 1,444 | 444 |
| Deposit made on acquisition of an associate | – | 1,000 |

The associates are individually and in aggregate not significant to the Group's financial condition or results of operations.

## 21 INTEREST IN A JOINTLY CONTROLLED ENTITY

| | At 31 December 2014 RMB'000 | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Unlisted shares, at cost | – | 12,306 |
| Share of net assets | – | 4,783 |
| | – | 17,089 |

In May 2014, the Group entered into an agreement with the other shareholder of Tivoli, LLC to acquire the remaining 50% equity interests of this jointly controlled entity at a consideration of US$3,000,000 (equivalent to approximately RMB18,509,000). At 31 December 2014, Tivoli, LLC was a wholly-owned subsidiary of the Group (note 18).

## 22 AVAILABLE-FOR-SALE INVESTMENTS

| | At 31 December 2014 RMB'000 | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Unlisted equity investments, at cost | 4,000 | 4,000 |
| Currency realignment | – | 91 |
| Impairment loss recognised | (874) | (874) |
| | 3,126 | 3,217 |

Unlisted equity investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

## 23 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

| | At 31 December 2014 RMB'000 | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Unlisted fund | 105,500 | – |

On 29 October 2014, Heshan Tongfang Lighting Technology Company Limited ("Heshan Tongfang Lighting"), a wholly-owned subsidiary of the Company, entered into an overseas assets management plan contract (the "Contract") with China Asset Management Co., Ltd. ("China AMC", as asset manager) and China Construction Bank Corporation ("CCBC", as asset custodian), pursuant to which Heshan Tongfang Lighting has agreed to participate in the overseas assets management plan operated by China AMC (the "Plan") by depositing the investment amount of RMB105,500,000 (the "Investment Amount") in a designated account maintained with CCBC. Pursuant to the Plan, the Investment Amount is proposed to be invested principally in equity interest and equity-linked structured products of Sinopec Marketing Co., Ltd. and bonds (including convertible bonds), funds, money market instruments, derivatives commodities and other financial instruments as permitted by the applicable securities laws and the requirements of the China Securities Regulatory Commission.

## 24 INVENTORIES

| | At 31 December 2014 RMB'000 | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Raw materials | **27,980** | 49,054 |
| Work in progress | **63,239** | 110,954 |
| Finished goods | **78,805** | 115,079 |
| | **170,024** | 275,087 |

Movement in the allowance for inventories:

| | At 31 December 2014 RMB'000 | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| At beginning of the year | **359,422** | 328,597 |
| Currency realignment | **72** | (2,081) |
| Utilisation during the year | **(57,091)** | (167,577) |
| Allowances made during the year | **95,036** | 200,483 |
| At the end of the year | **397,439** | 359,422 |

At 31 December 2014, certain finished goods with a carrying value of approximately RMB15,641,000 (31 March 2014: RMB15,603,000 as restated) were pledged to certain banks to secure the credit facilities granted to the Group.

## 24 INVENTORIES *(Continued)*

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

| | **Nine months ended 31 December 2014 RMB'000** | Year ended 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Carrying amount of inventories sold | **471,820** | 832,548 |
| Write down of inventories | **95,036** | 200,483 |
| Reversal of write-down of inventories | **(57,091)** | (167,577) |
| Cost of materials used for research and development purpose | **2,670** | 3,762 |
| | **512,435** | 869,216 |

## 25 TRADE AND OTHER RECEIVABLES

| | **At 31 December 2014 RMB'000** | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Trade receivables | **155,005** | 169,206 |
| Bills receivables | **20,514** | 9,229 |
| Less: Allowance for bad and doubtful debts | **(87,588)** | (71,419) |
| | **87,931** | 107,016 |
| Deposits paid to suppliers | **14,957** | 24,247 |
| Value added tax recoverable | **3,526** | 6,041 |
| Value added tax refundable on export sales | **90,401** | 56,225 |
| Other receivables | **21,685** | 21,256 |
| | **218,500** | 214,785 |

## 25 TRADE AND OTHER RECEIVABLES *(Continued)*

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable from 60 days to 90 days of issuance, except for certain well established customers in which the credit terms are up to 180 days. The following is an ageing analysis of trade and bills receivables presented based on the invoice dates (or date of revenue recognition, if earlier) and net of allowance for doubtful debts:

| | At 31 December 2014 RMB'000 | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| 0 to 60 days | **41,523** | 40,495 |
| 61 to 90 days | **10,447** | 9,430 |
| 91 to 180 days | **19,941** | 31,132 |
| 181 to 360 days | **16,020** | 25,959 |
| | **87,931** | 107,016 |

The ageing analysis of trade and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

| | At 31 December 2014 RMB'000 | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Neither past due nor impaired | **71,911** | 81,057 |
| Less than 6 months past due | **16,020** | 25,959 |
| | **87,931** | 107,016 |

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB16,020,000 (31 March 2014: RMB25,959,000 as restated) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on payment pattern of the customers of the Group, trade receivables past due but not impaired are generally collectible. The Group does not hold any collateral over these balances. The average age of these receivables ranges from 181 days to 360 days.

Receivables that were neither past due nor impaired relate to a wide range of 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, management believes that no impairment allowance 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.

## 25 TRADE AND OTHER RECEIVABLES *(Continued)*

At the end of the reporting period, the Group made allowance for receivables with poor creditworthiness and poor past collection history that are unlikely to be recovered.

Movement in the allowance for bad and doubtful debts:

| | At 31 December 2014 RMB'000 | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| At beginning of the year | 71,419 | 56,897 |
| Net impairment loss recognised on receivables | 47,513 | 24,968 |
| Amounts written off as uncollectible | (31,344) | (10,446) |
| At the end of the year | 87,588 | 71,419 |

Impairment losses in respect of trade receivables and bills receivables are recorded using an allowance account unless the group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivables directly.

At 31 December 2014, the Group's trade and bills receivables of RMB27,311,000 (31 March 2014: RMB19,807,000 as restated) was individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB7,833,000 (31 March 2014: RMB6,318,000 as restated) was recognised.

At 31 December 2014, certain trade receivables with a carrying value of approximately RMB11,339,000 (31 March 2014: RMB11,311,000 as restated) were pledged to certain banks to secure the credit facilities granted to the Group.

## 26 LOAN RECEIVABLE

At 31 March 2014, the loan receivable carried fixed interest rate of 6% per annum and was repayable on demand. All of the loan receivable at 31 March 2014 was received during the nine months ended 31 December 2014.

## 27 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

The pledged bank deposits represent deposits pledged to banks to secure credit facilities granted to the Group.

Cash and cash equivalents comprise cash and bank deposits with an original maturity of three months or less.

# 28 TRADE AND OTHER PAYABLES

| | At 31 December 2014 RMB'000 | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Trade payables | 94,097 | 82,633 |
| Bills payables | 3,256 | 6,190 |
| Payroll and welfare payables | 15,736 | 14,929 |
| Other payables | 102,139 | 60,106 |
| Financial liabilities measured at amortised cost | 215,228 | 163,858 |
| Customers' deposits | 15,611 | 28,092 |
| Other taxes payables | 15,437 | 17,140 |
| Obligation under onerous contract in connection with acquisition of property, plant and equipment | – | 2,154 |
| | 246,276 | 211,244 |

In prior years, the Group received certain government grants as incentives for setting up LED chips production plants in two economic development zones in the PRC. The amounts received have been deducted from the carrying amount of the relevant assets and are recognised to reduce depreciation charge over the useful lives of the relevant assets.

During the current period, the directors of the Company has decided to abort the investment in one of the economic development zones as a result of a change in business plan. Consequently, the Group no longer fulfills the condition attached to related government grants and will refund such government grants amounted to RMB37,200,000, which is recorded in other payables as at 31 December 2014.

## 28 TRADE AND OTHER PAYABLES *(Continued)*

The following is an ageing analysis of trade and bills payables presented based on the invoice date at the end of the year:

| | At 31 December 2014 RMB'000 | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| 0 to 30 days | **25,319** | 35,562 |
| 31 to 60 days | **6,774** | 8,937 |
| 61 to 90 days | **5,155** | 10,335 |
| 91 to 180 days | **24,473** | 7,303 |
| 181 to 360 days | **16,932** | 11,457 |
| More than 360 days | **18,700** | 15,229 |
| | **97,353** | 88,823 |

The average credit period on purchase of goods ranges from 30 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe. For those payables over credit period, the Group negotiated with respective creditors to extend the credit periods.

## 29 BANK BORROWINGS

| | At 31 December 2014 RMB'000 | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Bank loans repayable within one year | | |
| – secured | **46,052** | 112,115 |
| – unsecured | **66,731** | 62,890 |
| | **112,783** | 175,005 |

At 31 December 2014, included in the above bank borrowings are fixed-rate bank borrowings of RMB16,732,000 (31 March 2014: RMB46,138,000 as restated), which are repayable within one year from the end of the year.

## 29 BANK BORROWINGS *(Continued)*

The range of contracted interest rates on the Group's bank borrowings are as follows:

| | **At 31 December 2014** | At 31 March 2014 |
|---|---|---|
| Contracted interest rates (per annum) | | |
| Fixed-rate borrowings | **2.58%~4.50%** | 3.07%~7.80% |
| Variable-rate borrowings | **1.75%~4.55%** | 1.68%~6.60% |

Included in the bank borrowings are the following amounts denominated in currencies other than the functional currency of the group entities to which they relate:

| | **At 31 December 2014 RMB'000** | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| HK$ | **–** | 28,397 |
| US$ | **111,499** | 110,795 |

## 30 GOVERNMENT GRANTS

During the nine months ended 31 December 2014, RMB58,000 (year ended 31 March 2014: RMB1,291,000 as restated) of the government grants have been released to profit or loss to net off with research and development expenses. The remaining balance of government grants received are deferred as the Group has not fulfilled the conditions attaching to such grants.

# 31 DEFERRED TAXATION

The following is the deferred tax liabilities recognised by the Group and movements thereon during the year:

| | Taiwan withholding tax on undistributed earnings RMB'000 | Fair value adjustment on intangible assets RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 April 2013 (restated) | 2,669 | 3,836 | (120) | 6,385 |
| Credited to profit or loss for the year (restated) | – | (1,210) | – | (1,210) |
| Currency realignment (restated) | (68) | (89) | 3 | (154) |
| At 31 March 2014 (restated) | 2,601 | 2,537 | (117) | 5,021 |
| Credited to profit or loss for the nine months ended 31 December 2014 | – | (662) | (190) | (852) |
| Currency realignment | 9 | 16 | – | 25 |
| At 31 December 2014 | **2,610** | **1,891** | **(307)** | **4,194** |

At 31 December 2014, in accordance with the accounting policy set out in note 3(u), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB361,351,000 (31 March 2014: RMB317,891,000) as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. Except for the amount of RMB255,891,000 which will not expire under the relevant tax legislation, the remaining unused tax losses carried forward of RMB30,788,000, RMB10,860,000, RMB20,352,000 and RMB43,460,000 will expire in 2017, 2018, 2019 and 2020, respectively, if unused.

## 32 SHARE CAPITAL

| | Authorized | | Issued and fully paid | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| | | RMB'000 | | RMB'000 |
| Ordinary shares of nominal value HK$0.10 each | | | | |
| – at 1 April 2013 (restated) and 31 March 2014 (restated) | 5,000,000,000 | 520,000 | 939,319,694 | 92,317 |
| Issuance of new shares | – | – | 1,000,000,000 | 79,580 |
| – at 31 December 2014 | 5,000,000,000 | 520,000 | 1,939,319,694 | 171,897 |

During the nine months ended 31 December 2014, THTF ES subscribed for an aggregate of 1,000,000,000 Shares at the subscription price of HK$0.90 per share on 1 August 2014.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## 33 SHARE OPTION SCHEME

### Equity-settled share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a shareholders' written resolution passed on 20 November 2006 for the primary purpose of providing incentives to and recognizing significant contributions from directors and eligible employees. The Scheme became effective on 15 December 2006 and the options issued pursuant to the Scheme will expire no later than ten years from the date of grant of the option. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services to the Company and for the purpose of rewarding their contribution to the long-term success of the Group by providing the opportunity to obtain ownership interest in the Group.

At 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was nil (31 March 2014: 47,437,000), representing 0% (31 March 2014: 5.1%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the relevant time of grant, without prior approval from the Company's shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under this Scheme shall not in aggregate exceed 20% of the shares in issue from time to time. No option may be granted under this Scheme and any other share option scheme of the Company if such limit is exceeded. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share in issue or with an aggregate value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

(Expressed in RMB)

# 33 SHARE OPTION SCHEME *(Continued)*

## Equity-settled share option scheme *(Continued)*

There is no general requirement that an option must be held for any minimum period before it can be exercised but the board of directors is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. Options may be exercised in accordance with the terms stipulated in the Scheme. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of the movements of share options are as follows:

| Type of participants | Date of grant | Vesting period grant | Exercisable | Forfeited/ Exercise price per share HK$ | Outstanding at 31.3.2013 | Granted during the year | Forfeited/ Lapsed during the year | Outstanding at 31.3.2014 | Granted during the nine months ended 31 December 2014 | Forfeited/ Lapsed during the nine months ended 31 December 2014 | Outstanding at 31.12.2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Executive director | 22.1.2010 | Nil | 22.1.2010-21.1.2018 | 6.75 | 152,000 | – | – | 152,000 | – | (152,000) | – |
| | 22.1.2010 | 22.1.2010-21.1.2011 | 22.1.2011-21.1.2018 | 6.75 | 152,000 | – | – | 152,000 | – | (152,000) | – |
| | 22.1.2010 | 22.1.2011-21.1.2012 | 22.1.2012-21.1.2018 | 6.75 | 152,000 | – | – | 152,000 | – | (152,000) | – |
| | 22.1.2010 | 22.1.2012-21.1.2013 | 22.1.2013-21.1.2018 | 6.75 | 152,000 | – | – | 152,000 | – | (152,000) | – |
| | 22.1.2010 | 22.1.2013-21.1.2014 | 22.1.2014-21.1.2018 | 6.75 | 152,000 | – | – | 152,000 | – | (152,000) | – |
| Independent non-executive directors | 1.2.2008 | Nil | 1.2.2008-31.1.2016 | 5.03 | 10,000 | – | (10,000) | – | – | – | – |
| | 1.2.2008 | 1.2.2008-31.1.2009 | 1.2.2009-31.1.2016 | 5.03 | 10,000 | – | (10,000) | – | – | – | – |
| | 1.2.2008 | 1.2.2009-31.1.2010 | 1.2.2010-31.1.2016 | 5.03 | 10,000 | – | (10,000) | – | – | – | – |
| | 1.2.2008 | 1.2.2010-31.1.2011 | 1.2.2011-31.1.2016 | 5.03 | 10,000 | – | (10,000) | – | – | – | – |
| | 1.2.2008 | 1.2.2011-31.1.2012 | 1.2.2012-31.1.2016 | 5.03 | 10,000 | – | (10,000) | – | – | – | – |
| | 22.1.2010 | Nil | 22.1.2010-21.1.2018 | 6.75 | 80,000 | – | (40,000) | 40,000 | – | (40,000) | – |
| | 22.1.2010 | 22.1.2010-21.1.2011 | 22.1.2011-21.1.2018 | 6.75 | 80,000 | – | (40,000) | 40,000 | – | (40,000) | – |
| | 22.1.2010 | 22.1.2011-21.1.2012 | 22.1.2012-21.1.2018 | 6.75 | 80,000 | – | (40,000) | 40,000 | – | (40,000) | – |
| | 22.1.2010 | 22.1.2012-21.1.2013 | 22.1.2013-21.1.2018 | 6.75 | 80,000 | – | (40,000) | 40,000 | – | (40,000) | – |
| | 22.1.2010 | 22.1.2013-21.1.2014 | 22.1.2014-21.1.2018 | 6.75 | 80,000 | – | (40,000) | 40,000 | – | (40,000) | – |
| | 14.12.2012 | Nil | 14.12.2012-13.12.2016 | 1.99 | 133,333 | – | (33,333) | 100,000 | – | (100,000) | – |
| | 14.12.2012 | 14.12.2012-13.12.2013 | 14.12.2013-13.12.2016 | 1.99 | 133,333 | – | (33,333) | 100,000 | – | (100,000) | – |
| | 14.12.2012 | 14.12.2013-13.12.2014 | 14.12.2014-13.12.2016 | 1.99 | 133,334 | – | (33,334) | 100,000 | – | (100,000) | – |
| Employees | 15.2.2007 | Nil | 15.2.2007-14.2.2015 | 8.72 | 955,100 | – | (5,900) | 949,200 | – | (949,200) | – |
| | 15.2.2007 | 15.2.2007-14.2.2008 | 15.2.2008-14.2.2015 | 8.72 | 1,596,100 | – | (5,900) | 1,590,200 | – | (1,590,200) | – |
| | 15.2.2007 | 15.2.2008-14.2.2009 | 15.2.2009-14.2.2015 | 8.72 | 1,149,433 | – | (5,900) | 1,143,533 | – | (1,143,533) | – |
| | 15.2.2007 | 15.2.2009-14.2.2010 | 15.2.2010-14.2.2015 | 8.72 | 1,149,433 | – | (5,900) | 1,143,533 | – | (1,143,533) | – |
| | 15.2.2007 | 15.2.2010-14.2.2011 | 15.2.2011-14.2.2015 | 8.72 | 1,149,434 | – | (5,900) | 1,143,534 | – | (1,143,534) | – |

(Expressed in RMB)

# 33 SHARE OPTION SCHEME *(Continued)*

## Equity-settled share option scheme *(Continued)*

| Type of participants | Date of grant | Vesting period grant | Exercisable | Forfeited/ Exercise price per share HK$ | Outstanding at 31.3.2013 | Granted during the year | Forfeited/ Lapsed during the year | Outstanding at 31.3.2014 | Granted during the nine months ended 31 December 2014 | Forfeited/ Lapsed during the nine months ended 31 December 2014 | Outstanding at 31.12.2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1.2.2008 | Nil | 1.2.2008-31.1.2016 | 5.03 | 592,700 | – | (16,900) | 575,800 | – | (575,800) | – |
| | 1.2.2008 | 1.2.2008-31.1.2009 | 1.2.2009-31.1.2016 | 5.03 | 253,325 | – | (16,900) | 236,425 | – | (236,425) | – |
| | 1.2.2008 | 1.2.2009-31.1.2010 | 1.2.2010-31.1.2016 | 5.03 | 253,325 | – | (16,900) | 236,425 | – | (236,425) | – |
| | 1.2.2008 | 1.2.2010-31.1.2011 | 1.2.2011-31.1.2016 | 5.03 | 253,325 | – | (16,900) | 236,425 | – | (236,425) | – |
| | 1.2.2008 | 1.2.2011-31.1.2012 | 1.2.2012-31.1.2016 | 5.03 | 253,325 | – | (16,900) | 236,425 | – | (236,425) | – |
| Employees | 29.2.2008 | Nil | 28.2.2008-28.2.2016 | 5.9 | 288,500 | – | – | 288,500 | – | (288,500) | – |
| | 29.2.2008 | 28.2.2008-28.2.2009 | 28.2.2009-28.2.2016 | 5.9 | 282,250 | – | – | 282,250 | – | (282,250) | – |
| | 29.2.2008 | 28.2.2009-28.2.2010 | 28.2.2010-28.2.2016 | 5.9 | 282,250 | – | – | 282,250 | – | (282,250) | – |
| | 29.2.2008 | 28.2.2010-28.2.2011 | 28.2.2011-28.2.2016 | 5.9 | 282,250 | – | – | 282,250 | – | (282,250) | – |
| | 29.2.2008 | 28.2.2011-28.2.2012 | 28.2.2012-28.2.2016 | 5.9 | 282,250 | – | – | 282,250 | – | (282,250) | – |
| | 13.7.2009 | Nil | 13.7.2009-12.7.2017 | 2.19 | 1,678,000 | – | (96,000) | 1,582,000 | – | (1,582,000) | – |
| | 13.7.2009 | 13.7.2009-12.7.2010 | 13.7.2010-12.7.2017 | 2.19 | 1,678,000 | – | (96,000) | 1,582,000 | – | (1,582,000) | – |
| | 13.7.2009 | 13.7.2010-12.7.2011 | 13.7.2011-12.7.2017 | 2.19 | 1,678,000 | – | (96,000) | 1,582,000 | – | (1,582,000) | – |
| | 13.7.2009 | 13.7.2011-12.7.2012 | 13.7.2012-12.7.2017 | 2.19 | 1,678,000 | – | (96,000) | 1,582,000 | – | (1,582,000) | – |
| | 13.7.2009 | 13.7.2012-12.7.2013 | 13.7.2013-12.7.2017 | 2.19 | 1,678,000 | – | (96,000) | 1,582,000 | – | (1,582,000) | – |
| | 22.1.2010 | Nil | 22.1.2010-21.1.2018 | 6.75 | 1,718,000 | – | (289,000) | 1,429,000 | – | (1,429,000) | – |
| | 22.1.2010 | 22.1.2010-21.1.2011 | 22.1.2011-21.1.2018 | 6.75 | 1,718,000 | – | (289,000) | 1,429,000 | – | (1,429,000) | – |
| | 22.1.2010 | 22.1.2011-21.1.2012 | 22.1.2012-21.1.2018 | 6.75 | 1,718,000 | – | (289,000) | 1,429,000 | – | (1,429,000) | – |
| | 22.1.2010 | 22.1.2012-21.1.2013 | 22.1.2013-21.1.2018 | 6.75 | 1,718,000 | – | (289,000) | 1,429,000 | – | (1,429,000) | – |
| | 22.1.2010 | 22.1.2013-21.1.2014 | 22.1.2014-21.1.2018 | 6.75 | 1,718,000 | – | (289,000) | 1,429,000 | – | (1,429,000) | – |
| | 23.7.2010 | Nil | 23.7.2010-22.7.2018 | 4.51 | 220,000 | – | (10,000) | 210,000 | – | (210,000) | – |
| | 23.7.2010 | 23.7.2010-22.7.2011 | 23.7.2011-22.7.2018 | 4.51 | 220,000 | – | (10,000) | 210,000 | – | (210,000) | – |
| | 23.7.2010 | 23.7.2011-22.7.2012 | 23.7.2012-22.7.2018 | 4.51 | 220,000 | – | (10,000) | 210,000 | – | (210,000) | – |
| | 23.7.2010 | 23.7.2012-22.7.2013 | 23.7.2013-22.7.2018 | 4.51 | 220,000 | – | (10,000) | 210,000 | – | (210,000) | – |
| | 23.7.2010 | 23.7.2013-22.7.2014 | 23.7.2014-22.7.2018 | 4.51 | 220,000 | – | (10,000) | 210,000 | – | (210,000) | – |
| | 19.8.2011 | Nil | 19.8.2011-18.8.2015 | 1.95 | 3,733,334 | – | (170,000) | 3,563,334 | – | (3,563,334) | – |
| | 19.8.2011 | 19.8.2011-18.8.2012 | 19.8.2012-18.8.2015 | 1.95 | 3,733,334 | – | (170,000) | 3,563,334 | – | (3,563,334) | – |
| | 19.8.2011 | 19.8.2012-18.8.2013 | 19.8.2013-18.8.2015 | 1.95 | 3,733,332 | – | (170,000) | 3,563,332 | – | (3,563,332) | – |
| | 14.12.2012 | Nil | 14.12.2012-13.12.2016 | 1.99 | 3,491,000 | – | – | 3,491,000 | – | (3,491,000) | – |
| | 14.12.2012 | 14.12.2012-13.12.2013 | 14.12.2013-13.12.2016 | 1.99 | 3,491,000 | – | – | 3,491,000 | – | (3,491,000) | – |
| | 14.12.2012 | 14.12.2013-13.12.2014 | 14.12.2014-13.12.2016 | 1.99 | 3,491,000 | – | – | 3,491,000 | – | (3,491,000) | – |
| | | | | | 50,386,000 | – | (2,949,000) | 47,437,000 | – | (47,437,000) | – |

## 33 SHARE OPTION SCHEME *(Continued)*

Subsequent to the Subscription (note 1), the Company made a mandatory offer to all the holders of the outstanding options at HK$0.0001 in cash for every option outstanding on 25 August 2014. The holders of the options are entitled to exercise or sell their options in full or in part within 21 days (i.e. 22 September 2014) after the mandatory offers are made. Otherwise, the right to exercise an option will be terminated immediately and the option will lapse accordingly. Upon the expiry date (i.e. 22 September 2014), no holders of the options exercised or sold their options and therefore all outstanding options were terminated and lapsed.

The weighted average exercise price of options forfeited or lapsed during the nine months ended 31 December 2014 is HK$3.94 (31 March 2014: HK$4.92). The weighted average exercise price of options outstanding at the end of 31 March 2014 is HK$3.94.

During the nine months ended 31 December 2014, the Group recognised the expense of RMB1,090,000 (year ended 31 March 2014: RMB4,515,000 as restated) in relation to share options granted after taking into consideration the effect of revision of estimates due to forfeiture of unvested share options.

## 34 OPERATING LEASE ARRANGEMENTS

### The Group as lessee

At the end of the year, the Group was committed to make the following future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

| | At 31 December 2014 RMB'000 | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Within one year | **2,160** | 2,156 |
| In the second to fifth year inclusive | **5,151** | 5,274 |
| Over five years | **3,583** | 4,402 |
| | **10,894** | 11,832 |

Leases are negotiated for a period ranging from one to ten years and all rentals are fixed.

# 34 OPERATING LEASE ARRANGEMENTS *(Continued)*

### The Group as lessor

At the end of the year, the Group has contracted with tenants in respect of investment properties for the following future minimum lease payments:

| | **At 31 December 2014 RMB'000** | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Within one year | **1,259** | 1,258 |
| In the second to fifth year inclusive | **2,122** | 1,676 |
| Over five years | **264** | 377 |
| | **3,645** | 3,311 |

# 35 CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:

| | **At 31 December 2014 RMB'000** | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| – acquisition of property, plant and equipment | **13,022** | 12,595 |

At 31 March 2014, a provision of onerous contracts for the capital expenditure contracted for but not provided amounting to RMB2,039,000 (as restated) is included in trade and other payables in respect of the acquisition of property, plant and equipment. The amount of RMB13,022,000 (31 March 2014: RMB12,595,000 as restated) presented above represents capital expenditure contracted net of provision for onerous contract and deposits paid.

# 36 RETIREMENT BENEFITS SCHEME

The Group's qualifying employees in Hong Kong participate in the Mandatory Provident Fund (the "MPF") in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (increase from HK$25,000 to HK$30,000 effective June 2014) for the MPF Scheme.

The employees of the PRC subsidiaries are members of the state-managed retirement benefit scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

# 37 MATERIAL RELATED PARTY TRANSACTIONS

## (a) Transactions with the controlling shareholder and its subsidiaries

| | Nine months ended 31 December 2014 RMB'000 | Year ended 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Sales of products | 4,960 | – |

## (b) Transactions entered into by the Company with subsidiaries of the Group

| | Nine months ended 31 December 2014 RMB'000 | Year ended 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| Net increase/(decrease) in non-interest bearing advances granted to subsidiaries | 141,744 | (6,112) |

## (c) Key management personnel remuneration

The Company's directors represented the Group's key management and their emoluments for the nine months ended 31 December 2014 are set out in note 12.

## (d) Transactions with other state-controlled entities in the PRC

The controlling shareholder of the Company, Tsinghua Tongfang is a state-controlled enterprise controlled by the PRC government. Apart from transactions with Tsinghua Tongfang and its subsidiaries which were disclosed in note 37(a) above, the Group also has transactions with other state-controlled entities, included but not limited to the following:

- sales of products and provision of services;
- purchase of materials; and
- bank deposits and borrowings.

# 37 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

### (e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of sales of products included in note 37 above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Reports of the directors.

# 38 INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

| | **At 31 December 2014 RMB'000** | At 31 March 2014 RMB'000 (Restated) |
|---|---|---|
| **Assets and liabilities** | | |
| Interests in subsidiaries | **570,045** | 480,982 |
| Cash and cash equivalents | **566,019** | 1,383 |
| Other current liabilities | **(6,990)** | (3,277) |
| **Net assets** | **1,129,074** | 479,088 |
| **Capital and reserves** | | |
| Share capital | **171,897** | 92,317 |
| Reserves | **957,177** | 386,771 |
| **Total equity** | **1,129,074** | 479,088 |

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB522,379,000 (31 March 2014: nil).

(Expressed in RMB)

# 39 PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are indirectly wholly-owned by the Company, at 31 December 2014 are as follows:

| Name of subsidiary | Form of business structure | Place of incorporation/ establishment | Particulars of issued and paid up capital/ registered capital | Principal activity |
|---|---|---|---|---|
| THTF Lighting Group Limited | Incorporated | British Virgin Islands | USD1,000,000 | Investment holding |
| Neo-Neon Enterprises Limited | Incorporated | Hong Kong | 10,000 shares | Trading of lighting products |
| Mentle International Limited | Incorporated | Hong Kong | 2 shares | Trading of lighting products |
| Melrose Holdings Limited | Incorporated | Hong Kong | 10,000 shares | Investment holding |
| Billion Choice Trading Ltd. | Incorporated | British Virgin Islands | USD1 | Investment holding |
| Heshan Tongfang Lighting Technology Company Limited | Wholly foreign owned enterprise | PRC | USD292,147,796 | Manufacture and sales of lighting products |
| Neo-Neon LED Lighting International Limited | Incorporated | Samoa | USD10,000 | Trading of lighting products |
| Heshan Yinyu Illumination Co., Ltd. | Domestic Limited Liability Company | PRC | CNY50,000,000 | Manufacture and sales of lighting products |
| Neo-Neon (Vietnam) Development Company Limited | Incorporated | Vietnam | USD28,000,000 | Manufacture and sales of lighting products |
| Yangzhou Tongfang Semiconductor Co., Ltd. | Wholly foreign owned enterprise | PRC | USD43,900,000 | Manufacture and sales of lighting products |
| American Lighting, Inc. | Incorporated | USA | USD5,412,435 | Trading of lighting products |
| Tivoli, LLC. | Partnership | USA | USD4,500,000 | Trading of lighting products |

# DEFINITIONS

In this annual report, the following expressions shall have the following meanings unless the context requires otherwise:

| | |
|---|---|
| "AGM" | the annual general meeting of the Company to be convened and held at Unit 806-810, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Wednesday, 20 May 2015 at 10:00 a.m., or where the context so admits, any adjournment thereof |
| "Articles of Association" or "Articles" | the articles of association of the Company adopted by the written resolution of the Shareholders on on 20 November 2006 and as amended, supplemented and otherwise modified from time to time |
| "associate(s)" | has the meaning ascribed thereto under the Listing Rules |
| "Board" | the board of directors of the Company |
| "Business Day" or "business day" | a day on which banks in Hong Kong and Cayman Islands are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong or Cayman Islands |
| "BVI" | British Virgin Islands |
| "China" or "PRC" | the People's Republic of China, excluding for the purpose of the Prospectus, Hong Kong, Macau and Taiwan |
| "Companies Ordinance" | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| "Companies (WUMP) Ordinance" | Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time |
| "Company" | means Neo-Neon Holdings Limited (stock code: 1868), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange, and part of shares of which are listed on the Taiwan Stock Exchange as depositary receipts |
| "connected person(s)" | has the meaning ascribed thereto under the Listing Rules |
| "controlling shareholders" | has the meaning ascribed thereto in the Listing Rules |
| "Corporate Governance Code" | code on corporate governance practices contained in Appendix 14 to the Listing Rules |
| "Director(s)" | the director(s) of the Company |
| "Group" | the Company and its subsidiaries |

## DEFINITIONS

| | |
|---|---|
| "Listing Rules" | the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange |
| "HK$" and "HK cents" | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| "Hong Kong" | The Hong Kong Special Administrative Region of the PRC |
| "Independent Third Party(ies)" | individual(s) or company(ies) who is/are not connected with (within the meaning of the Listing Rules) any of the Company, Directors, chief executive or substantial shareholders of the Company, our subsidiaries or any of their respective associates |
| "Model Code" | the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time |
| "Share(s)" | means share(s) of HK$0.1 each in the share capital of the Company |
| "Shareholder(s)" | the shareholder(s) of the Company |
| "Share Option Scheme" | the share option scheme of the Company adopted by resolutions of the Shareholders on 20 November 2006 |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiary(ies)" | has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) |
| "substantial shareholder(s)" | has the meaning ascribed thereto under the Listing Rules |
| "THTF ES" | THTF Energy Saving Holdings Limited, a substantial shareholder of the Company |
| "Tsinghua Tongfang" | 同方股份有限公司 (Tsinghua Tongfang Co., Ltd*), a joint stock limited company incorporated in the PRC, whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600100) |
| "Tsinghua Tongfang Group" | Tsinghua Tongfang and its subsidiaries (for the purpose of this report, excluding the Group) |
| "%" | per cent. |