清华同方
TSINGHUA TONGFANG

NEO-NEON HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1868.HK; 911868.TDR

2020
ANNUAL REPORT

http://www.neo-neon.com

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Gao Zhi *(Chairman)*
Mr. Liu Zhigang (appointed on 2 November 2020)
Mr. Daniel P.W. Li (resigned on 30 September 2020)

Non-executive Directors

Mr. Zhou Hai Ying
Mr. Seah Han Leong (redesignated on 9 January 2020)
Mr. Huang Yu (resigned on 9 January 2020)
Mr. Wang Liang Hai (resigned on 9 January 2020)
Mr. Liu Wei Dong (resigned on 9 January 2020)

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT AND REGULATORY COMPLIANCE COMMITTEE

Mr. Fan Ren Da Anthony *(Chairman)*
Mr. Gao Zhi
Mr. Seah Han Leong
Mr. Liu Zhigang
Mr. Zhou Hai Ying
Mr. Liu Tian Min
Ms. Li Ming Qi

AUTHORISED REPRESENTATIVES

Mr. Gao Zhi
Mr. Chow Hiu Tung

COMPANY SECRETARY

Mr. Chow Hiu Tung

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

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

CORPORATE INFORMATION

LAWYER AS TO HONG KONG LAWS

Morgan, Lewis & Bockius
Suites 1902-09, 19th Floor, Edinburgh Tower,
The Landmark,
15 Queen's Road Central,
Hong Kong

PRINCIPAL BANKS

China Construction Bank Guangdong Branch
Heshan Sub-branch
China Everbright Bank Jiangmen Branch
Guangdong Heshan Rural Commercial Bank Company
Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

15th Floor
Allied Kajima Building
138 Gloucester Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR

Suntera (Cayman) Limited
Suite 3204, Unit 2A,
Block 3, Building D.
P.O. Box 1586
Gardenia Court,
Camana Bay
Grand Cayman KY1-1100
Cayman Islands

COMPANY WEBSITE ADDRESS

www.neo-neon.com

STOCK CODE

1868

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") and the management, I am pleased to present the report on the development status and operating results of Neo-Neon Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020.

BUSINESS REVIEW

In 2020, the novel coronavirus ("COVID-19") spread all over the world, bringing various adverse factors to the global economy and the Group. Looking back on the past year, our major market, the North American lighting industry, recorded a significant decline in both revenue and profit. In the face of the difficult environment, the Group reacted prompt, formulated stringent implementation measures for COVID-19 prevention and control, and expanded sales channels against the adverse trend, thereby achieving a growth in both revenue and profit. Such outstanding results were attributable to the employees of the USA subsidiaries, who worked together and held on to their posts in face of COVID-19, and completed their assignments better than planned under overwhelming pressure. At present, the USA lighting segment has established an efficient supply chain, and developed the companies thereunder into service-oriented companies with multiple channels and business forms including large retail market, traditional lighting and electrical product distributors, commercial Christmas lighting, lighting design and e-commerce platforms.

In order to mitigate the impact of the COVID-19, the Group has proactively put in place various contingency measures including providing facial masks, implementing working from home arrangement and using online meeting system. Via continuing efforts, the Group managed to achieve a growth amid the difficult environment.

The Group has no intention to carry out property development business. Therefore, during the reporting period, the Group disposed of two subsidiaries that hold land use rights. In the future, the Group will focus further resources on the lighting segment, and the industries that are in line with the innovation-driven development strategy of the Group, enjoy great market prospects and have core competitiveness. Tongfang Securities will continue to accumulate and make use of its experience and expertise in financial services to provide customers with high-quality financial services.

FUTURE PROSPECT

Domestic and international economy is currently exposed to various uncertainties in many aspects. Faced with various unfavorable factors such as trade frictions, global pandemic not yet under control, international financial market turmoil and geopolitical tensions, the global economy is and will be facing various challenges in the future. In 2021, the Group will focus on core business and the improvement and optimization of the industrial layout and structure. The Group will continue to dispose of non-core assets and businesses, and seek for the industries that are in line with the innovation-driven development strategy, enjoy great market prospects and have core competitiveness. The disposal of the two subsidiaries that hold land use rights has enabled the financial position of the Group to become stronger, which, together with the support of the shareholder, China National Nuclear Corporation, is believed to contribute to the better development of the Group.

ACKNOWLEDGEMENT

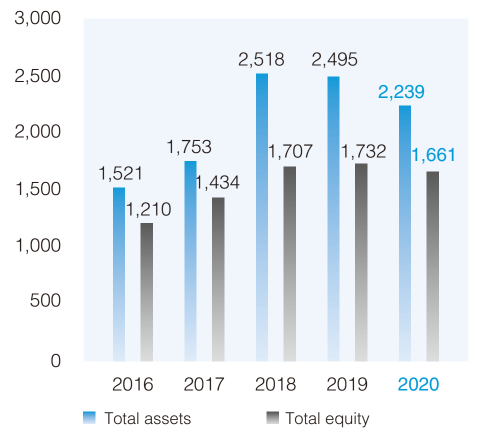
I would like to take this opportunity to acknowledge the continuous support from all of our shareholders, clients and business partners. On behalf of the Group, I hereby express my heartfelt gratitude to the members of the Board and all our employees for their contributions to the Group.

Gao Zhi
Chairman

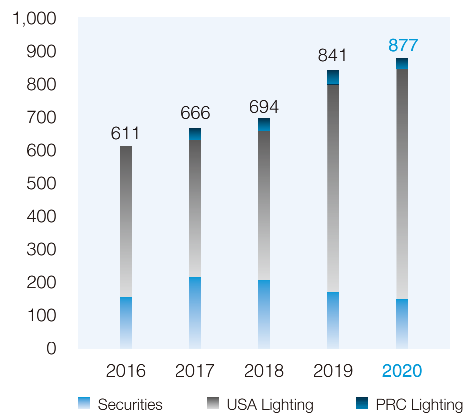
FINANCIAL HIGHLIGHTS

Expressed in RMB million	2016	2017	2018	2019	2020
			Year ended 31 December		
Turnover	611	666	694	841	**877**
Gross profit/(loss)	189	208	204	284	**282**
Profit/(loss) attributable to owners of the Company	12	120	146	(23)	**(28)**
Total assets	1,521	1,753	2,518	2,495	**2,239**
Total equity	1,210	1,434	1,707	1,732	**1,661**
Gross profit/(loss) margin	30.8%	31.3%	29.4%	33.7%	**32.2%**
Net profit/(loss) margin	0.02	18.1%	21.0%	(2.7%)	**(3.1%)**
Earnings/(loss) per share-basic (RMB cents)	0.6	5.7	7.0	(1.1)	**(1.3)**

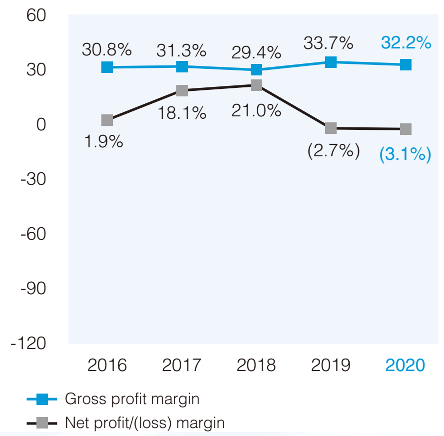
Total assets/Total equity
RMB M



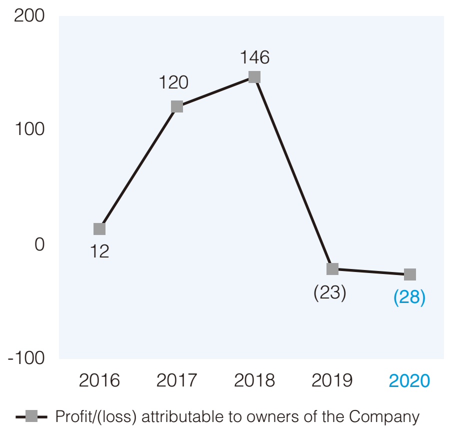
Turnover
RMB M



Gross and net profit/(loss) margin
%



Profit/(loss) attributable to owners of the Company
RMB M



DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Gao Zhi (高志)

Mr. Gao Zhi (高志), aged 57, was appointed as an executive Director, the president and chief executive officer of the Company with effect from 9 January 2020, and he is responsible for all the businesses (except the financial business) of the Group. On 26 March 2020, he was appointed as the chairman of the Board. Mr. Gao graduated from Tsinghua University of China with a bachelor degree in engineering in 1984 and a master degree in business administration in 2006. He is currently the deputy president of Tsinghua Tongfang and has held various positions with the company since 1997 including assistant president, general manager of the operation center and the department of business administration, deputy general manager of sales center and applied information system headquarter. Prior to that, he was a manager at the production department of TsingHua TongFang Artificial Environment Co., Ltd * (北京清華人工環境工程公司) from September 1989 to July 1997, and a teacher with Taiyuan Engineering College* (太原機械學院) from August 1984 to September 1989.

Mr. Liu Zhigang (劉智綱)

Mr. Liu Zhigang (劉智綱), aged 42, was appointed as an executive Director with effect from 2 November 2020, and he is an associate member of Association of International Accountants and is recognised as a senior economist by the Department of Human Resources and Social Security of Yunnan Province. He holds a diploma in business administration from Nankai University and has extensive experience in financial institution management. From March 2007 to June 2020, he worked for Bank of Communications and his last held position was the Xinan Cun sub-branch manager of Bank of Communications Tianjin Branch.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

NON-EXECUTIVE DIRECTORS

Mr. Seah Han Leong (謝漢良)

Mr. Seah Han Leong (謝漢良), aged 57, was appointed as an executive Director on 25 August 2014 and redesignated to a non-executive Director and resigned as the president of the Group on 9 January 2020. He is also a founder of Technovator International Limited ("Technovator"). 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. Mr. Seah ceased to be an executive director of Technovator on 7 February 2018 due to his other business commitment. Technovator is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (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. Zhou Hai Ying (周海英)

Mr. Zhou Hai Ying (周海英), aged 51, was appointed as a non-executive Director on 9 January 2020. Mr. Zhou graduated from Jiangxi University of Finance and Economics* (江西財經學院) with a bachelor degree. He has extensive experience in financial management. He had been the financial controller of Tsinghua Tongfang from January 2018 to 24 February 2020 and was appointed as the director of operation management of Tsinghua Tongfang and general manager of its operation management department in April 2020. Prior to that, he was with Tsinghua Holdings Co., Ltd.* (清華控股有限公司) between May 2003 and January 2018 and held various positions including senior manager and deputy head of the finance department, head and general manager of asset and finance management department, and the assistant to the president. He is also an executive director of China Medical & HealthCare Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 383).

DIRECTORS AND SENIOR MANAGEMENT PROFILES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fan, Ren Da Anthony (范仁達)

Mr. FAN Ren Da, Anthony (范仁達), aged 60, was appointed as an independent non-executive director of the Company in August 2007. Mr. Fan is the chairman and managing director of AsiaLink Capital Limited and also an independent non-executive director of Technovator International Limited (stock code: 1206), Raymond Industrial Limited (stock code: 229), Shanghai Industrial Urban Development Group Limited (stock code: 563), China Dili Group (formerly known as Renhe Commercial Holdings Company Limited) (stock code: 1387), Tenfu (Cayman) Holdings Company Limited (stock code: 6868), Citic Resources Holdings Limited (stock code: 1205), China Development Bank International Investment Limited (stock code: 1062), Hong Kong Resources Holdings Company Limited (stock code: 2882), Neo-Neon Holdings Limited (stock code: 1868) and Semiconductor Manufacturing International Corporation (stock code: 981). Mr. Fan was an independent non-executive director of Lerthai Group Limited (formerly known as LT Commercial Real Estate Limited, stock code: 112) from March 2013 to June 2017, Guodian Technology & Environment Group Corporation Limited (stock code: 1296) from September 2011 to August 2017 and of CGN New Energy Holdings Co., Ltd. (stock code: 1811) from September 2014 to June 2018. All of the said companies are listed on the Main Board of the Stock Exchange. Mr. Fan holds a master's degree in business administration from the U.S.A..

Mr. Liu Tian Min (劉天民)

Mr. Liu Tian Min (劉天民), aged 59, 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 53, was appointed as an independent non-executive Director on 25 August 2014. She graduated from Fudan University in Shanghai. She received a Bachelor of Economics and later 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.

From March 2011 to November 2014, she served as the independent board director of Sino Gas International Holdings, Inc., which is listed on the Over-The-Counter Bulletin Board in the United States of America ("USA") (stock code: SGAS). After graduation, Ms. Li served as a senior associate of PricewaterhouseCoopers and JP Morgan Chase, and as portfolio manager of BHF Capital and Transamerica Business Capital. More recently, she serviced as a Vice President in Morgan Stanley New York and as a hedge fund controller of Mercury Capital Management in Greenwich Connecticut.

SENIOR MANAGEMENT

Mr. Gao Zhi (高志). Please refer to the details set out above under the paragraph headed "Executive Directors" in this section.

Dr. Li P. W. Daniel. Please refer to the details set out above under the paragraph headed "Executive Directors" in this section.

Mr. Liu Zhigang (劉智綱), 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 46, is the chief financial officer and chief accountant of the Company. Mr. Fu was awarded a bachelor degree in Accountancy. He is also a Certified Tax Agent and a recognised accountant. 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. Jang Jann Huan (張震寰)

Mr. Jang Jann Huan (張震寰), aged 67, 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 USA. He is also currently the chief executive officer (CEO) and the acting CEO of American Lighting, Inc. ("American Lighting") and Tivoli, LLC ("Tivoli"), both of which are the non-wholly owned subsidiary of the Company, respectively. From 1999 to 2004, Mr. Jang was responsible for expanding our business in the USA. 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 Hui Lai (徐惠來)

Mr. Xu Hui Lai (徐惠來), aged 49, 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.

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. Chow Hiu Tung (周曉東)

Mr. Chow Hiu Tung (周曉東), aged 49, has over 23 years of experience in accounting and internal control. He is currently the independent non-executive director of Great Wall Belt & Road Holdings Limited (stock code: 524) and State Energy Group International Assets Holdings Limited (stock code: 918), both listed on the Stock Exchange. Prior to that, Mr. Chow had been an independent non-executive director of Future Bright Mining Holdings Limited, a company listed on the Stock Exchange (stock code: 2212), from December 2014 to September 2018, and an independent non-executive director of National United Resources Holdings Limited (formerly known as China Outdoor Media Group Limited), a company listed on the Stock Exchange (stock code: 254), from October 2013 to March 2015. Mr. Chow obtained his bachelor's degree in business administration in finance from Hong Kong University of Science and Technology in November 1995 and obtained his master's degree in international business in December 2001 from the University of Sydney, Australia. Mr. Chow has been a member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since January 1999. Mr. Chow has also been a member of the Association of Chartered Certified Accountants since April 2000 and was admitted as its fellow member in April 2005.

Mr. Cheng Chien Wen (鄭建文)

Mr. Cheng Chien Wen (鄭建文), aged 53, graduated from Hujiang High School in July 1991. He is the assistant president of the Company and the general manager of Creation Lighting Co. Ltd. (Taiwan), a subsidiary of the Company, mainly responsible for the decorative lights business division of the Company and the daily management of Creation Lighting Co. Ltd. (Taiwan). He joined the former Neo-Neon Group (真明麗集團) in 1986 and had held several important positions in the manufacturing and research and development department. He served as a consultant in Taiwan Lighting Fixture Export Association.

Mr. Zhai Jian Yi (翟健翼)

Mr. Zhai Jian Yi (翟健翼), aged 54, is a construction engineer, and he graduated from Heilongjiang Province Construction Workers' University in July 1990. He is the assistant president of the Company and the general manager of Guangdong Tongfang Science Park Company Limited* (廣東同方科技園有限公司), mainly responsible for science and technology zone projects. He had served as an engineer and the deputy general manager of the planning and development department of Beijing Tongfang Property Development Co. Ltd., the general manager of the planning and development department of Beijing Tongfang Star City Properties Co. Ltd., the general manager of the engineering department of Wuxi Tongfang Science Park Co. Ltd., the project manager of the production base construction department of Tsinghua Tongfang, the manager of the engineering department of Nantong Tongfang Science Park Co. Ltd. and the manager of the Wuxi base phase II project management department of Tongfang Computer Co. Ltd. since 2001.

Mr. Mak Chak Hung (麥澤鴻)

Mr. Mak Chak Hung (麥澤鴻), aged 59, graduated in economics from the University of Sussex in July 1986, and was awarded the Postgraduate Diploma in Business Administration from the University of Warwick in March 1993. He is licensed as a responsible officer with Hong Kong Securities and Futures Commission to conduct Type 1, 4 and 9 regulated activities. Mr. Mak has over two decades of extensive experience in investment and asset management industry. Before joining Tongfang Securities, he was the head of Fund Management at Guosen Securities (Hong Kong) Asset Management Ltd, the managing director at ABC International Asset Management Ltd, the head of Asset Management at South China Asset Management Co. Ltd, the executive director and chief investment officer at Guotai Junan (Asia) Asset Management Ltd during the years from 2006 to 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The total revenue for the year ended 31 December 2020 was approximately RMB876.7 million, representing an increase of approximately 4.2% as compared to approximately RMB841.3 million for the year ended 31 December 2019. For further details, please see below.

Lighting Segment

The revenue attributable to the lighting segment (research and development, manufacturing, distribution and providing solutions of lighting products) for the year ended 31 December 2020 was approximately RMB843.5 million, which represents an increase of approximately RMB45.3 million as compared to approximately RMB798.2 million for the year ended 31 December 2019, due to the increased revenue of approximately RMB67.6 million from the USA lighting segment. During the year ended 31 December 2020, the USA lighting segment continued expanding sales channels and achieved good results.

Securities Segment

During the year ended 31 December 2020, the revenue attributable to the securities segment was approximately RMB33.2 million, representing a decrease of approximately RMB9.9 million over approximately RMB43.1 million for the year ended 31 December 2019 due to the decreased interest revenue of approximately RMB6.6 million and the decreased revenue from agency, advisory and management services of approximately RMB3.3 million. Such decrease was primarily attributable to our implementation of stricter risk management measures that led to reduction of investment portfolio.

Cost of sales

For the year ended 31 December 2020, the cost of sales was approximately RMB594.6 million, representing an increase of approximately RMB37.0 million over approximately RMB557.6 million for the year ended 31 December 2019 primarily due to the increase of material costs.

Gross profit and gross profit margin

For the year ended 31 December 2020, the Group recorded a gross profit of approximately RMB282.1 million, representing an decrease of approximately RMB1.7 million over the gross profit of approximately RMB283.8 million for the year ended 31 December 2019.

Lighting Segment

For the year ended 31 December 2020, the Group recorded a gross profit of approximately RMB248.9 million for the lighting segment, representing an increase of approximately RMB8.2 million or 3.4% over approximately RMB240.7 million for the year ended 31 December 2019 primarily due to the increase in gross profit for USA lighting segment.

Securities Segment

For the year ended 31 December 2020, the Group recorded a gross profit of approximately RMB33.2 million for the securities segment, representing a decrease of approximately RMB9.9 million over approximately RMB43.1 million for the year ended 31 December 2019. The reason for such decrease is same as the reason for revenue decrease.

Other income, gains and losses, net

For the year ended 31 December 2020, the Group recorded other gains, net of approximately RMB23.4 million, representing a decrease of approximately RMB63.7 million over approximately RMB87.1 million for the year ended 31 December 2019, mainly due to fair value losses on investments properties of approximately RMB41.2 million and impairment loss on goodwill of approximately RMB21.7 million in 2020.

Impairment loss of goodwill

For the year ended 31 December 2020, the amount of impairment loss recognised in respect of goodwill was approximately RMB21.7 million mainly due to the impairment loss of goodwill from securities cash-generating unit (2019: Nil).

Operating expenses

The selling and distribution expenses mainly comprised of staff costs for the lighting segment, promotion and advertising, freight and transportation, agency and custom costs, and rent and rates.

For the year ended 31 December 2020, the selling and distribution expenses of the Group were approximately RMB168.9 million, representing an increase of approximately RMB7.5 million over approximately RMB161.4 million for the year ended 31 December 2019, mainly attributable to the increase in selling expenses for expanding the sales channels of the USA lighting segment.

The administrative expenses mainly comprised of staff costs for the securities segment, directors remuneration, depreciation charge and professional and legal fees. The administrative expenses for the year ended 31 December 2020 were approximately RMB154.1 million, representing a decrease of approximately RMB18.9 million over approximately RMB173.0 million for the year ended 31 December 2019, mainly due to the decrease in staff costs due to downsizing of the Group.

Finance costs

The finance costs for the year ended 31 December 2020 were approximately RMB25.3 million, representing a decrease of approximately RMB4.1 million over approximately RMB29.3 million for the year ended 31 December 2019, mainly due to the decrease of interest-bearing bank borrowings of approximately RMB50.0 million.

Taxation

For the year ended 31 December 2020, the Group's tax credit of approximately RMB39.4 million (2019: tax expense of approximately RMB29.5 million) mainly included current tax charge for the year of approximately RMB23.0 million and deferred tax credit of approximately RMB62.4 million.

Profit attributable to owners of the parent

For year ended 31 December 2020, the Group recorded a loss attributable to owners of the parent of approximately RMB28.2 million, representing an increase of approximately RMB5.3 million over approximately a loss of RMB22.9 million for the year ended 31 December 2019. Such increase in loss was mainly due to impairment loss of goodwill.

Net Loss

For year ended 31 December 2020, the Group recorded a net loss of approximately RMB27.4 million, as compared to a net loss of approximately RMB22.5 million for the year ended 31 December 2019.

Financial Resources and Liquidity and Gearing Ratio

The Group maintained a stable financial position. As at 31 December 2020, the Group had bank balances of approximately RMB408.5 million and short-term bank loans of approximately RMB80.5 million. The gearing ratio representing the ratio of total debt to total equity of the Group was 22.1% as at 31 December 2020 (31 December 2019: 29.2%). Such decrease was mainly caused by the decrease in bank loans by approximately RMB50.5 million.

Assets and liabilities

As at 31 December 2020, the Group recorded the total assets of approximately RMB2,239.3 million (31 December 2019: approximately RMB2,494.7 million) and total liabilities of approximately RMB578.0 million (31 December 2019: approximately RMB763.1 million).

As at 31 December 2020, the Group's current assets and non-current assets were approximately RMB1,712.9 million (31 December 2019: approximately RMB1,125.7 million) and approximately RMB526.3 million (31 December 2019: approximately RMB1,369.0 million), respectively. The increase in current assets was mainly attributable to the increase in prepayments, other receivables and other assets of approximately RMB691.1 million resulting from receivables from disposal of two subsidiaries of the Company. The decrease in non-current assets was mainly attributable to the decrease in investment properties of approximately RMB799.5 million resulting from the aforesaid disposal of two subsidiaries which have land use rights of parcels of land.

As at 31 December 2020, the Group's current liabilities and long-term liabilities were approximately RMB288.2 million (31 December 2019: RMB331.9 million) and approximately RMB289.8 million (31 December 2019: RMB431.1 million), respectively. The decrease in current liabilities was mainly attributable to the decrease in interest-bearing bank borrowings of approximately RMB60.6 million. The decrease in long-term liabilities was mainly attributable to the repayment in loan from the ultimate holding company of approximately RMB110 million.

As at 31 December 2020, the Group had a contingent consideration payable of approximately RMB23.5 million, arising from the acquisition of the remaining 20% membership interests of Novelty Lights, LLC by American Lighting, Inc, which is expected to complete no later than two business days after the third anniversary of 1 January 2019 (MST) subject to certain conditions having been satisfied. For details, please refer to the Company's announcement dated 1 January 2019. The fair value of the contingent consideration payable was estimated by applying income approach and the probability-weighted average of payouts associated with the earnings before interest, taxes, depreciation, and amortisation of Novelty Lights, LLC.

Foreign Currency Risk

Several subsidiaries of the Company have sales and purchases denominated in currencies other than the functional currency of respective entities, 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.

Charges on Assets

As at 31 December 2020, the Group pledged certain of its property, plant and equipment totaling approximately RMB7.4 million (31 December 2019: RMB8.1 million), certain of its trade receivables and inventories with an aggregate carrying value of approximately RMB142.0 million (31 December 2019: RMB118.8 million), and also certain of the Group's right-of-use assets with an aggregate carrying value of approximately RMB8.1 million (31 December 2019: RMB8.3 million and certain of its non-current assets held for sale with an aggregate carrying value of approximately RMB28.1 million) to secure bank credit facilities granted to the Group.

Capital Commitments

As at 31 December 2020, the Group had no capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment (31 December 2019: approximately RMB9.9 million).

Contingent Liabilities

During the year ended 31 December 2020, 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 2020, the issued share capital of the Company was approximately RMB185,675,677 (equivalent to approximately HK$209,450,542) (31 December 2019: approximately RMB185,675,677 (equivalent to approximately HK$209,450,542), divided into 2,094,505,417 ordinary shares of HK$0.10 each.

Material Acquisition, Disposal and Significant Investment

On 29 October 2020, Guangdong Tongfang Science Park Company Limited* (廣東同方科技園有限公司), an indirect wholly-owned subsidiary of the Company, as the vendor, and Zhonghe Real Estate Development Company* (中核興業控股有限公司), an independent third party, as the purchaser, among others, entered into the Equity Interest Transfer Agreement in relation to disposal of two subsidiaries of the Company. Pursuant to the Equity Interest Transfer Agreement, the vendor agreed to sell and the purchaser agreed to purchase the entire equity interests in two wholly-owned subsidiaries of the Company Jiangmen Tonghe Guangyuan Technology Limited* (江門市同鶴光源科技有限公司) and Jiangmen Tongxin Guangyuan Technology Limited* (江門市同欣光源科技有限公司) (collectively, "Target Companies"), at the consideration of RMB392,961,124.51. Please refer to the Company's announcement dated 30 October 2020 and the shareholders' circular dated 20 November 2020 for details of the disposal. The Company wishes to update the Shareholders that the disposal completed on 29 December 2020, upon which the Target Companies ceased to be subsidiaries of the Company. As at the date of this annual report, the total amount of the consideration has been received.

On 1 December 2020, Tongfang Finance Limited, a wholly-owned subsidiary of the Company, redeemed part of its investment in the Mount Everest Fund pursuant to the subscription agreement dated 25 April 2018. The principal amount of such investment being redeemed was US$4,000,000 and the amount received for the redemption was approximately US$12,012,402.03. The Company recognized an estimated gain of US$8,012,402.03 from the redemption. Please refer to the Company's announcement dated 1 December 2020 for details of the redemption.

Save for those disclosed in this annual report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year under review.

FINAL DIVIDEND

The Board resolved not to declare any dividend for the year ended 31 December 2020 (31 December 2019: Nil).

BUSINESS REVIEW

During the year under review, the outbreak of COVID-19 globally since early 2020 has brought some uncertainties to the global business environment as well as to the Group. In order to minimize the impact of the COVID-19, The Company has put in place various contingency measures including but not limited to providing facial masks, implementing working from home arrangement and using online meeting system. Via continuing efforts, the Group increased its revenue slightly. In the future, the Group will continue to implement measures for COVID-19 pandemic prevention and control and strive to continue to increase its revenue.

Affected by the COVID-19, challenging economic environment and exchange rate fluctuations, the revenue and profits of the lighting industry in North America in general had been declining in 2020. The three subsidiaries under the USA lighting segment had formulated stringent implementation plans for COVID-19 prevention and control, and they managed to record growth in both revenue and profit. This hard-earned achievement is mainly attributable to the united efforts of the employees of the USA subsidiaries to hold on to their posts in the difficult times of the COVID-19, and complete their assignments better than planned under overwhelming pressure. The USA lighting segment has established an efficient supply chain, and developed the companies thereunder into service-oriented companies with multiple channels and business forms including large retail market, traditional lighting and electrical product distributors, commercial Christmas lighting, lighting design and e-commerce platforms.

As disclosed above, the Group disposed two subsidiaries, which hold the land use rights , as the Group does not intend to pursue the development of the residential properties itself beyond its ordinary course of businesses. In the future, the Company will focus further resources on the lighting segment, and the industries that are in line with the innovation-driven development strategy of the Group, enjoy great market prospects and have core competitiveness.

Tongfang Securities has dedicated in accumulating and applying its experience and expertise to the financial services it provides to the Group as well as clients from home and abroad.

Sales and Distribution

Lighting Segment

During the reporting period, the Group took efforts in distribution and marketing, cultivating the new sales channels and promoting the new brand of lighting products. The Group proactively made deployment in branding establishment and sales channel in the world's fastest growing markets and brought to its customers better sales services in energy-saving technologies and solutions.

Securities Segment

Tongfang Securities Limited is a licensed corporation to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities and expects to further develop its financial service business.

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

As at 31 December 2020, the Group's total number of employees was approximately 800 (31 December 2019: 1,100). 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.

DIRECTORS' REPORT

The Directors are pleased to present their annual report and the audited financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2020 has been set out in the section headed "Management Discussion and Analysis" of this annual report.

FUTURE DEVELOPMENT

An indication of the future development in the Group's business is shown on has been set out in the sections headed "Management Discussion and Analysis" and "Chairman's Statement" of this annual report.

SUBSIDIARIES

Details of the principal subsidiaries of the Group as of 31 December 2020 are set out in note 1 to the consolidated financial statements.

DIVIDEND POLICY

The declaration, form, frequency and amount of any dividend payout of the Company must be in accordance with relevant laws, rules and regulations and subject to the articles of association of the Company (the "Articles of Association"). Subject to compliance with applicable laws, rules, regulations and the Articles of Association, in deciding whether to propose any dividend payout, the Board will take into account, among other things, the financial results, the amount of distributable profits, the liquidity and capital requirements, the cash flow, taxation, and the future business plans of the Company.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 and the Group's financial position at that date are set out on pages 76 to 187 of this annual report. The Board resolved not to declare any dividend for the year ended 31 December 2020 (2019: Nil).

FINANCIAL SUMMARY

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 189 of this annual report. Such summary does not form part of the audited financial statements.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held in Hong Kong on Friday, 25 June 2021. Notice of the AGM will be issued and disseminated to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM of the Company to be held on Friday, 25 June 2021, the register of members of the Company will be closed from Tuesday, 22 June 2021 to Friday, 25 June 2021, 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 branch share registrars in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 21 June 2021. The record date for the entitlement to attend the AGM will be on Friday, 25 June 2021.

PROPERTY, PLANT AND EQUIPMENT

Movements during the year in the Group's property, plant and equipment are set out in note 13 to the consolidated financial statements. Movements during the year in the Group's investment properties are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 31 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. At 31 December 2020, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB1,553 million.

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 Director

Mr. Gao Zhi
Mr. Liu Zhigang

Non-executive Directors

Mr. Seah Han Leong
Mr. Zhou Hai Ying

Independent Non-executive Directors

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The updated information of the Directors and senior management is set out on page 6 to page 10 of this report.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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 year under review.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year under review 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 2006 Share Option Scheme, the 2016 Share Option Scheme, the Subsidiary Share Incentive Plan and the Share Award 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 for the year ended 31 December 2020 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 2020, 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 (the "Model Code"), will be as follows:

Long Positions in the Shares and underlying Shares of the associated corporation:

American Lighting

Name	Capacity	Number of Ordinary Shares as at 31 December 2020	Percentage of total issued share capital as at 31 December 2020
Mr. Seah Han Leong(1)	Beneficial owner	363	0.99%

Note:

(1) Mr. Seah Han Leong is deemed to be interested in 363 common stocks of American Lighting which may be issued to him upon the exercise of the share options granted to him under the Subsidiary Share Incentive Plan on 30 June 2015.

Save as mentioned above, as at 31 December 2020, 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.

At no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

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

As at 31 December 2020, 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 31 December 2020	Percentage of total issued share capital as at 31 December 2020
THTF ES[1]	Beneficial owner	1,348,360,690	64.4%
Resuccess[1][2]	Interest of controlled corporation, beneficial owner	1,357,442,690	64.8%
Tsinghua Tongfang[1][2]	Interest of controlled corporation	1,357,442,690	64.8%

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 1,348,360,690 Shares held by THTF ES.

(2) Resuccess directly holds 9,082,000 Shares in the Company. Tsinghua Tongfang holds the entire issued share capital of Resuccess, therefore, Tsinghua Tongfang is deemed to be interested in all Shares held by Resuccess.

Save as mentioned above, as at 31 December 2020, 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.

CONNECTED TRANSACTIONS

There were no non-exempt connected transactions or continuing connected transactions subsisted or have been entered into by the Group for the year ended 31 December 2020.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group for the year ended 31 December 2020 are set out in note 39 to the financial statements. None of these related party transactions constitutes a connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules that is required to be disclosed.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Share Option Scheme", as at the end of and during the year ended 31 December 2020, the Company did not enter into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

SHARE OPTION SCHEME

The 2006 Share Option Scheme

The 2006 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 2006 Share Option Scheme has been terminated and no further share options can be granted under the 2006 Share Option Scheme. All outstanding options under the 2006 Share Option Scheme lapsed on 14 May 2020.

Details of the share options under the 2006 Share Option Scheme during the year ended 31 December 2020 are set forth as below:

Category of participants	Date of grant[1]	Exercise price per share (HK$)	Outstanding at 1 January 2020	Granted during the year	Exercise during the year	Forfeited/ Lapsed during the year	Outstanding at 31 December 2020
Directors							
Mr. Seah Han Leong	15 May 2015	1.31	1,500,000	–	–	(1,500,000)	–
Mr. Wang Liang Hai	15 May 2015	1.31	1,500,000	–	–	(1,500,000)	–
Mr. Liu Wei Dong	15 May 2015	1.31	1,000,000	–	–	(1,000,000)	–
Mr. Fan, Ren Da Anthony	15 May 2015	1.31	600,000	–	–	(600,000)	–
Mr. Liu Tian Min	15 May 2015	1.31	600,000	–	–	(600,000)	–
Ms. Li Ming Qi	15 May 2015	1.31	600,000	–	–	(600,000)	–
Employees	15 May 2015	1.31	9,800,000	–	–	(9,800,000)	–
Total:	–	–	15,600,000	–	–	(15,600,000)	–

The 2016 Share Option Scheme

The Company has adopted the 2016 Share Option Scheme since on 13 May 2016 to optimize eligible persons' future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executive (as defined in the 2016 Share Option Scheme), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Eligible persons include any of the following persons: (a) an Executive, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group or of an Eligible Entity (as defined in the 2016 Share Option Scheme); (b) a director or proposed director (including an independent non-executive director) of any member of the Group or of an Eligible Entity; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group or of an Eligible Entity; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group or of an Eligible Entity; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group or of an Eligible Entity; and (g) an associate of any of the foregoing persons.

The maximum number of shares which may be issued upon the exercise of all the options to be granted under the 2016 Share Option Scheme was 193,931,969, representing approximately 10% of the total number of Shares in issue as at the date of the adoption and representing 9.26% of the issued share capital of the Company as at the date of this annual report.

No option may be granted to any participant of the 2016 Share Option Scheme such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the 2016 Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the 2016 Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a share;

(b) the closing price of a share as stated in the Stock Exchange's daily quotations sheets on the offer date; and

(c) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

The 2016 Share Option Scheme shall be valid and effective for a period of 10 years from the adoption date, after which no further options will be granted or offered.

Since the adoption of the 2016 Share Option Scheme, no share options have been granted.

Subsidiary Share Incentive Plan

On 2 April 2015, the Company adopted the Subsidiary Share Incentive Plan by Shareholders' approval in order to advance the interests of current and future stockholders of American Lighting, by enhancing American Lighting's ability to attract, retain and motivate persons who make (or are expected to make) important contributions to American Lighting by providing such persons with equity ownership opportunities and thereby better aligning the interests of such persons with those of the Company's stockholders. The Subsidiary Share Incentive Plan is valid for ten years after its adoption. The eligible persons include the employees, consultants, and directors of American Lighting or any parent or subsidiary of American Lighting.

Subject to adjustment under the Subsidiary Share Incentive Plan, awards may be made under the Subsidiary Share Incentive Plan covering up to 3,632 shares of common stock (all of which may, but need not, be granted as incentive stock options, subject to any limitations under the Internal Revenue Code of 1986), which is equal to 10% of the issued and outstanding shares of Common Stock on the date when the Subsidiary Share Incentive Plan is adopted and approved by the Shareholders and as at the date of this annual report. If any award expires or lapses or is terminated, surrendered or cancelled without having been fully exercised or is forfeited in whole or in part (including as the result of shares of common stock subject to such award being repurchased by the Company at or below the original issuance price), in any case in a manner that results in any shares of common stock covered by such award not being issued or being so reacquired by the Company, the unused Common Stock covered by such award shall again be available for the grant of awards under the Subsidiary Share Incentive Plan.

The total number of shares of common stock issued and to be issued upon the exercise of options granted and to be granted to each Service Provider (as defined in the Subsidiary Share Incentive Plan) (including both exercised and outstanding options) in any period of twelve (12) consecutive months up to and including the date of grant shall not exceed 1% of shares of common stock in issue as at the date of grant. The Company may grant further options in excess of such limit set out in subject to approval by the Shareholders in general meeting in accordance with the Listing Rules, at which the Service Provider involved and its close associates (or the Service Provider's associates if the Service Provider is a connected person) shall be required to abstain from voting.

The Administrator (as defined in the Subsidiary Share Incentive Plan) shall establish the exercise price of each Option and specify the exercise price in the applicable award agreement. The exercise price shall be not less than 100% of the Option Exercise Price, which means, as of any date, the price per share of common stock payable on the exercise of the option and determined as follows: (i) if the common stock is listed on any established stock exchange (including but not limited to) a National Securities Exchange (within the meaning of the Exchange Act); the Option Exercise Price shall be the greater of (A) the closing sales price for such common stock as quoted on such exchange on the date of grant of the option, or if no sale occurred on such date, the first market trading day immediately prior to such date during which a sale occurred; and (B) the average closing sales price for such common stock as quoted on such exchange for the five business days preceding the date of grant of option, or if no sale occurred on such date, the first market trading day immediately prior to such date during which a sale occurred, as the prices contemplated by the preceding clauses (A) and (B) are reported in The Wall Street Journal or such other source as the board of American Lighting deems reliable; (ii) if the common stock is not listed on a stock exchange but is quoted on a national market system or other quotation system, the Option Exercise Price shall be the last sales price for such common stock on the date of grant of the option, or if no sales occurred on such date, then on the date immediately prior to such date on which sales prices are reported, as reported in The Wall Street Journal or such other source as the board of American Lighting deems reliable; or (iii) in the absence of an established market for the common stock, the Option Exercise Price shall be determined by the board of American Lighting in its sole discretion.

Notwithstanding anything to the contrary herein, in the event that an award of options is made (a) on or after the date that American Lighting has resolved to seek the listing, or (b) during the six month period immediately preceding the date on which American Lighting files an application for Listing, and the Listing occurs concurrent with the offer and sale of the common stock, then the Option Exercise Price shall be the higher of (a) the offering price for the shares of common stock to be issued in connection with the listing, and (b) the exercise price in the applicable award agreement.

Details of the share options under the Subsidiary Share Incentive Plan during the year ended 31 December 2020 are set forth as below:

Category of participants	Date of grant[(1)]	Exercise price per share (US$)	Outstanding at 1 January 2020	Granted during the year	Exercise during the year	Forfeited/ Lapsed during the year	Outstanding at 31 December 2020
Directors							
Mr. Seah Han Leong	30 June 2015	330	363	–	–	–	363
Employees	30 June 2015	330	2,072	–	–	–	2,072

(1) The Stock Options granted have an exercisable term of 10 years and vest as follows: (i) thirty percent (30%) of the total number of shares subject to the Stock Options vest and become exercisable on the first (1st) anniversary of 30 June 2015 (the "Vesting Commencement Date"); (ii) an additional thirty percent (30%) of the total number of shares subject to the Stock Options vest and become exercisable on the second (2nd) anniversary of the Vesting Commencement Date; and (iii) the remaining unvested forty percent (40%) of the total number of shares subject to the Stock Options vest (and, as a result, the Stock Options become fully vested) on the third (3rd) anniversary of the Vesting Commencement Date; provided in each case that the Grantee continues to provide services to the Company, American Lighting or Tivoli, LLC ("Tivoli"), as the case may be, as of each such vesting date and that the board of directors of American Lighting has determined in its sole discretion that performance criteria, if any, that has been specified by the board of directors and agreed to by the Grantee, has been satisfied.

Save as disclosed above, no share option under the Subsidiary Share Incentive Plan was granted, exercised, lapsed, or cancelled during the year.

Further details of the Subsidiary Share Incentive Plan are set out in note 32 to the consolidated financial statements.

Share Award Scheme

On 13 April 2018, the Company approved the adoption of Share Award Scheme which is a long-term incentive plan of the Company to align the interests of selected participants directly to the Shareholders through ownership of Shares. (i) A director or a proposed director of any member of the Group or of a holding company or a subsidiary of the Company, or a subsidiary of the holding company of the Company (the "Eligible Entity"); (ii) a manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group; and (iii) full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group or of an Eligible Entity selected by the person authorized to administer the Scheme will be entitled to participate as a selected participant.

The Share Award Scheme shall terminate on the earlier of (i) upon expiry of the period of 10 years from the adoption date (i.e. 13 April 2018); (ii) on the date of any change in control of the Company; or (iii) on the date determined/resolved by the Board to terminate the Share Award Scheme pursuant to the scheme rules. Any termination if the Share Award Scheme shall not affect the subsisting rights of any selected participant. The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

Details of the Share Award Scheme were set out in the announcement of the Company dated 13 April 2018. No Share was granted under the Share Award Scheme during the year under review.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

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 year ended 31 December 2020.

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 year ended 31 December 2020.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS, CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party, and in which a Director of the Company or an entity connected with a Director had a material interest in, whether directly or indirectly, subsisted at the end of the financial year under review or at any time during the financial year under review save as disclosed under the "Related Party Transactions" in note 39 to the financial statements.

USE OF PROCEEDS

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 year ended 31 December 2020, the largest supplier accounted for 28.7% of the Group's purchases and the five largest suppliers accounted for 39.5% of the Group's total purchases. The largest customer accounted for 17.8% of the Group's total revenue and the five largest customers accounted for 41.9% 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 31 to 44 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 year.

III. 2016 Share Option Scheme, Subsidiary Share Option Scheme and Share Award Scheme

The Company adopted the 2016 Share Option Scheme, the Subsidiary Share Incentive Plan and the Share Award Scheme on 13 May 2016, 2 April 2016 and 13 April 2018, respectively. For further details, please refer to the paragraphs headed "2016 Share Option Scheme", "Subsidiary Share Incentive Plan" and "Share Award Scheme" hereof.

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

Ernst & Young 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

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the total issued capital of an issuer must be held by the public at any time. Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this 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 year ended 31 December 2020 and the subsequent period ended the date of this report.

BANK LOANS

Details of bank loans of the Company and the Group as at 31 December 2020 are set out in note 28 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent to LED lighting industry and some are from external sources. For further details, please refer to the section headed "Management, Discussion and Analysis".

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

For details of relationship with the employees, customers and suppliers, please refer to the paragraphs headed "compensation policy" and "major suppliers and customers" in this section.

ENVIRONMENTAL POLICIES

The Group is specialized in providing energy saving and environmentally-friendly products. The Group strives to operate in compliance with the relevant environmental regulations and rules. During the year ended 31 December 2020 and up to the date of this report, the Group does not have any violation of relevant environmental regulations and rules which gives rise of significant impact to the Group's development, performance and businesses.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the mainland China, while the Company itself is listed on the Stock Exchange. The Group's establishment and operations accordingly shall comply with relevant laws and regulations in the mainland China, including environment protection laws, standardization laws, product quality laws, product safety laws, regulations on administration of compulsive product certification and the laws in Hong Kong. During the year ended 31 December 2020 and up to the date of this report, the Group has complied with all the relevant laws and regulations in the mainland China and Hong Kong in all material aspects.

In addition, the Group retains outside counsels and would seek legal advice from them in case of any issues.

PERMITTED INDEMNITY PROVISION

Article 167(1) of the Articles of Association provides that the directors, secretary and other officers and every Auditor for the time being of the Company and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company and everyone of them, and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

On behalf of the Board

Gao Zhi
Chairman
25 March 2021

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 organisation which is open and accountable to the Shareholders.

Except the deviation disclosed in the paragraph headed "Chairman and Chief Executive Officer" below in this report, throughout the year ended 31 December 2020, the Company complied with the code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules ("Corporate Governance Code").

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; and
- 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 the risk management and regulatory compliance committee (previously known as "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 seven Directors, consisting of two executive Directors, Mr. Gao Zhi (chairman of the Board) and Mr. Liu Zhigang, two non-executive Directors, Mr. Seah Han Leong and Mr. Zhou Hai Ying 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 of the executive Directors 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 is 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.

Chairman and Chief Executive Officer

The chairman of the Board was Mr. Huang Yu who has resigned with effect from 9 January 2020. The chief executive officer of the Company was Mr. Seah Han Leong who has resigned with effect from 9 January 2020. Mr. Gao Zhi was appointed as the chief executive officer of the Company with effective from 9 January 2020 and the chairman of the Board with effect from 26 March 2020.

Under the code provision A2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate chairman and a chief executive officer and Mr. Gao Zhi holds both positions. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company as non-executive Directors and independent non-executive Directors form the majority of the Board, with five out of seven of the Directors being non-executive directors and independent non-executive Directors. The Board believes that vesting the roles of both chairman and chief executive officer in the same person can facilitate execution of the Company's business strategies and boost effectiveness of its operation. The Board will review the current structure from time to time and shall make necessary arrangements when the Board considers appropriate.

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 scrutinising 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

The Company adopted a board diversity policy on 1 April 2013 which may be amended from time to time. 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.

Directors' Securities Transactions

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 year ended 31 December 2020.

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 year ended 31 December 2020:

Name of Director	Corporate Governance/Updates on Laws, Rules and Regulations		Accounting/Financial/Management or Other Professional Skills	
	Read materials	Attend Seminars/ Briefings	Read materials	Attend Seminars/ Briefings
Executive Directors				
Mr. Gao Zhi (appointed on 9 January 2020)	✓	✓	✓	✓
Mr. Liu Zhigang (appointed on 2 November 2020)	✓	✓	✓	✓
Mr. Daniel P.W. Li (resigned on 30 September 2020)	✓	✓	✓	✓
Non-executive Directors				
Mr. Zhou Hai Ying (appointed on 9 January 2020)	✓	✓	✓	✓
Mr. Seah Han Leong (redesignated as non-executive Director on 9 January 2020)	✓	✓	✓	✓
Mr. Huang Yu (resigned on 9 January 2020)	✓	✓	✓	✓
Mr. Wang Liang Hai (resigned on 9 January 2020)	✓	✓	✓	✓
Mr. Liu Wei Dong (resigned on 9 January 2020)	✓	✓	✓	✓
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 furtherance of their duties.

The Board meets regularly throughout the year ended 31 December 2020 to review the overall strategy and to monitor the operation as well as the financial performance of the Group. The chairman focuses on the Group's 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 year ended 31 December 2020 is set out below:

Name of Director	Attendance/ Number of Board Meeting(s)	Attendance/ Number of General Meeting(s)
Executive Directors		
Mr. Gao Zhi (appointed on 9 January 2020)	12/13	1/1
Mr. Liu Zhigang (appointed on 2 November 2020)	1/13	0/1
Mr. Daniel P.W. Li (resigned on 30 September 2020)	11/13	1/1
Non-executive Directors		
Mr. Zhou Hai Ying (appointed on 9 January 2020)	11/13	1/1
Mr. Seah Han Leong (redesignated as non-executive Director on 9 January 2020)	11/13	1/1
Mr. Huang Yu (resigned on 9 January 2020)	0/13	0/1
Mr. Wang Liang Hai (resigned on 9 January 2020)	0/13	0/1
Mr. Liu Wei Dong (resigned on 9 January 2020)	0/13	0/1
Independent non-executive Directors		
Mr. Fan Ren Da Anthony	13/13	1/1
Mr. Liu Tian Min	10/13	0/1
Ms. Li Ming Qi	13/13	1/1

Appointments, Re-election and Removal of Directors

Mr. Gao Zhi, being the executive Director of the Company, has entered into a service contract with the Company for a specific term of three years commencing from 9 January 2020 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.

Mr. Liu Zhigang, being the executive Director of the Company, has entered into a service contract with the Company for a specific term of three years commencing from 2 November 2020 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.

Mr. Seah Han Leong has entered into a service contract ("Original Service Contract") with the Company for a specific term of three years commencing from 25 August 2014 which automatically continued thereafter. On 9 January 2020, Mr. Seah Han Leong was redesignated from an executive Director to a non-executive Director, and has entered into a new service contract with the Company for a specific term of three years commencing from 9 January 2020, which will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Accordingly, the Original Service Contract has been terminated with mutual consent.

Mr. Zhou Hai Ying, being a non-executive Director of the Company, has entered into a service contract with the Company for a specific term of three years commencing from 9 January 2020, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

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 year ended 31 December 2020, none of the Directors have waived their emoluments 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.

Article 86(3) of the Articles of Association provides 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.

Mr. Liu Zhigang was appointed by the Board as an executive Director on 2 November 2020. Pursuant to Article 86(3) of the Articles of Association, Mr. Liu Zhigang shall retire and be eligible for re-election at the forthcoming AGM. Mr. Liu has offered himself for re-election at the forthcoming AGM.

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 accordance with Article 87(1) and Article 87(2) of the Articles of Association, Mr. Seah Han Leong will retire from the office and will not stand for re-election at the forthcoming AGM, and Mr. Liu Tian Min shall retire by rotation at the AGM and, being eligible, will offer himself for re-election at the AGM.

Board Committees

The Board has established (i) audit committee; (ii) remuneration committee; (iii) nomination committee and (iv) risk management and regulatory compliance committee (previously known as "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 and risk management systems 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 June 2020 and the audited annual results for the year ended 31 December 2020, 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 risk management and internal control systems of the Group during the year ended 31 December 2020.

During the year ended 31 December 2020, 3 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)
Ms. Li Ming Qi	3/3
Mr. Fan Ren Da Anthony	3/3
Mr. Liu Tian Min	3/3

Remuneration Committee

The Company established a remuneration committee on with written terms of reference. The remuneration committee currently comprises of four members, namely, Mr. Gao Zhi, 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 was 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. In addition, the remuneration committee is also responsible for determining, with delegated responsibility, the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments which include any compensation payable for loss or termination of their office or appointment. Their composition and written terms of reference are in line with the Corporate Governance Code.

During the year ended 31 December 2020, the remuneration committee reviewed the Group's remuneration policy and the remuneration package of the Directors and senior management for the year of 2020.

During the year ended 31 December 2020, 2 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. Liu Tian Min	2/2
Mr. Gao Zhi (appointed on 9 January 2020)	2/2
Mr. Huang Yu (resigned on 9 January 2020)	0/2
Mr. Fan Ren Da Anthony	2/2
Ms. Li Ming Qi	2/2

Nomination Committee

The Company established a nomination committee on with written terms of reference. The nomination committee currently comprises of four members, namely, Mr. Gao Zhi, an executive Director and three independent non-executive Directors, Mr. Fan Ren Da Anthony, Mr. Liu Tian Min and Ms. Li Ming Qi. Mr. Gao Zhi 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.

During the year ended 31 December 2020, the nomination committee mainly performed the following duties:

- recommended the nomination of the executive Director Mr. Liu Zhigang to the Board;
- reviewed the annual confirmation of independence submitted by the independent non-executive Directors and assessed their independence; and
- reviewed the structure, size and composition of the Board, during the year ended 31 December 2020.

During the year ended 31 December 2020, 2 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. Gao Zhi (appointed on 9 January 2020)	2/2
Mr. Huang Yu (resigned on 9 January 2020)	0/2
Mr. Liu Tian Min	2/2
Mr. Fan Ren Da Anthony	2/2
Ms. Li Ming Qi	2/2

Risk Management and Regulatory Compliance Committee

The Company established a risk management and regulatory compliance committee (previously known as "regulatory compliance committee") on with written terms of reference. The regulatory compliance committee currently comprises of seven members, being all Directors of the Company with Mr. Fan Ren Da Anthony acting as the chairman of the risk management and regulatory compliance committee. The primary duties of the risk management and regulatory compliance committee are to monitor the risk management system of the Company and 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 year ended 31 December 2020, the risk management and 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 risk management and 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 year ended 31 December 2020, 1 meeting was held by the risk management and regulatory compliance committee.

Name of Director	Attendance/Number of Committee Meeting(s)
Mr. Gao Zhi (appointed on 9 January 2020)	1/1
Mr. Liu Zhigang (appointed on 2 November 2020)	0/1
Mr. Daniel P.W. Li (resigned on 30 September 2020)	1/1
Mr. Seah Han Leong	1/1
Mr. Huang Yu (resigned on 9 January 2020)	0/1
Mr. Wang Liang Hai (resigned on 9 January 2020)	0/1
Mr. Liu Wei Dong (resigned on 9 January 2020)	0/1
Mr. Fan Ren Da Anthony	1/1
Mr. Liu Tian Min	1/1
Ms. Li Ming Qi	1/1

Corporate Governance function

The Company's corporate governance functions are carried out by the Board which include: (a) to develop and review the Company's policies and practices on corporate governance; (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 year ended 31 December 2020, 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. Chow Hiu Tung, who was appointed on 11 May 2020. Mr. Chow has been informed of the requirement of the Rule 3.29 of the Listing Rules. Mr. Chow has informed the Company that he took more than 15 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 year. 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 Ernst & Young, 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 authorised 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 Ernst & Young as its external auditors. Details of the fees paid/payable to Ernst & Young for the year ended 31 December 2020 are as follows.

	RMB'000
Audit services	3,000
Non-audit services *(note)*	780
Total	3,780

Note: The non-audit services cover the review of unaudited interim financial information, agreed-upon procedures of results announcement and major transaction.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises its overall responsibility for maintaining adequate systems of internal control and risk management of the Company and reviewing their effectiveness on an ongoing basis. The Board is committed to implementing an effective and sound internal control and risk management to safeguard the interest of Shareholders and the Company's assets. In addition, the audit committee also has the responsibility for reviewing and assessing the Group's risk management and internal control systems.

The Group's internal control and risk management systems are featured with a defined management structure with limits of authority and well-rounded policies and procedures, and are designed, in consideration of the nature of business as well as the organisation structure, to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Group. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year of 2020, the Company has adopted the following policies and procedures and taken the following measures to improve the risk management and internal control systems of the Group.

In a bid to further improve the establishment of the existing risk management and internal control system of the Company in relation to, among others, the business operation, finance and compliance, during the year of 2020, the Company took certain measures to identify, evaluate, and manage the significant risks associated with the achievement of its operational objectives. For example, the senior management of the Group reviewed and evaluated the internal control and risk management process, monitored any risk factors on a regular basis, and reported to the Board on any findings and measures taken to address such variances and identified risks. The Board, with the assistance of the senior management of the Company, also conducted regular surveys and on-site interviews with the senior management of the Group and business representatives of the suppliers and customers to check and monitor the potential risks associated with the business operation and financial management of the Group.

Meanwhile, with the assistance of the professional auditor, the audit committee supervised the Company's revenue and expenditure for the financial and economic activities, to further strengthen the functions of risk management, to ensure the effective implementation of risk management and internal control system and the Company's standardised operation and healthy development.

With the integration of the real situation of the Company and various applicable laws and regulations, the management of the Company can act in concert with such to develop solutions towards the risks, to organise the business operation systematically, and to monitor and mitigate possible risks. The Company also formulated and distributed certain internal policies to require all staff of the Group to comply with these internal risk management and internal control standards, and together build a regulatory environment of risk control and standardised operation. In addition, the Company has also established policies and procedures with clear segregation of duties applicable to certain operating units to ensure the effectiveness of risk management and internal controls. The day-to-day operation is also entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board or the audit committee. This process was in place throughout 2020 and is subject to continuous improvement.

The Board and management held its half-year and annual review of internal control and risk management 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 also 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 systems of internal controls and risk management annually.

The Company has also provided inside information training courses to the Directors and senior management of the Company to ensure that all relevant facts and circumstances that may have material effect on the share price of the Company is assessed in a timely manner and that any material information which comes to the knowledge of any one or more officers of the Group be promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

During the year of 2020, the Board, with the assistance of the audit committee, has conducted reviews of the risk management and internal control systems of the Company for twice and considered the risk management and internal control systems of the Company are adequate and being implemented effectively. Such review covered all material controls, financial, compliance and operational controls as well as risk management mechanisms.

The Board, with the assistance of the audit committee, has also reviewed and was satisfied with the adequacy of the Company's resources, the staff's qualifications and experience, the training courses and the related budgets in accounting, internal review and financial reporting functions.

INVESTOR AND SHAREHOLDER RELATIONS

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 (15th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, 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. Chow Hiu Tung or Mr. Gao Zhi who will direct the enquiries to the Board for handling. The contact details are as follows:

Address:	15th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong
Email:	investors@neo-neon.com
Tel No.:	(852) 2786 2133
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 change in the Company's constitutional documents during the year ended 31 December 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Basis of Preparation of This Report

Neo-Neon Holdings Limited (hereinafter referred to as "Neo-Neon", the "Company", "We", "Us" or "Our") is always committed to operating in a responsible and sustainable manner. To demonstrate our efforts in fulfilling our environmental, social and governance ("ESG") responsibilities, we will articulate the environmental and social impacts associated with our business and our response to the impacts through this ESG Report.

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") in Appendix 27 to the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The contents disclosed comply with the "comply or explain" requirements under the ESG Guide. The contents and information disclosed in this Report are based on the internal records and documents of the Company.

Reporting Period and Scope

This Report presents the policies, performance and relevant key performance indicators ("KPI") of Neo-Neon in respect of environmental, social and sustainable development from 1 January 2020 to 31 December 2020 ("Year 2020" or the "Year"). The scope of this Report covers the principal businesses of the Company, namely the lighting business and the business of the science park's subsidiary disposed of at the end of 2020. As the securities business accounts for a small proportion in terms of revenue and has minimal ESG impact, the ESG data in relation thereto is not disclosed in this Report. We will constantly review our reporting scope based on business changes.

ESG MANAGEMENT

ESG Governance Structure

We are committed to continuously improving the Company's performance in the area of corporate social responsibility to fulfill its social responsibility, and regard social responsibility management as an important part of daily operation management. In order to implement social responsibility management, we have established a comprehensive social responsibility management system in accordance with national labour regulations and SA8000 international standards.

The social responsibility management system of Neo-Neon is led by senior executives. We appoint senior executives as representatives of social responsibility managers to coordinate with various functional departments to actively guide the Company to fulfill its social responsibilities, which has also been extended to supply chain management. We have formulated the SA8000 Social Responsibility Management Manual ("Management Manual") to clarify the Company's social responsibility management system framework and code of conduct, and will update the Management Manual in due course in line with the development direction and strategies of the Company, so as to improve the environmental and social management of the Company.

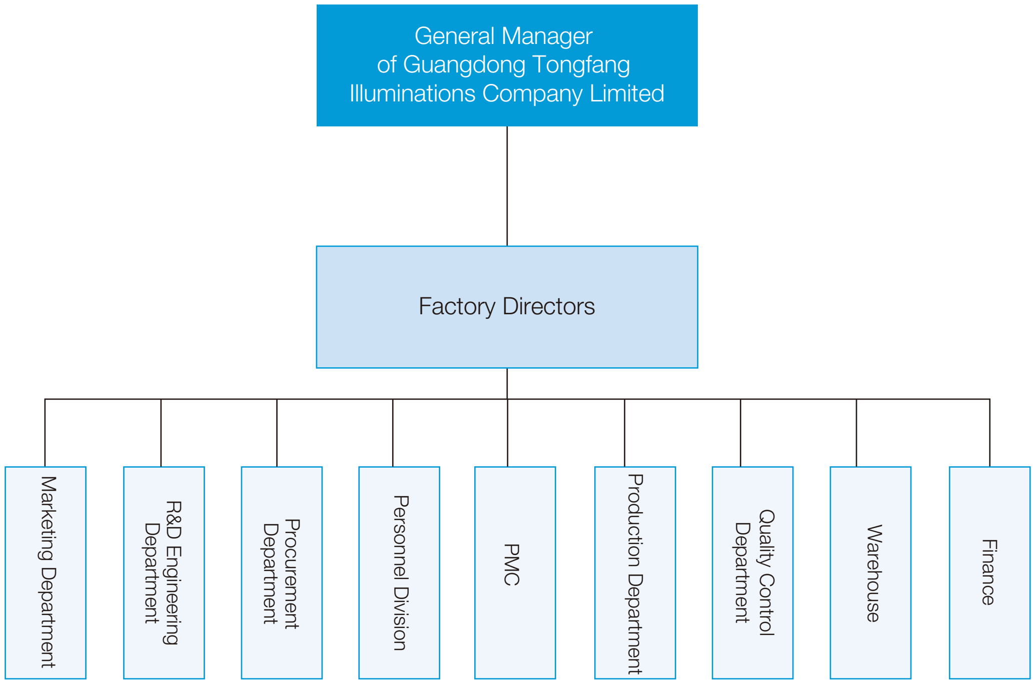


Chart 1-1 Company's Social Responsibility Management System Framework

Stakeholder Engagement

In the process of striving for sustainable development, we attach great importance to the opinions of various stakeholders on the Company in the aspects of environmental, social and corporate governance. Through different channels, we maintain on-going communication with different stakeholders, seek their opinions and respond to their needs in a timely manner, and jointly build mutually supportive, mutually beneficial and friendly cooperative and win-win relationships, thereby continuously improving the Company's ability to perform its environmental and social responsibilities. Our key stakeholders include governments, shareholders and investors, customers, employees, partners and the communities in which we operate. Through an effective communication platform, we are committed to providing the stakeholders with our progress in the performance of our social responsibilities and obtaining feedback therefrom in this regard.

Stakeholders	Key Concerns	Communication Methods
Government	Compliance Pay Taxes According to Law Job Creation	Government-Enterprise Forum Work Report and Research
Shareholders and Investors	Steady Operation Open and Transparent Strict Risk Control	Shareholders General Meeting Company Announcement Investor Research Company Official Website
Suppliers/Subcontractors	Fair Procurement Win-Win Cooperation	Working Meeting Open Tender Industry Discussion
Customers	Product Quality Privacy Protection	Service Hotline Corporate Website
Employees	Rights Protection Training and Development Health and Safety	E-Mail Survey Performance Evaluation
Community	Community Development Charity	Community Activity Information Disclosure

Materiality Assessment

We regularly review the results of the materiality assessment, in order to more truly reflect the environmental and social issues of interest to stakeholders, and keep the report in line with the Company's operating conditions. Based on the results of materiality analysis in the previous year, we reviewed the priority of ESG issues by benchmarking the sustainability reporting standards and based on the Company's business development. The specific process is as follows:

Chart 2 Review Process of Material ESG Issues of Neo-Neon

There was no major change in the principal lighting business during the Year, so the materiality matrix of ESG issues for the previous year is still applicable.

Chart 3 Materiality Matrix of ESG Issues of Neo-Neon

PRODUCT RESPONSIBILITY

Product Quality and Safety and Recall Mechanism

For lighting products, product safety is an important factor. The Company has passed ISO9001 quality management system certification and has established a team responsible for product safety, quality and compliance supervision. Through rigorous quality assurance procedures, including quality control of raw and auxiliary materials, quality control of production process and inspection and reliability testing of products to be delivered, we ensure that the products meet all applicable safety and quality requirements.

In order to implement strict quality control, we have formulated the management systems such as Production Planning Procedures, Production and Service Provision Process Control Procedures and Product Prevention and Control Procedures to strictly control the quality of the products delivered from the dual perspectives of professionalism and customers.

The Company has established a sound product recall system, which comprises management control documents such as Product Hazard and Risk Management Procedures", "Unqualified Product Control Program and Procedures for Non-compliance, Correction and Prevention Measures. For the products unqualified in respect of required functions or the content of hazardous materials, customers can return the products concerned to the factories for repair during the warranty period.

In 2020, there was no case where products that had been sold needed to be recalled for safety and health reasons.

Green and Innovative Products

Management and control of hazardous substances

Our export markets, such as the European Union, have extremely strict environmental and safety requirements for electronic equipment such as lighting products, therefore, we have formulated hazardous substance management procedures based on the European Union's RoHS (Restriction of Hazardous Substances) directive and customer requirements, and conduct risk assessment on the chemicals and other hazardous substances used in the production process to ensure that products comply with regulations and customer requirements for hazardous substance management.

Energy conservation of products

In face of the growing demand for energy conservation and emission reduction in the society, we have put energy conservation as an important principle for product design, and are committed to developing more advanced, energy-efficient and environment-friendly products to meet customers' demand for energy conservation.

OPERATING PRACTICES

As one of the world's major lighting manufacturers, Neo-Neon always regards quality as the top priority. Through the joint efforts of different departments including the Marketing Department, R&D Engineering Department, Procurement Department, Production Department and Quality Control Department, we strictly control every part of our operations from raw material procurement to after-sales service to ensure the quality and safety of every product.

We also work closely with suppliers to optimise product quality management and continuously improve the sustainability of the supply chain. To ensure the efficient operation of the entire value chain, we adhere to the basic principles of "honesty, integrity and lawfulness" and fight against any kind of corruption.

Integrity and Sound Governance

Neo-Neon strictly abided by the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on Banning Commercial Bribery and other regulations relating to anti-corruption. To prevent the illegal behaviors of bribery, blackmail, fraud and money laundering, we have formulated and executed the Anti-fraud Management System and the Policy for Fighting Corruption and Boosting Integrity to prevent corruptive behaviors from the source in a standardised way.

We fight against any kind of corruption, and publicly declare the Company's principles of fighting corruption and boosting integrity through the Fighting Corruption and Boosting Integrity Policy. Based on the policy, we encourage employees at all levels, suppliers, customers and other parties to report suspicious situations to the Company through established reporting procedures in a timely manner. Meanwhile, we clearly define the concept and form of fraud for the employees in the Anti-fraud Management System, clarify the responsibility of antifraud, and set up corresponding prevention and control measures. In order to strengthen the employees' anti-corruption awareness, we distribute anti-corruption learning materials to employees and require them to study carefully to strengthen their ability to identify suspicious behavior.

In 2020, there were no legal case regarding the corruption of Neo-Neon or its employees, nor there were any violation of relevant laws and regulations.

Procurement Practices and Supplier Management

As an agent and an enterprise that produces illuminations as its main business, our business depends on the close cooperation with the suppliers in the supply chain. For this purpose, we have formulated and implemented the Procurement Control Procedures and Supplier Review Procedures under the framework of the SA8000 social responsibility management system to standardise the procurement process and ensure the quality of suppliers' raw materials and products. In accordance with the Procurement Control Procedures, we have effective control over the procurement process to ensure that the products we purchase meet the requirements. The head procurement office is responsible for managing the entire procurement operating system, including personnel management and supervision, maintenance of the procurement system, and the aggregation of related data. Each department and factory is assisted by the head procurement office in developing new materials or new suppliers, and is guided by them to evaluate and determine the suppliers.

The mechanism for selecting and reviewing suppliers is carried out in accordance with the Supplier Review Procedures, and new suppliers are subject to the approval by the Procurement Department in conjunction with the Quality Department, Engineering Department and other relevant departments. During the review, suppliers shall fill in the Supplier Quality System Questionnaire, Hazardous Substance Control System Questionnaire, Environmental and Occupational Health and Safety Questionnaire, Mandatory Product Inspection of Factory Quality Assurance Requirements Questionnaire and Quality Requirements Questionnaire of Social Responsibility Questionnaire for qualification screening. In addition, suppliers shall provide the Annual Quality Guarantee, HSF Product Commitment and HSF Product Testing Report to ensure their product quality management, environmental and health and safety management capabilities meet the requirements of relevant regulations and standards.

In order to encourage suppliers to continuously improve their performance of environmental and social responsibilities, we have formulated the Management Procedures for the Impact Imposed on the Environmental and OHS Behaviors of Related Parties, and require each raw material and service supplier to observe the necessary requirements on environmental protection and occupational health and safety according to the guidelines set forth in the procedures. Meanwhile, we organize the evaluation of related parties, education and trainings on environmental safety through the Equipment Department and Procurement Department, and different departments will impose corresponding impacts on the related parties according to the types of services they provide. For the related parties that need particular impact, the Equipment Department and Procurement Department organise relevant departments to track and inspect the environmental and OHS behaviors of such parties from time to time, and require the related parties that do not meet our requirements to make rectifications.

During the Year, we had a total of 471 suppliers, of which 46% were located in Guangdong Province, 15% were located in other provinces, and 39% were foreign suppliers.

Protection of Intellectual Property

Intellectual property is one of the most valuable assets of Neo-Neon. While strengthening innovative research and development, Neo-Neon also attaches importance to the protection of our technological innovation achievements and brand-related intangible assets such as trademarks, patents and copyrights. For this purpose, the Company has formulated the Administrative Measures for Intellectual Property to guide the management of intellectual property and encourage employees to actively provide innovative opinions.

The Standard Patent Division applies for the unified registration, validity extension, information update and infringement prevention of the Company's intellectual properties. Through a standardised intellectual property management system, we have established specific procedures for the ownership, registration, management and maintenance of intellectual properties and the rewarding procedures for intellectual property inventions. In accordance with the Collection and Evaluation Procedures of Laws and Regulations, the Quality Department and the standards team, together with other relevant departments, make assessment on the compliance of laws and regulations that contain the provisions regarding intellectual property semiannually to continuously improve the management level of the Company in the aspect of intellectual property protection.

Customer Service and Rights Protection

We attach great importance to customers' service experience and satisfaction, and have formulated the Customer Satisfactions Measurement Procedure and the Procedure for Customer-Related Control, constantly improving the service quality and ensuring that users' opinions are timely replied and properly handled.

According to the Customer Satisfactions Measurement Procedure, the Marketing Department communicates with the customers and keep records of their complaints with reference to the Procedure for Customer-Related Control, the Quality Department will follow up and confirm the product quality and the customers' return application, and the Production Department will assist in the analysis and review of customers' complaints, and the formulation of the improvement and prevention measures. According to the requirements of the procedure, the Company shall respond to customers' comments within 24 hours, and reply in writing of effective improvement actions within 5 working days.

In 2020, Neo-Neon received 14 inquiries and complaints regarding products and services, decreased by 4 as compared to 2019.

Neo-Neon attaches great importance to the protection of customers' information and privacy, and has installed anti-virus and anti-malware programs in all the systems of the Company to prevent information leakage caused by network attack. Since we need to process and access customers' information in the course of business, we, with reference to the Cybersecurity Law of the People's Republic of China, formulated the Use of Computer, Internet and Mail Standards to regulate the staff's operation and usage of the customer information available in electronic systems. Meanwhile, the Company verified, stored and maintained the personal information provided by customers according to the Customer Property Control Procedures, so as to protect the personal information and privacy security of customers.

In 2020, there was no breach of customer privacy or leak of personal information.

PEOPLE MANAGEMENT

We recognise that Neo-Neon's long-term success is inseparable from the employees' contributions. As such, we are committed to providing our employees with a vast space for career development and abundant development resources, respect the rights of employees, and continuously improve the remuneration and benefit protection of employees, to create a safe and pleasant working environment for employees.

Employees' Benefits and Rights

The Company believes that talents are the cornerstones for the sustainable development of a business. The Company has formulated salary, remuneration and benefit polices in accordance with the Labour Law of the People's Republic of China, the Social Security Law of the People's Republic of China and the SA8000 system, and proposed, in the Management Manual, the salary distribution principle of "comply with the laws, distribute according to work, provide equal pay for equal work, gradually improve and provide social insurance according to the laws".

The Company has always upheld a fair, just and transparent performance-based remuneration system, and continuously reviewed the competitiveness of the employees' remunerations. We attract and retain talents with favorable compensations and benefits, people-oriented management philosophy, equal and comprehensive evaluation and promotion system. The Staff Manual stipulates that the Company will adjust the salaries of the employees every year based on their performance and the results to ensure that the Company's salaries, compensations and benefits meet at least the requirements of local regulations and SA8000 standards. We actively create promotion and development opportunities for employees, and conduct monthly, quarterly, and annual assessment and evaluation of employees' capabilities and qualities in accordance with the relevant requirements on employee promotion, evaluation, and reward and punishment management in the Staff Manual to promote or downgrade employees to appropriate positions, and make salary adjustments according to the corresponding rank and other standards. In addition, the Company has specially formulated the Salary Management System for employee compensation to ensure the legal compliance of the Company in all aspects of salary distribution and payment.

We have established a comprehensive welfare system, providing employees with full-attendance bonuses and allowances, and paying overtime pay in accordance with the Overtime Management Procedures. Moreover, we continuously improve the working environment of our employees, the conditions of dormitories and canteens, and rest and recreation facilities. We regularly organise employees to participate in cultural and sports activities to strengthen staff cohesion and sense of belonging.

In order to protect employees' rights, we have provided clear guidance for each employment stage such as the recruitment and employment of employees, code of conduct of employees, termination of labour contracts in the Staff Manual, and ensure that the employees are well familiar with their rights and obligations. We advocate diversity and equal opportunities and oppose any form of discrimination. In the process of recruitment and promotion, candidates' abilities and job suitability are the main considerations, and will not be affected by their race, gender, age, marital status and other factors. For possible discriminatory behaviors, the Company has established a claim and complaint mechanism. For discriminatory behaviors, employees can directly complain to worker representatives, supervisors and general managers. When receiving a related complaint, we will appoint personnel other than the employees involved to investigate and take corrective action.

As of 31 December 2020, the Company had a total of 832 employees, representing a decrease of 23.3% as compared to last year. The composition and turnover rate of the employees are shown in the following table:

Category		Number in 2020	Turnover Rate
By gender	Male employees	350	34%
	Female employees	482	22%
By age	Under 30	106	7%
	31-50	621	20%
	Over 51	105	101%
By employment type	Full-time employees	832	26%
	Contracted/non-official employees	0	N/A
By region	Southern China	164	54%
	Eastern China	28	10%
	Northern China	7	27%
	Central China	111	64%
	Overseas	522	0%
Overall turnover rate			26%

During the Year, the Company was not aware of any employee complaint regarding harassment (including sexual harassment), corporal punishment, abuse and inappropriate punishment measures, and there were no dispute over compensation payment.

Occupational Health and Safety

The Company is committed to providing employees with a safe and comfortable working environment, strictly abides by the Law of the People's Republic of China on Safe Production and refers to the OHSAS18001 and SA8000 standards to formulate safety and health policies and procedures to ensure the safety and the physical and mental health of employees.

Safe production

We are committed to ensuring safety in the production process, and set out in the Management Manual the goal of zero major industrial accident and 100% qualification rate of the on-job employees in safe production training each year.

According to the Company's OHS Operation Control Procedures, the management of occupational health and safety risk factors is performed by the Industrial Committee in collaboration with the Engineering Department, Equipment Department, Testing Center and various relevant departments. According to the Procedures for Hazard Identification, Risk Evaluation and Risk Control Planning, the Industrial Safety Committee and the Production Center and Quality Center are responsible for organizing hazard identification, risk evaluation and risk control planning. When a high-risk hazard is identified, we will list it as a major source of hazard for the Company and take improvement measures immediately. For the sources of hazard that temporarily cannot be improved, we will take corresponding safety precautions, allocate labour protection supplies, offer training to relevant operating personnel and work out corresponding operation instructions.

In order to ensure safe production, we provide safe production courses for employees, and require all personnel engaged in special types of work such as boilers, pressure vessels, elevators, electric, lifting, welding, vehicle driving, flammables and explosives to participate in professional trainings on safety technologies. Such personnel need to pass the strict examinations by the competent national authority, and can only independently operate the related devices after obtaining a qualified operating certificate or related license. In addition, we also develop emergency response plans for potential dangers such as fires and natural disasters in accordance with the Emergency Preparation and Response Procedures to ensure rapid response in case of emergency.

During the Year, the Company had only one work-related injury accident, which was a traffic accident that happened to an employee on the way from work to home, resulting in a loss of 111 working days. The Company has conducted work injury certification with the Social Security Bureau in accordance with relevant regulations.

There was no major violation concerning occupational health and safety in the Year.

Occupational health

Employees are the cornerstone of our business, and we are committed to ensuring their work safety. To this end, we focus on monitoring our performance in occupational health and safety. According to the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, we have clarified in the Management Manual to take "providing employees with a safe and comfortable working and living environment" as the guideline, and established a management system based on the OHS Operation Control Procedures with reference to the standards of OHSAS18001 and SA8000 to ensure the physical and mental health of employees and to set the goal of zero occupational disease.

Based on the occupational health and safety policy, the Industrial Safety Committee is responsible for organizing various departments to set up occupational health and safety control points, checking the operation of each production environment, and providing labour protection supplies for employees in related positions. For the operation points that are prone to major accidents, we will organise the relevant departments to clearly identify the control points and monitor the related occupational health risks.

We provide employees with a comprehensive health examination mechanism, require personnel participating in specialised operations and workers exposed to toxic and hazardous substances to undergo regular health checks, and arrange for transfers if adverse health conditions are found in examinations. Employees found to have occupational diseases will be immediately reported to the government administration department as required by the Occupational Disease Management Ordinance, and the patients will receive special treatment until recovery or stability.

In order to ensure the consistent implementation of occupational health management, the Industrial Safety Committee checks the safety and health operation control of each department regularly according to the requirements of the OHS Performance Measurement and Monitoring Procedures. The Quality Department conducts a comprehensive inspection on the operation control of each department every three months, and records the inspection results in the Operation Control Monitoring Chart. In the event of non-compliance, relevant departments will follow the Procedures for Non-compliance, Correction and Prevention Measures.

Case:

At the beginning of 2020, the unexpected COVID-19 pandemic brought great challenges to the implementation of the Company's work, and "promoting the resumption of work and production" was one of the important tasks. In this special period, it was particularly important to protect employees' health rights and care for their physical and mental health. We arranged occupational health checkup, distributed disinfection materials, medical masks, etc. for relevant employees, and tried our best to ensure the safety and hygiene of the workplace, so that employees could work in a safe and secure environment.

Employee Training and Development

The Company regards employees as important assets, and constantly promotes the continuous learning and development of the employees. We have incorporated a training chapter in the Staff Manual and formulated the Human Resource and Training Program Documentation, establishing training management regulations, system and mechanism in line with the strategic planning and business operation demand of the Company.

The Education and Training Center formulates the Annual Training Program according to the Job Descriptions prepared by the Human Resources Department every year, and provides relevant theoretical and practical trainings in respect of production, quality, administration, engineering technology and special types of work to on-job employees based on the functions of different departments. After training, all department heads will track and evaluate training results by theoretical examination, operation examination, performance appraisal and observation. In order to continuously improve the quality of training content, we will seek opinions and feedback on training from various departments at the end of each year to review the training program for the current year and formulate the training program for the next year.

Under the influence of COVID-19 pandemic, in 2020, a total of 21 employees of Neo-Neon attended training, with an aggregate of 336 training hours. The trainings covered finance, disclosures of listed companies, tax management capability, new accounting standards for enterprises and measurement-related knowledge, etc. The following are the training ratios and average training hours of the employees by gender:

Category of employees	Number of staff trained	Percentage of staff who received training	Total training hours (hour)	Average training hours of staff trained (hour)
Male employees	4	19%	64	16
Female employees	17	81%	272	16

Avoidance of Child and Forced Labour

The Company attaches great importance to labour rights and interests, strictly abides by relevant laws and regulations, such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Social Security Law of the People's Republic of China, as well as relevant international labour standards, and tolerates no incident of child labour and labour exploitation. Therefore, we always ensure that employees are age-appropriate for work and manage working hours in accordance with legal requirements. Employees must have the required legal permits to work in our facilities, and we will ensure that the same requirements are adopted and adhered to in the supply chain.

Under the guidance of the SA8000 social responsibility management standard system, we have formulated management systems such as the Child Labour Rescue Procedures, Labour and Business Ethics Risk Management Procedures and Non-obligatory Work Procedures to continuously improve employment compliance management. At the same time, we have clearly set out the goals of zero child labour and paying all employees on time in the Management Manual.

We formulate strict policies against child labour, juvenile labour and forced labour. Our facilities in China never hire anyone under the age of 16. According to the Policies and Procedures of Human Resources Department, job applicants need to submit identity documents for identity verification and age confirmation when filling out the Form of Job Application. For any possible employment-related violation, the Company has established the Child Labour Rescue Procedures, pursuant to which, if a child employee is identified, the Employee Relationship Team of the Human Resources Department would immediately terminate his or her job, settle the salary, and escort him or her back home. The procedures also require the Company to thoroughly investigate the violations and prevent such incidents from recurrence.

In order to avoid forced labour, the Company has set up the Labour and Business Ethics Risk Management Procedures based on the guidelines of the SA8000 standards. The Human Resources Department and the Production Department thoroughly evaluate the risk of illegal child labour and forced labour to ensure that no forced labour occurs in all employment links. Moreover, we have formulated the Non-obligatory Work Procedures, which "prohibits any form of forced labour, and guarantees personal freedom of our employees". In the event of any violation, the Company will immediately investigate the cause of the violation and compensate the relevant employee(s).

During the Year, the Company was not aware of any major violation concerning the employment of child labour or forced labour, and achieved the annual management goals of zero child labour and timely salary payment.

ENVIRONMENTAL RESPONSIBILITIES

Sustainable development is an integral part of our business operations. We actively manage the consumption of fuel and water resources, and monitor our greenhouse gas emissions and waste generation throughout our operations. As one of the largest lighting manufacturers in the world, our goal is to minimise environmental impact through responsible procurement, innovative application of materials, long-term product planning, manufacturing, research and development.

The Company strictly complies with the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Water Pollution, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and other relevant regulations.

To actively manage the environmental performance of the Group, the environmental management system of the Group refers to the requirements of the ISO14001 environmental management system, and various environment-related policies and procedures have been implemented at the same time, including Waste Water and Waste Gas Emission and Noise Control Management Procedures and Resource and Energy Saving Control Procedures. We actively set the purposes and goals of environmental management to meet the keen expectation of the customers while ensuring the compliance of our operations with local laws and regulations.

During the Year, our business operations did not cause any major pollution and damage to the surrounding air, land, water sources and ecological environment, and the Group was not aware of any major violation regarding environmental protection.

Unless otherwise stated, the data in this section covers the Group's lighting manufacturing plant in Heshan, Guangdong and the USA lighting segment. The numbers stated in this chapter may not add up to totals or 100% due to rounding.

Use of Resources

Energy conservation and consumption reduction

In view of the urgent needs to reduce greenhouse gas emissions worldwide and mitigate the impact of and adapt to climate changes, Neo-Neon has been committed to improving efficiency from the aspect of plant production and reducing greenhouse gas emissions by reducing energy consumption. The Environmental Operation Control Procedures and Resources and Energy Conservation Control Procedures of the Company clearly specify the goals and management plans for energy conservation. We are also committed to seeking room for improvement and set the goal of "reducing electricity consumption by 8% within the Year".

Neo-Neon's measures for energy management:

- carrying out publicity and education on energy conservation, enabling managers and employees to be aware that saving electricity is a collective behavior
- continuously monitoring power consumption of facilities such as offices, factories and living areas
- recommending monitoring and implementing electricity saving measures and improving process operation methods
- summarizing power consumption and analyzing the effect of the measures on a monthly basis

In 2020, our total power consumption was 4,942,593 kWh, representing a decrease of 10.2% compared to last year, which was mainly due to the demolition of the living area in Heshan plant and the reduction of office staff during the Year. We will continuously review the energy performance of all facilities and seek opportunities to reduce energy consumption.

		Power consuming facilities	Unit	2020	2019
Total amount	PRC lighting segment	Office	kWh	351,854	750,868
		Living area		22,070	182,505
		Factory		3,962,415	3,996,877
		Subtotal		**4,336,339**	**4,930,250**
	USA lighting segment	Office	kWh	525,690	501,033
		Factory		80,564	75,286
		Subtotal		**606,254**	**576,319**
		Total	kWh	**4,942,593**	**5,506,569**
Intensity		**Total**	MWh/billion revenue	**5,637.5**	**6,544.9**

Use of packaging materials

In order to ensure the quality and appearance of the products delivered, the Group's products need to be protected with different types of packaging materials during transportation, mainly including cardboard boxes, plastic bags and EPE. We exert strict control over the amount of the packaging materials used. The R&D department will consider the consumption of packaging materials in the product design process, and, under the premise of ensuring quality, will reduce the consumption of packaging materials as much as possible to reduce unnecessary waste. For unavoidable packaging waste, we implement the following recycling measures:

- For the waste that is directly recyclable, such as waste cardboard boxes and scrap metal, the head procurement office will periodically notify the designated recycling unit for recycling, and that cannot be recycled will be disposed of by the local environmental sanitation authority in a non-hazardous manner.

In Year 2020, the total amount of packaging materials consumed by the Group was 144.3 tonnes, representing a decrease of 1.4% compared to last year. We continued to actively search for packages and packaging materials that are friendly to the environment.

		Type of packaging materials	Unit	2020	2019
Total amount	PRC lighting segment	Cardboard boxes	tonne	93.9	96.9
		Plastic bags		2.7	3.0
		Expandable polyethylene (EPE)		0.006	0.1
		Subtotal		**96.6**	**100.0**
	USA lighting segment	Cardboard boxes	tonne	46.1	40.6
		Plastic bags		1.6	1.7
		Subtotal		**47.7**	**42.3**
		Total	tonne	**144.3**	**142.3**
Intensity		**Total**	tonne/billion revenue	**164.6**	**169.1**

Waste Discharge Management

Waste management

The Group focuses on reducing material consumption and waste generated during its operation. One of our key goals in the environmental management system is to reduce waste. We will adopt corresponding methods to dispose of hazardous and general waste in accordance with local laws and regulations. In order to implement more effective management and control on waste disposal, the Group's Environmental Operation Control Procedures clearly set out the methods to dispose of different types of waste. When it is unavoidable to generate waste, we will ensure to recycle the waste or follow responsible disposal procedures to reduce the impact of the waste on the environment.

Hazardous waste

According to the Group's Hazardous Waste Management Regulations, each department must place the waste in the prescribed locations, and the head procurement office will classify and arrange for disposal in a unified manner, and commission qualified units with resources to handle and dispose of the hazardous waste in accordance with the regulations. At the same time, we continued to strengthen the separate collection and disposal of hazardous waste, and set the goal of "handling hazardous waste in 100% compliance with laws and regulations" during the Year. To this end, we trained relevant personnel to strengthen 100% classification, collection and management of solid waste; strictly implemented the Waste Control Procedures and the Hazardous Chemicals Control Procedures to ensure that the treatment of hazardous waste meets legal requirements, and established storage areas for centralized storage of hazardous waste.

We generated 906.8 kg of hazardous waste in Year 2020. The hazardous waste includes waste engine oil, wipes for waste engine oil and toner cartridges, and the non-hazardous waste is mainly domestic garbage.

General waste

The general waste generated by the Group is mainly domestic waste, mainly including the kitchen waste from the canteen and the domestic waste generated by various departments. In order to improve the waste management procedures and continuously strengthen the completeness of the report, the domestic waste data covers that of the Group's USA lighting segment, which generated a total of 11,310 kg of domestic waste during the period. The domestic waste generated by various departments is collected daily by full-time cleaners into domestic garbage bins, which will then be transported by the local sanitation station at specified times to a local garbage transfer station for non-hazardous treatment.

In order to reduce the kitchen waste from the source, we strengthened procurement management to avoid waste caused by excessive purchase of food ingredients. In addition, in order to reduce the general waste generated by the office, we set up facilities and places for recycling recyclable waste such as waste paper, and suggest employees to replace disposable supplies with reusable products, promote awareness of conservation and encourage recycling.

Greenhouse gas emission

In response to global climate change, China set a carbon emission peak goal for 2030 and a carbon neutrality goal for 2060 in September 2020. The work to deal with climate change and level of green development of an enterprise will do constitute the core competitiveness of the enterprise and affect its future development.

The Group supplies products to companies in more than 45 countries and purchases raw materials from suppliers in 4 countries. Once the transportation and logistics network is interrupted due to extreme weather, our daily business will be materially affected. Therefore, we must plan ahead, develop flexible and efficient contingency measures and get fully prepared for this foreseeable challenge.

The greenhouse gas emissions in the Group's business operations are mainly generated from energy consumption in office, transportation and production processes. For business units of which the data is available, the greenhouse gas emissions of Scope 1 and Scope 2 are reported as follows: Scope 1 emissions are from consumption of natural gas and fuels, and Scope 2 emissions are indirectly caused by purchased electricity. We continue to exert efforts to extend the disclosure of information on greenhouse gas (GHG) emissions.

In 2020, the total greenhouse gas emissions produced by Neo-Neon were 2,820.35 metric tonnes of carbon dioxide equivalent, representing a decline of approximately 11.2% as compared to last year. However, we believe that there is still room for potential emission reduction, and we will continue to increase efforts to implement carbon reduction policies in the future.

	Greenhouse gas[1]	Unit	2020	2019
Total amount	Scope 1[2]	tonne CO_2e	106.0	169.5
	Scope 2[3]		2,714.3	3,006.2
	Total		**2,820.3**	**3,175.7**
Intensity	Scope 1	tonne CO_2e/billion revenue	120.9	201.5
	Scope 2		3,096.0	3,573.1
	Total		**3,216.9**	**3,774.5**

1 Greenhouse gas emissions are calculated in accordance with the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong (2010 Edition) issued by the Electrical and Mechanical Services Department and the Environmental Protection Department.

2 The data on greenhouse gas in Scope 1 this year has been extended to cover the diesel consumption of forklifts and commercial trucks.

3 The emission factor of purchased electricity in Scope 2 refers to the Average Carbon Dioxide Emission Factors of China Regional Power Grid in 2012 issued by the Development and Reform Commission of the People's Republic of China and the emission factor recently issued by the U.S. Environmental Protection Agency.

Air emission

The Group's main sources of waste gas emission are a small amount of inorganic dust and exhaust generated during the production processes such as molding and welding, and the exhaust emitted by business vehicles. We regularly maintain exhaust treatment facilities and regularly monitor to ensure that dust and exhaust meet the emission standards.

Although the total amount of exhaust emitted by the Group's automobiles is not high, the Group fully understands that automobile exhaust is one of the main causes of air pollution problems, and reducing automobile exhaust emission is an effective way to improve air quality. In recent years, we have gradually phased out the vehicles with high exhaust emissions and low fuel efficiency. At present, all vehicles of the Company are subject to annual tests such as exhaust emission tests, and only those with satisfactory test results are put into operation. The emission amount for the Year is as follows:

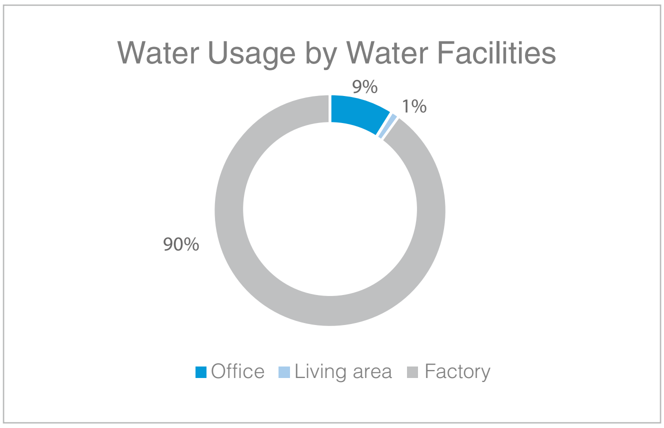
Emissions	Unit	Total amount in 2020[4]
Nitrogen dioxide	g	6,859
Sulfur dioxide	g	139
Particulate Matter	g	505

Water Management

Our operations do not involve the use of a lot of water, and our main businesses are not located in water-stressed areas. Nevertheless, the Group adopts a responsible attitude towards water resource management, seeking to maximize efficiency and reduce waste. Therefore, when formulating the Resources and Energy Conservation Control Procedures, we also took into account water conservation and set a goal of "reducing water consumption by 10%" during the Year. To this end, we strengthened publicity to enable the managers and operators to understand the needs of water conservation, including encouraging to replace disposable water bottles with reusable water bottles, and constantly seeking to improve the water resource management of existing facilities.

4 Including the business vehicles of the PRC lighting segment and USA lighting segment.

In Year 2020, our water consumption was 101,418 cubic meters, representing a decrease of 37.3% as compared to last year. The main reason for such decrease was that the buildings in the living area were demolished during the Year. We use water mainly for sanitary purpose and the rest in the production process.



The wastewater discharged by our facilities is mainly sanitary wastewater from employees. A total of 50,250 cubic meters of domestic wastewater was generated during the Year. Such wastewater will be discharged into the municipal pipe network after three-stage pretreatment when meeting the standards.

In order to ensure up-to-standard discharge of sewage and reduction of environmental pollution, the Group has established a wastewater treatment system in its factory, and regularly maintains and repairs the wastewater treatment facilities. The Company's sewage discharge indicators are monitored by Heshan Environmental Protection Monitoring Station on a quarterly basis. In case of non-compliance, the monitoring frequency will be increased after rectification to prove the performance.

COMMUNITY INVESTMENT

Since its inception, Neo-Neon has always regarded paying back to the society as an inescapable responsibility and obligation. We actively hire local workers to identify the needs of local communities, such as carrying out related activities in the areas including poverty alleviation, education support, environmental protection and public health at the community, to help the community improve and promote its education, infrastructure and public health to benefit the local people. The Company donated RMB60,000 throughout Year 2020.

Case: Support for Control and Prevention of COVID-19 Pandemic at Hengshan City

The COVID-19 outbreak since early 2020 has brought serious impact on the world. To support Heshan City in fighting the COVID-19 pandemic, Guangdong Tongfang Science Park Company Limited donated RMB50,000 to Heshan City Charity Federation in February 2020 to support Heshan City's pandemic prevention and control work.

Case: Caring-for-the-Elderly Activity at Double Ninth Festival

In October 2020, Guangdong Tongfang Science Park Company Limited participated in the Caring-for-the-Elderly activity organized by Gonghe Tiegang Neighborhood Committee at the Double Ninth Festival, and donated RMB10,000 to express its care and respect for the elderly in the community.

INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF HONG KONG STOCK EXCHANGE

AREA		SECTION/REMARKS
A ENVIRONMENTAL		
ASPECT A1 EMISSIONS	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	ENVIRONMENTAL RESPONSIBILITIES
KPI A1.1	The types of emissions and respective emissions data.	Waste Discharge Management
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Discharge Management
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Discharge Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Discharge Management
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Waste Discharge Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Discharge Management

AREA		SECTION/REMARKS
ASPECT A2 **USE OF RESOURCES**	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh) and intensity (e.g. per unit of production volume, per facility).	Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Waste Discharge Management
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Waste Discharge Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources
ASPECT A3 **THE ENVIRONMENT AND NATURAL RESOURCES**	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	Green and Innovative Products
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green and Innovative Products

AREA		SECTION/REMARKS
B SOCIAL		
EMPLOYMENT AND LABOUR PRACTICES		
ASPECT B1 EMPLOYMENT	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	PEOPLE MANAGEMENT
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employees' Benefits and Rights
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employees' Benefits and Rights
ASPECT B2 HEALTH AND SAFETY	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	During this financial year, the Group had no work-related fatalities.
KPI B2.2	Lost days due to work injury.	Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety

AREA		SECTION/REMARKS
ASPECT B3 DEVELOPMENT AND TRAINING	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Employee Training and Development
ASPECT B4 LABOUR STANDARDS	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Avoidance of Child and Forced Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Avoidance of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Avoidance of Child and Forced Labour
OPERATING PRACTICES		
ASPECT B5 SUPPLY CHAIN MANAGEMENT	General Disclosure Policies on managing environmental and social risks of the supply chain.	OPERATING PRACTICES
KPI B5.1	Number of suppliers by geographical region.	Procurement Practices and Supplier Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Procurement Practices and Supplier Management

AREA		SECTION/REMARKS
ASPECT B6 PRODUCT RESPONSIBILITY	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	PRODUCT RESPONSIBILITY
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Quality and Safety and Recall Mechanism
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Customer Service and Rights Protection
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Protection of Intellectual Property
KPI B6.4	Description of quality assurance process and recall procedures.	Product Quality and Safety and Recall Mechanism
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Customer Service and Rights Protection
ASPECT B7 ANTI-CORRUPTION	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Integrity and Sound Governance
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Integrity and Sound Governance
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Integrity and Sound Governance

AREA		SECTION/REMARKS
COMMUNITY		
ASPECT B8 COMMUNITY INVESTMENT	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	COMMUNITY INVESTMENT
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	COMMUNITY INVESTMENT
KPI B8.2	Resources contributed (e.g. funds or time) to the focus area.	COMMUNITY INVESTMENT

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Neo-Neon Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Neo-Neon Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 187, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter

Impairment allowance of trade and bills receivables and loan receivables

As at 31 December 2020, trade and bills receivables amounted to RMB128.1 million and loan receivables amounted to RMB159.6 million, representing 12.8% of total assets.

Significant management judgement and estimation are required in assessing the expected credit losses ("ECL") for the trade and bills receivables and loan receivables. In developing the ECL methodology, the Group is required to consider reasonable and supportable information including ageing of the balance, existence of disputes and recent historical payment patterns in order to determine an unbiased estimate. Significant judgement is also required to adjust the loss rate for forecast economic conditions.

The significant accounting judgements and estimates and disclosure of the balances of trade and bills receivables and loan receivables are included in notes 3, 20 and 22 to the consolidated financial statements.

In evaluating management's estimation of impairment allowance, our procedures included:

- Tested on a sample basis the accuracy of the ageing information of the Group's trade and bills receivables balances and obtained confirmations for selected trade and bills receivables and loan receivables on a sample basis;

- Obtained an understanding of the controls over the approval, recording and monitoring of the trade and bills receivables and loan receivables and assessed such controls;

- Engaged our internal valuation expert to review management's ECL calculation model and test the underlying information including ageing information generated by the Group's financial reporting system, probability of default and loss given default published by rating agencies as well as the forward-looking factors with reference to the related publicly available information;

- Evaluated on the sample basis the reasonableness of loss rate assigned to individual debtors given the information available to the Group over the credibility of these debtors such as their repayment history; and

- Assessed the adequacy of disclosures in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment on cash-generating units ("CGUs")	
As at 31 December 2020, the Group had goodwill at a carrying amount of RMB187.2 million. Management of the Group determines the recoverable amounts of each of the CGUs to which the goodwill is allocated with the assistance of independent external valuer. The impairment assessment of goodwill is significant to our audit due to (i) the significance of the carrying amount as at 31 December 2020; and (ii) the determination of the recoverable amounts of each CGUs to which the goodwill is allocated requires significant management's judgements and estimates. The significant accounting judgements and estimates and the disclosure of the balance of goodwill are included in notes 3 and 16 to the consolidated financial statements.	In evaluating management's impairment assessment of goodwill, our procedures included: • Engaged our internal valuation expert to evaluate the appropriateness of the methodologies adopted by management and the discount rates applied; • Evaluated the external valuer's objectivity, competence and independence; • Reviewed the key assumptions based on our knowledge of the Group's business and industry trend and by benchmarking against independent data; • Tested a selection of data inputs underpinning the cash flow forecasts against appropriate supporting evidences, such as historical or market available information, to assess their accuracy and reliability; and • Assessed the adequacy of disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Leung Chi Kit.

Ernst & Young
Certified Public Accountants
Hong Kong

25 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
REVENUE	5	**876,738**	841,349
Cost of sales		**(594,592)**	(557,591)
Gross profit		**282,146**	283,758
Other income, gains and losses, net	5	**23,422**	87,140
Impairment losses on financial assets, net	6	**(24,123)**	(259)
Selling and distribution expenses		**(168,875)**	(161,396)
Administrative expenses		**(154,121)**	(172,979)
Finance costs	7	**(25,264)**	(29,335)
(LOSS)/PROFIT BEFORE TAX	6	**(66,815)**	6,929
Income tax credit/(expense)	10	**39,377**	(29,458)
LOSS FOR THE YEAR		**(27,438)**	(22,529)
Attributable to:			
Owners of the parent		**(28,228)**	(22,897)
Non-controlling interests		**790**	368
		(27,438)	(22,529)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	**RMB(1.35) cents**	RMB(1.09) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 *RMB'000*	2019 *RMB'000*
LOSS FOR THE YEAR	**(27,438)**	(22,529)
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**45,809**	(15,437)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**45,809**	(15,437)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(404)**	(220)
Surplus on revaluation upon transfer of right-of-use assets to investment properties	**352**	3,622
Income tax effect	**(88)**	(724)
	264	2,898
Surplus on revaluation upon transfer of property, plant and equipment to investment properties	**2,820**	32,447
Income tax effect	**(705)**	(6,489)
	2,115	25,958
Exchange differences:		
Exchange differences on translation of the Company	**(90,922)**	33,032
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(88,947)**	61,668
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(43,138)**	46,231
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(70,576)**	23,702
Attributable to:		
Owners of the parent	**(71,713)**	23,213
Non-controlling interests	**1,137**	489
	(70,576)	23,702

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 *RMB'000*	2019 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	13	**48,130**	82,405
Investment properties	14	**74,441**	873,891
Right-of-use assets	15(a)	**33,238**	24,597
Goodwill	16	**187,181**	220,978
Other intangible assets	17	**35,691**	44,064
Equity investments designated at fair value through other comprehensive income	18	**–**	404
Prepayments and other assets	21	**1,364**	5,096
Financial assets at fair value through profit or loss	23	**134,299**	113,458
Deferred tax assets	30	**11,980**	4,127
Total non-current assets		**526,324**	1,369,020
CURRENT ASSETS			
Inventories	19	**160,170**	156,684
Trade and bills receivables	20	**128,138**	97,409
Loan receivables	22	**159,579**	302,648
Prepayments, other receivables and other assets	21	**810,670**	119,555
Financial assets at fair value through profit or loss	23	**43,253**	156,097
Cash held on behalf of clients	24	**2,646**	4,322
Cash and cash equivalents	24	**408,485**	256,938
		1,712,941	1,093,653
Non-current assets classified as held for sale	25	**–**	32,076
Total current assets		**1,712,941**	1,125,729
CURRENT LIABILITIES			
Trade payables	26	**90,784**	71,484
Other payables and accruals	27	**58,970**	60,008
Interest-bearing bank borrowings	28	**80,518**	141,135
Lease liabilities	15(b)	**7,586**	9,957
Tax payable		**20,528**	9,232
Provision	29	**6,259**	12,316
Contingent consideration payable	34	**23,516**	27,800
Total current liabilities		**288,161**	331,932
NET CURRENT ASSETS		**1,424,780**	793,797
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,951,104**	2,162,817

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Government grants		**383**	2,250
Lease liabilities	15(b)	**13,242**	905
Interest-bearing bank borrowings	28	**10,596**	–
Deferred tax liabilities	30	**10,987**	74,277
Loan from the ultimate holding company	39(c)	**254,619**	353,706
Total non-current liabilities		**289,827**	431,138
Net assets		**1,661,277**	1,731,679
EQUITY			
Equity attributable to owners of the parent			
Issued capital	31	**185,676**	185,676
Reserves	33	**1,470,242**	1,541,781
		1,655,918	1,727,457
Non-controlling interests		**5,359**	4,222
Total equity		**1,661,277**	1,731,679

Gao Zhi
Director

Liu Zhigang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent														
	Share capital *RMB'000* (note 31)	Treasury shares *RMB'000*	Share premium *RMB'000* (note 33)	Capital redemption reserve *RMB'000* (note 33)	Special reserve *RMB'000* (note 33)	Share compensation reserve *RMB'000* (note 33)	Share option reserve *RMB'000* (note 32)	Exchange fluctuation reserve *RMB'000* (note 33)	Fair value reserve of financial assets at fair value through other comprehensive income *RMB'000* (note 33)	Asset revaluation reserve *RMB'000* (note 33)	Other reserve *RMB'000* (note 33)	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2020	185,676	(19)	2,415,147	2,146	55,238	50,024	6,374	(246,217)	(2,748)	143,101	(9,100)	(872,165)	1,727,457	4,222	1,731,679
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	(28,228)	(28,228)	790	(27,438)
Other comprehensive income/(loss) for the year:															
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	45,462	-	-	-	-	45,462	347	45,809
Exchange differences on translation of the Company	-	-	-	-	-	-	-	(90,922)	-	-	-	-	(90,922)	-	(90,922)
Changes in fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	(404)	-	-	-	(404)	-	(404)
Surplus on revaluation upon transfer of right-of-use assets to investment properties, net of tax	-	-	-	-	-	-	-	-	-	264	-	-	264	-	264
Surplus on revaluation upon transfer of property, plant and equipment to investment properties, net of tax	-	-	-	-	-	-	-	-	-	2,115	-	-	2,115	-	2,115
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	(45,460)	(404)	2,379	-	(28,228)	(71,713)	1,137	(70,576)
Equity-settled share option arrangements	-	-	-	-	-	-	174	-	-	-	-	-	174	-	174
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	-	-	-	(4,298)	-	-	-	-	4,298	-	-	-
Transfer of fair value reserve upon disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	2,733	-	-	(2,733)	-	-	-
Transfer of asset revaluation reserve upon disposal of investment properties	-	-	-	-	-	-	-	-	-	(114,245)	-	114,245	-	-	-
At 31 December 2020	185,676	(19)*	2,415,147*	2,146*	55,238*	50,024*	2,250*	(291,677)*	(419)*	31,235*	(9,100)*	(784,583)*	1,655,918	5,359	1,661,277

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent														
	Share capital RMB'000 (note 31)	Treasury shares RMB'000	Share premium RMB'000 (note 33)	Capital redemption reserve RMB'000 (note 33)	Special reserve RMB'000 (note 33)	Share compensation reserve RMB'000 (note 33)	Share option reserve RMB'000 (note 32)	Exchange fluctuation reserve RMB'000 (note 33)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000 (note 33)	Asset revaluation reserve RMB'000 (note 33)	Other reserve RMB'000 (note 33)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	185,676	–	2,415,147	2,146	55,238	50,024	7,438	(263,691)	(2,528)	114,245	(9,100)	(850,777)	1,703,818	2,982	1,706,800
Profit/(loss) for the year	–	–	–	–	–	–	–	–	–	–	–	(22,897)	(22,897)	368	(22,529)
Other comprehensive income/(loss) for the year:															
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(15,558)	–	–	–	–	(15,558)	121	(15,437)
Exchange differences on translation of the Company	–	–	–	–	–	–	–	33,032	–	–	–	–	33,032	–	33,032
Changes in fair value of equity investments at fair value through other comprehensive income	–	–	–	–	–	–	–	–	(220)	–	–	–	(220)	–	(220)
Surplus on revaluation upon transfer of right-of-use assets to investment properties, net of tax	–	–	–	–	–	–	–	–	–	2,898	–	–	2,898	–	2,898
Surplus on revaluation upon transfer of property, plant and equipment to investment properties, net of tax	–	–	–	–	–	–	–	–	–	25,958	–	–	25,958	–	25,958
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	–	17,474	(220)	28,856	–	(22,897)	23,213	489	23,702
Share repurchase	–	(19)	–	–	–	–	–	–	–	–	–	–	(19)	–	(19)
Equity-settled share option arrangements	–	–	–	–	–	–	445	–	–	–	–	–	445	–	445
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	–	–	–	(1,509)	–	–	–	–	1,509	–	–	–
Acquisition of a subsidiary (note 34)	–	–	–	–	–	–	–	–	–	–	–	–	–	751	751
At 31 December 2019	185,676	(19)*	2,415,147*	2,146*	55,238*	50,024*	6,374*	(246,217)*	(2,748)*	143,101*	(9,100)*	(872,165)*	1,727,457	4,222	1,731,679

* These reserve accounts comprise the consolidated reserves of RMB1,470,242,000 (2019: RMB1,541,781,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(66,815)**	6,929
Adjustments for:			
Finance costs	7	**25,264**	29,335
Bank interest income	5	**(1,777)**	(1,522)
Other interest income	5	**(1,683)**	(1,674)
Interest income recognised for money lending business	5	**(19,298)**	(25,887)
Gain on disposal of subsidiaries	5	**(10,090)**	–
Depreciation of property, plant and equipment	6	**15,142**	14,362
Depreciation of right-of-use assets	6	**15,148**	16,394
Amortisation of other intangible assets	6	**3,481**	3,564
Amortisation of deferred development costs	6	**6,742**	4,833
Government grants	5	**(4,651)**	(4,543)
Changes in fair value of investment properties	5	**41,165**	(60,021)
Change in fair value of contingent consideration payable	5	**(2,486)**	(23)
Fair value (gains)/losses of financial assets at fair value through profit or loss, net	5	**(43,643)**	15,431
Dividend income from financial assets at fair value through profit or loss	5	**(10,179)**	(9,054)
Loss/(gain) on disposal of items of property, plant and equipment, net	5	**252**	(5,179)
Gains on disposal of non-current assets classified as held for sale	5	**(9,825)**	–
Write-down of inventories to net realisable value	6	**32,069**	22,736
Impairment losses on financial assets	6	**24,123**	259
Impairment loss on goodwill	5	**21,736**	–
Impairment loss on property, plant and equipment	5	**4,838**	–
Equity-settled share option expenses	6	**174**	445
		19,687	6,385
(Increase)/decrease in inventories		**(35,555)**	34,068
(Increase)/decrease in trade and bills receivables		**(40,720)**	39,370
Decrease in loan receivables		**116,497**	6,319
Decrease/(increase) in prepayments, other receivables and other assets		**16,632**	(5,735)
Decrease/(increase) in cash held on behalf of clients		**1,676**	(266)
Increase/(decrease) in trade payables		**19,300**	(36,484)
Increase/(decrease) in other payables and accruals		**3,646**	(6,814)
(Decrease)/increase in provision		**(6,057)**	2,770
Cash generated from operations		**95,106**	39,613
Interest income received from money lending business		**31,436**	18,075
Interest paid		**(857)**	(1,137)
Hong Kong profits tax (paid)/refunded		**(495)**	3,807
Overseas taxes paid		**(11,097)**	(3,461)
Net cash flows from operating activities		**114,093**	56,897

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**1,777**	1,522
Other interest received		**1,683**	1,674
Purchase of items of property, plant and equipment		**(14,542)**	(7,760)
Proceeds from disposal of items of property, plant and equipment		**1,216**	6,362
Additions to other intangible assets		**(7,368)**	(6,939)
Purchase of financial assets at fair value through profit or loss		**–**	(8,306)
Proceeds from disposal of financial assets at fair value through profit or loss		**83,089**	60,063
Proceed from disposal of a financial asset at fair value through other comprehensive income		**–**	600
Proceeds from disposal of non-current asset classified as held for sale		**41,901**	–
Acquisition of a subsidiary	34	**–**	5,600
Disposal of subsidiaries	35	**117,868**	–
Dividend received from financial assets at fair value through profit or loss		**10,179**	390
Decrease in pledged deposits		**–**	34,307
Net cash flows from investing activities		**235,803**	87,513
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**78,829**	80,876
Repayment of bank loans		**(124,945)**	(168,879)
Principal portion of lease payments	36(c)	**(15,281)**	(15,291)
Interest paid		**(13,494)**	(24,492)
Repayment of a loan from the ultimate holding company		**(110,000)**	–
Payment for repurchase of shares		**–**	(19)
Net cash flows used in financing activities		**(184,891)**	(127,805)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**165,005**	16,605
Cash and cash equivalents at the beginning of year		**256,938**	229,819
Effect of foreign exchange rate changes, net		**(13,458)**	10,514
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	24	**408,485**	256,938

1. CORPORATE AND GROUP INFORMATION

Neo-Neon Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the Company's head office and principal place of business is located at 15th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were engaged in the following principal activities:

- manufacture and trading of lighting products
- provision of lighting solutions
- provision of asset management services
- provision of investment advisory services
- provision of securities trading services

In the opinion of the directors of the Company, the holding company and the ultimate holding company of the Company is THTF Energy-Saving Holdings Limited and 同方股份有限公司 ("Tsinghua Tongfang Co., Limited"), which are incorporated in the Cayman Islands and the People's Republic of China ("the PRC"), respectively.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangdong Tongfang Science Park Company Limited ("Tongfang Science Park")*	the PRC	US$300,000,000	–	100%	Manufacture and sale of lighting products
Guangdong Tongfang Illumination Company Limited*	the PRC	US$30,000,000	–	100%	Manufacture and sale of lighting products
Hong Kong Star Bright Lighting Limited	Hong Kong	HK$150,000,000	–	100%	Trading of lighting products

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Tongfang Securities Limited ("Tongfang Securities")	Hong Kong	HK$450,000,000	–	100%	Asset management services, investment advisory services and securities trading
Tongfang Finance Limited	Hong Kong	HK$10,000,000	–	100%	Money lending
American Lighting, Inc.	United States of America ("USA")	US$7,944,505	–	97.7%	Lighting solution provider
Tivoli, LLC	USA	US$4,500,000	–	97.7%	Lighting solution provider
Novelty Lights, LLC	USA	Nil	–	97.7%	Trading of lighting products
Neo-Neon (Vietnam) Development Company Limited	Vietnam	US$28,000,000	–	100%	Manufacture and sale of lighting products

* Registered as a wholly-foreign-owned enterprise under the law of the PRC

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investments properties, equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss and contingent consideration payable which have been measured at fair value. Non-current assets classified as held for sale were stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in US dollars ("US$") based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases:* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its investment properties, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) 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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Leasehold improvements	20%
Plant and machinery	10%
Furniture, fixtures and equipment	15% – 20%
Motor vehicles	20%
Moulds	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with as movements in asset revaluation reserve if there is a gain, or charged to the statement of profit or loss if there is a loss. On disposal of the transferred asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuation is transferred to accumulated losses as a movement in reserves.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Right-of-use assets classified as held for sale are not depreciated.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents

Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Securities licences

Purchased securities licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Software

Purchased software are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 1 to 5 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 5 years, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Offices and warehouses	1 to 5 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets (continued)

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office and warehouses (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases that are considered to be of low value.

Lease payments on short-term and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at FVTOCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at FVTOCI when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at FVTOCI are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at FVTOCI. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank borrowings, lease liabilities and a loan from the ultimate holding company.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (continued)

The Group provides for warranties in relation to the sale of certain lighting products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) *Sale of lighting products*

Revenue from the sale of lighting products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the lighting products.

(b) *Provision of advisory and asset management services*

Revenue from the provision of advisory and asset management services is recognised over the scheduled period on a monthly basis because the customers simultaneously received and consumes the benefits provided by the Group. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a regular basis as mutually agreed.

(c) *Provision of agency services*

Revenue from the provision of agency services is recognised at the point in time when the transactions have been completed.

Revenue from other sources

Interest revenue is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Other income

Rental income is recognised on a time proportion basis over the lease terms.

Dividend income is recognised when the shareholders' right to receive payment has been established.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the consolidated financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 10% to 20% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group offers qualified employees in the USA the opportunity to participate in a defined contribution retirement plan qualifying under the provisions of section 401(k) of the Internal Revenue Code (the "401(k) plan"). The 401(k) plan is managed by an independent trustee. The 401(k) plan is an optional benefit, the only obligation of the 401(k) plan with respect to the retirement benefit plan is to comply with the guidelines under the plan. The Group offers a match contribution up to 4% of the employees' eligible compensation, subject to a cap of US$6,000 per year for certain employees. Employer matching contributions vest upon receipt or are subject to a specific vesting schedule.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Company is Hong Kong dollars ("HK$"). Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use and fair value less costs of disposal of the cash-generating units to which the goodwill is allocated. Estimating the value in use and fair value less costs of disposal requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was RMB187,181,000 (2019: RMB220,978,000). Further details are given in note 16 to the consolidated financial statements.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by industry and individual credit rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for expected credit losses on loan receivables

The measurement of expected credit losses under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining expected credit losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, such as risks of default, loss given default and collateral recovery, changes in which can result in different levels of allowances.

The Group's expected credit loss calculations on loan receivables are based on assumptions about risks of default and loss given default. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on credit risks of the debtors or comparable companies in the market, existing market conditions as well as forward looking estimates (such as gross domestic product and market volatility) at the end of each reporting period. It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. Further details of the Group's loan receivables and the key assumptions and inputs used for impairment calculations are given in note 22 to the consolidated financial statements.

Write-down of inventories to net realisable value

Management reviews the condition of inventories of the Group and writes down the carrying amounts of obsolete and slow-moving inventories items which are identified as no longer suitable for sale or use to their respective net realisable values. The Group estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions at the end of the reporting period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been made. The carrying amount of inventories at 31 December 2020 was RMB160,170,000 (2019: RMB156,684,000).

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; and

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices.

The carrying amount of investment properties at 31 December 2020 was RMB74,441,000 (2019: RMB873,891,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- the PRC lighting segment consists of the research and development, manufacture of lighting products in the PRC and distribution of lighting products in the PRC and overseas;
- the USA lighting segment consists of the provision of lighting solutions and trading of lighting products in the USA; and
- the securities segment consists of asset management services, investment advisory services and securities trading.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that bank interest income, non-lease-related finance costs, government grants, as well as unallocated corporate income and gains and expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, a loan from the ultimate holding company, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020

	PRC lighting *RMB'000*	USA lighting *RMB'000*	Securities *RMB'000*	Total *RMB'000*
Segment revenue (note 5):				
Sales to external customers	147,886	695,609	13,945	857,440
Interest revenue	–	–	19,298	19,298
Intersegment sales	13,391	–	–	13,391
	161,277	695,609	33,243	890,129
Reconciliation:				
Elimination of intersegment sales				(13,391)
Revenue				876,738
Segment results	(39,982)	37,063	(23,728)	(26,647)
Reconciliation:				
Interest income and unallocated income and gains				3,600
Finance costs (other than interest on lease liabilities)				(24,407)
Government grants				4,651
Unallocated expenses				(24,012)
Loss before tax				(66,815)
Segment assets	1,185,780	319,812	392,967	1,898,559
Reconciliation:				
Elimination of intersegment receivables				(81,008)
Deferred tax assets				11,980
Cash and cash equivalents				408,485
Corporate and other unallocated assets				1,249
Total assets				2,239,265
Segment liabilities	28,170	154,423	94,425	277,018
Reconciliation:				
Elimination of intersegment payables				(81,008)
Interest-bearing bank borrowings				91,114
Loan from the ultimate holding company				254,619
Tax payable				20,528
Deferred tax liabilities				10,987
Corporate and other unallocated liabilities				4,730
Total liabilities				577,988

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020 (continued)

	PRC lighting RMB'000	USA lighting RMB'000	Securities RMB'000	Unallocated RMB'000	Total RMB'000
Other segment information:					
Impairment losses on financial assets	10,023	1,560	12,540	–	24,123
Provision for inventories included in cost of inventories sold	18,001	14,068	–	–	32,069
Depreciation and amortisation	21,385	11,808	6,129	1,191	40,513
Capital expenditure*	18,046	3,379	485	–	21,910

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Year ended 31 December 2019

	PRC lighting RMB'000	USA lighting RMB'000	Securities RMB'000	Total RMB'000
Segment revenue (note 5):				
Sales to external customers	170,165	628,049	17,248	815,462
Interest revenue	–	–	25,887	25,887
Intersegment sales	10,228	–	–	10,228
	180,393	628,049	43,135	851,577
Reconciliation:				
Elimination of intersegment sales				(10,228)
Revenue				841,349
Segment results	16,686	30,334	(555)	46,465
Reconciliation:				
Interest income and unallocated income and gains				6,185
Finance costs (other than interest on lease liabilities)				(28,198)
Government grants				4,543
Unallocated expenses				(22,066)
Profit before tax				6,929

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019 (continued)

	PRC lighting *RMB'000*	USA lighting *RMB'000*	Securities *RMB'000*	Total *RMB'000*
Segment assets	1,563,363	266,677	627,415	2,457,455
Reconciliation:				
Elimination of intersegment receivables				(227,811)
Deferred tax assets				4,127
Cash and cash equivalents				256,938
Corporate and other unallocated assets				4,040
Total assets				2,494,749
Segment liabilities	63,886	102,985	240,258	407,129
Reconciliation:				
Elimination of intersegment payables				(227,811)
Interest-bearing bank borrowings				141,135
Loan from the ultimate holding company				353,706
Tax payable				9,232
Deferred tax liabilities				74,277
Corporate and other unallocated liabilities				5,402
Total liabilities				763,070

	PRC lighting *RMB'000*	USA lighting *RMB'000*	Securities *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Other segment information:					
Impairment losses/(reversal of impairment) on financial assets	2,630	1,286	(3,657)	–	259
Provision for inventories included in cost of inventories sold	14,383	8,353	–	–	22,736
Depreciation and amortisation	16,918	14,190	7,017	1,028	39,153
Capital expenditure*	10,475	3,382	842	–	14,699

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2020 *RMB'000*	2019 *RMB'000*
North America	**792,111**	710,486
Europe	**29,324**	42,862
The PRC	**1,917**	8,097
Asia (excluding the PRC)	**53,386**	79,904
	876,738	841,349

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2020 *RMB'000*	2019 *RMB'000*
North America	**116,985**	123,362
The PRC	**149,058**	943,585
Asia (excluding the PRC)	**114,002**	184,084
	380,045	1,251,031

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

During the year ended 31 December 2020, revenue generated from customer A and customer B by the USA lighting segment amounting to approximately RMB156,016,000 (2019: RMB98,021,000) and RMB87,636,000 (2019: RMB114,941,000) accounted for over 10% of the Group's revenue.

5. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**857,440**	815,462
Revenue from other sources		
Interest revenue	**19,298**	25,887
	876,738	841,349

Revenue from contracts with customers

(i) Disaggregated revenue information

Year ended 31 December 2020

Segments	**PRC lighting**	**USA lighting**	**Securities**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Types of goods or services				
Sale of lighting products	**147,886**	**695,609**	**–**	**843,495**
Advisory and management services	**–**	**–**	**7,122**	**7,122**
Agency services	**–**	**–**	**6,823**	**6,823**
Total revenue from contracts with customers	**147,886**	**695,609**	**13,945**	**857,440**
Geographic markets				
North America	**96,502**	**695,609**	**–**	**792,111**
Europe	**29,324**	**–**	**–**	**29,324**
The PRC	**1,917**	**–**	**–**	**1,917**
Asia (excluding the PRC)	**20,143**	**–**	**13,945**	**34,088**
Total revenue from contracts with customers	**147,886**	**695,609**	**13,945**	**857,440**
Timing of revenue recognition				
Goods transferred and services rendered at a point in time	**147,886**	**695,609**	**6,823**	**850,318**
Services rendered over time	**–**	**–**	**7,122**	**7,122**
Total revenue from contracts with customers	**147,886**	**695,609**	**13,945**	**857,440**

5. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

Year ended 31 December 2019

Segments	PRC lighting *RMB'000*	USA lighting *RMB'000*	Securities *RMB'000*	Total *RMB'000*
Types of goods or services				
Sale of lighting products	170,165	628,049	–	798,214
Advisory and management services	–	–	14,526	14,526
Agency services	–	–	2,722	2,722
Total revenue from contracts with customers	170,165	628,049	17,248	815,462
Geographic markets				
North America	82,437	628,049	–	710,486
Europe	42,862	–	–	42,862
The PRC	8,097	–	–	8,097
Asia (excluding the PRC)	36,769	–	17,248	54,017
Total revenue from contracts with customers	170,165	628,049	17,248	815,462
Timing of revenue recognition				
Goods transferred and services rendered at a point in time	170,165	628,049	2,722	800,936
Services rendered over time	–	–	14,526	14,526
Total revenue from contracts with customers	170,165	628,049	17,248	815,462

5. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020 *RMB'000*	2019 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of lighting products	**10,509**	15,727

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of lighting products

The performance obligation is satisfied upon delivery of the lighting products and payment is generally due within 30 to 180 days from delivery, except for new customers, where payment in advance is normally required.

Advisory and asset management services

The performance obligation is satisfied upon the services are rendered. Advisory and asset management service contracts are for periods of one year or less, or are billed on a monthly basis.

Agency services

The performance obligation is satisfied upon the transactions are completed.

As a practical expedient, the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to the consolidated financial statements because all the remaining performance obligations are expected to be recognised as revenue within one year.

5. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET (CONTINUED)

	Notes	2020 RMB'000	2019 RMB'000
Other income			
Bank interest income		1,777	1,522
Other interest income		1,683	1,674
Dividend income from financial assets at FVTPL		10,179	9,054
Government grants*		4,651	4,543
Gross rental income from investment property operating leases:			
Lease payments, including fixed payments		6,644	9,600
Others		17,390	5,678
		42,324	32,071
Gains and losses, net			
Fair value (losses)/gains on investments properties, net	14	(41,165)	60,021
(Loss)/gain on disposal of items of property, plant and equipment, net		(252)	5,179
Gains on disposal of items of non-current assets classified as held for sale		9,825	–
Fair value gains/(losses) of financial assets at FVTPL, net		43,643	(15,431)
Impairment loss on goodwill	16	(21,736)	–
Impairment loss on property, plant and equipment	13	(4,838)	–
Foreign exchange differences, net		(17,040)	5,353
Gain on disposal of subsidiaries	35	10,090	–
Change in fair value of contingent consideration payable	34	2,486	23
Others		85	(76)
		(18,902)	55,069
		23,422	87,140

* There are no unfulfilled conditions or contingencies relating to these grants.

6. (LOSS)/PROFIT BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000
Cost of inventories sold		**562,523**	534,855
Depreciation of property, plant and equipment	13	**15,142**	14,362
Depreciation of right-of-use assets	15(a)	**15,148**	16,394
Research and development costs:			
Deferred expenditure amortised*	17	**6,742**	4,833
Amortisation of other intangible assets*	17	**3,481**	3,564
Lease payments not included in the measurement of lease liabilities	15(c)	**341**	258
Auditor's remuneration		**3,000**	2,650
Employee benefit expense (including directors' and chief executive's remuneration (note 8))			
Wages and salaries		**157,694**	168,990
Equity-settled share option expenses		**174**	445
Pension scheme contributions^		**10,560**	13,656
		168,428	183,091
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**164**	123
Impairment losses on financial assets, net:			
Trade and bills receivables	20	**9,991**	747
Other receivables	21	**13,972**	(302)
Loan receivables	22	**160**	(186)
		24,123	259
Write-down of inventories to net realisable value**		**32,069**	22,736

* The amortisation of deferred development costs and other intangible assets for the year is included in "Administrative expenses" in the consolidated statement of profit or loss.

** Included in "Cost of sales".

^ At 31 December 2020, the Group had no forfeited contribution available to reduce its contributions to the pension scheme in future years (2019: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on bank loans	6,854	10,585
Interest on a loan from the ultimate holding company	17,553	17,613
Interest on lease liabilities	857	1,137
	25,264	29,335

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 RMB'000	2019 RMB'000
Fees	1,555	1,284
Other emoluments:		
Salaries, allowances and benefits in kind	1,129	2,038
Performance related bonuses	174	–
Pension scheme contributions	16	15
	2,874	3,337

No share option was granted to directors during the years ended 31 December 2020 and 2019.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020 RMB'000	2019 RMB'000
Mr. Fan Ren Da, Anthony	347	354
Mr. Liu Tian Min	347	354
Ms. Li Ming Qi	347	354
	1,041	1,062

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

8. DIRECTORS AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2020					
Executive director and the chief executive:					
Mr. Gao Zhi (appointed on 9/1/2020)	–	–	–	–	–
Executive directors:					
Mr. Daniel P.W. Li (resigned on 30/9/2020)	–	1,129	174	16	1,319
Mr. Liu Zhigang (appointed on 2/11/2020)	–	–	–	–	–
Non-executive directors:					
Mr. Seah Han Leong (redesignated as non-executive director on 9/1/2020)	514	–	–	–	514
Mr. Zhou Hai Ying (appointed on 9/1/2020)	–	–	–	–	–
Mr. Huang Yu (resigned on 9/1/2020)	–	–	–	–	–
Mr. Liu Wei Dong (resigned on 9/1/2020)	–	–	–	–	–
Mr. Wang Liang Hai (resigned on 9/1/2020)	–	–	–	–	–
	514	1,129	174	16	1,833
2019					
Executive director and the chief executive:					
Mr. Seah Han Leong	222	886	–	–	1,108
Executive director:					
Mr. Daniel P.W. Li	–	1,152	–	15	1,167
Non-executive directors:					
Mr. Huang Yu	–	–	–	–	–
Mr. Liu Wei Dong	–	–	–	–	–
Mr. Wang Liang Hai	–	–	–	–	–
	222	2,038	–	15	2,275

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year did not include any directors (2019: Nil). Details of the remuneration for the year of the five (2019: five) highest paid employees who are non-directors of the Company are as follows:

	2020 *RMB'000*	2019 *RMB'000*
Salaries, allowances and benefits in kind	9,370	10,013
Performance related bonuses	642	–
Equity-settled share option expenses	117	436
Pension scheme contributions	472	526
	10,601	10,975

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
HK$2,000,001 to HK$2,500,000	3	3
HK$2,500,001 to HK$3,000,000	2	2
	5	5

No share options were granted to the non-director and non-chief executive highest paid employees in respect of their services to the Group during the years ended 31 December 2020 and 2019. Certain non-director and non-chief executive highest paid employees were granted share options in prior years, in respect of their services to the Group, under the share option scheme of a subsidiary of the Company, further details of which are set out in note 32 to the consolidated financial statements.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. For the Group's subsidiaries established in the USA, income tax is calculated at the rate of 24.7% (2019: 24.7%). For the Group's subsidiary established in Vietnam, income tax is calculated at the rate of 20.0% (2019: 20.0%). Tax on profits assessable in the PRC has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25.0% (2019: 25.0%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2020	2019
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the year	**2,540**	358
(Over)/underprovision in prior years	**(39)**	234
Current – Elsewhere		
Charge for the year	**20,523**	9,835
Underprovision in prior years	**–**	1,132
Deferred tax (note 30)	**(62,401)**	17,899
Total tax (credit)/charge for the year	**(39,377)**	29,458

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rates for the jurisdictions in which the majority of its subsidiaries are domiciled to the tax (credit)/expense at the effective tax rates is as follows:

	2020	2019
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(66,815)**	6,929
Tax at the statutory/applicable rates of different jurisdictions	**(14,164)**	1,643
Income not subject to tax	**(2,191)**	(1,764)
Expenses not deductible for tax	**16,173**	17,353
Tax losses utilised from previous periods	**(43,508)**	(7,627)
Tax losses not recognised	**4,352**	18,487
Adjustments in respect of current tax of previous periods	**(39)**	1,366
Tax (credit)/charge at the Group's effective rate	**(39,377)**	29,458

10. INCOME TAX (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 year of assessment 2005/06. On 26 March 2012, the IRD issued protective profits tax assessments in aggregate of HK$5,250,000 (approximately equivalent to RMB4,388,000) 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 RMB4,535,000) 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, the IRD additionally issued estimated profits tax assessments in aggregate of HK$28,425,000 (approximately equivalent to RMB23,760,000) 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 and 27 March 2015, the IRD additionally issued protective profits tax assessments in aggregate of HK$35,838,000 (approximately equivalent to RMB29,957,000) 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.

On 31 December 2015, the IRD additionally issued protective profits tax assessments in aggregate of HK$24,288,000 (approximately equivalent to RMB20,302,000) relating to the year of assessment 2009/10, that is, for the financial year ended 31 December 2009, against certain subsidiaries of the Company. The Group lodged objections to the IRD against these protective assessments.

On 29 December 2016, the IRD additionally issued protective profits tax assessments in aggregate of HK$47,305,500 (approximately equivalent to RMB39,543,000) relating to the year of assessment 2010/11, that is, for the financial year ended 31 March 2011, against certain subsidiaries of the Company. The Group lodged objections to the IRD against these protective assessments.

On 28 December 2017, the IRD additionally issued protective profits tax assessments in aggregate of HK$2,779,500 (approximately equivalent to RMB2,323,000) relating to the year of assessment 2011/12, that is, for the financial year ended 31 March 2012, against certain subsidiaries of the Company. The Group lodged objections to the IRD against these protective assessments.

On 30 January 2019, the IRD additionally issued protective profits tax assessments in aggregate of HK$6,229,000 (approximately equivalent to RMB5,519,000) relating to the year of assessment 2012/13, that is, for the financial year ended 31 March 2013, against certain subsidiaries of the Company. The Group lodged objections to the IRD against these protective assessments.

10. INCOME TAX (CONTINUED)

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

On 12 March 2020, the IRD additionally issued protective profits tax assessments in aggregate of HK$834,000 (approximately equivalent to RMB702,000) relating to the year of assessment 2013/14, that is, for the financial year ended 31 March 2014, against certain subsidiaries of the Company. The Group lodged objections to the IRD against these protective assessments.

On 8 January 2021, the IRD additionally issued protective profits tax assessments in aggregate of HK$678,000 (approximately equivalent to RMB571,000) relating to the year of assessment 2014/15, that is, for the financial period ended 31 December 2014, against certain subsidiaries of the Company. The Group lodged objections to the IRD against these protective assessments.

Up to 31 December 2020, the IRD had issued protective profits tax assessments in an aggregate amount of HK$156,374,000 (approximately equivalent to RMB131,029,000) for the years of assessment from 2005/06 to 2013/14. The Group has lodged objections against these protective profits tax assessments and the IRD has agreed to hold over the tax demanded for these years of assessment on the condition that the Group purchased tax reserve certificates in an aggregate amount of HK$30,500,000 (approximately equivalent to RMB25,670,000) (2019: HK$30,500,000 (approximately equivalent to RMB27,321,000)), which has been recorded as tax reserve certificates under "Prepayments, other receivables and other assets" in note 21 to the consolidated financial statements. The directors of the Company are of the opinion that no Hong Kong profits tax is payable by the Group as the subsidiaries in question did not carry on any business, nor derive any profits, in Hong Kong. Accordingly, no additional provision for Hong Kong profits tax is considered necessary in respect of the tax audit.

11. DIVIDENDS

The directors of the Company did not recommend the payment of a dividend for the years ended 31 December 2020 and 2019.

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,094,465,417 (2019: 2,094,493,362) in issue during the year.

The computation of diluted loss per share does not assume the exercise of a subsidiary of the Company's outstanding share options for the years ended 31 December 2020 and 2019 because the exercise price of those share options was higher than the price of a subsidiary of the Company's share during the year.

No adjustment had been made to the basic loss per share amount presented for the year ended 31 December 2019 in respect of a dilution as the impact of the share options outstanding of the Company had an anti-dilutive effect on the basic loss per share amount presented.

	2020 ***RMB'000***	2019 *RMB'000*
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(28,228)**	(22,897)

	2020 ***Number of shares***	2019 *Number of shares*
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**2,094,465,417**	2,094,493,362

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Moulds RMB'000	Total RMB'000
31 December 2020							
At 1 January 2020:							
Cost	142,005	75,384	112,407	33,681	11,801	4,193	379,471
Accumulated depreciation	(94,606)	(60,930)	(101,266)	(27,817)	(9,233)	(3,214)	(297,066)
Net carrying amount	47,399	14,454	11,141	5,864	2,568	979	82,405
At 31 December 2019 and 1 January 2020, net of accumulated depreciation	47,399	14,454	11,141	5,864	2,568	979	82,405
Additions	–	10,304	544	2,737	451	506	14,542
Disposals	(586)	(330)	(435)	(105)	(12)	–	(1,468)
Depreciation provided during the year	(3,138)	(5,111)	(1,825)	(3,311)	(966)	(791)	(15,142)
Revaluation upon transfer to investment properties	2,820	–	–	–	–	–	2,820
Impairment loss (note a)	(4,838)	–	–	–	–	–	(4,838)
Transfer to investment properties (note 14)	(28,238)	–	–	–	–	–	(28,238)
Exchange realignment	(992)	(357)	(234)	(244)	(120)	(4)	(1,951)
At 31 December 2020, net of accumulated depreciation	12,427	18,960	9,191	4,941	1,921	690	48,130
At 31 December 2020:							
Cost	79,714	51,750	107,167	32,951	10,562	4,573	286,717
Accumulated depreciation	(67,287)	(32,790)	(97,976)	(28,010)	(8,641)	(3,883)	(238,587)
Net carrying amount	12,427	18,960	9,191	4,941	1,921	690	48,130

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Moulds RMB'000	Total RMB'000
31 December 2019							
At 1 January 2019:							
Cost	141,636	72,886	166,780	45,348	13,164	62,780	502,594
Accumulated depreciation	(92,595)	(66,681)	(150,044)	(38,064)	(10,602)	(61,158)	(419,144)
Net carrying amount	49,041	6,205	16,736	7,284	2,562	1,622	83,450
At 31 December 2018 and 1 January 2019, net of accumulated depreciation	49,041	6,205	16,736	7,284	2,562	1,622	83,450
Additions	–	2,685	708	2,223	1,916	228	7,760
Acquisition of a subsidiary	–	128	–	215	–	–	343
Disposals	(27)	(38)	(60)	(150)	(908)	–	(1,183)
Depreciation provided during the year	(2,340)	(4,062)	(2,335)	(3,714)	(1,038)	(873)	(14,362)
Revaluation upon transfer to investment properties	–	–	32,447	–	–	–	32,447
Transfer to investment properties (note 14)	–	–	(36,226)	–	–	–	(36,226)
Transfer to non-current assets classified as held for sale	–	–	(241)	–	–	–	(241)
Transfer from inventories	–	9,453	–	–	–	–	9,453
Exchange realignment	725	83	112	6	36	2	964
At 31 December 2019, net of accumulated depreciation	47,399	14,454	11,141	5,864	2,568	979	82,405
At 31 December 2019:							
Cost	142,005	75,384	112,407	33,681	11,801	4,193	379,471
Accumulated depreciation	(94,606)	(60,930)	(101,266)	(27,817)	(9,233)	(3,214)	(297,066)
Net carrying amount	47,399	14,454	11,141	5,864	2,568	979	82,405

At 31 December 2020, the Group's property, plant and equipment with a carrying amount of RMB7,435,000 (2019: RMB8,127,000) were pledged as security for the Group's bank loans, as further detailed in note 28(b) to the consolidated financial statements.

Note:

(a) Impairment loss represented fair value loss on revaluation of certain commercial properties based on fair value less costs of disposal performed by Roma Appraisals Limited, an independent professionally qualified valuer, using direct comparison approach. In 2020, as the Group has changed its usage of certain commercial properties, in the opinion of the directors of the Company, the commercial properties were transferred to investment properties.

14. INVESTMENT PROPERTIES

	Commercial properties *RMB'000*	Industrial properties *RMB'000*	Lands for development of commercial properties *RMB'000*	Total *RMB'000*
Carrying amount at 1 January 2019	14,200	–	758,765	772,965
Transfer from right-of-use assets (note 15(a))	–	4,305	–	4,305
Transfer from property, plant and equipment (note 13)	–	36,226	–	36,226
Net (losses)/gains from fair value adjustment recognised in profit or loss	(1,500)	(1,722)	63,243	60,021
Exchange realignment	–	374	–	374
Carrying amount at 31 December 2019 and 1 January 2020	12,700	39,183	822,008	873,891
Transfer from right-of-use assets (note 15(a))	–	810	–	810
Transfer from property, plant and equipment (note 13)	25,418	2,820	–	28,238
Net losses from fair value adjustment recognised in profit or loss	(1,100)	(3,016)	(37,049)	(41,165)
Disposal of subsidiaries (note 35)	–	–	(784,959)	(784,959)
Exchange realignment	–	(2,374)	–	(2,374)
Carrying amount at 31 December 2020	37,018	37,423	–	74,441

The Group's investment properties consist of 19 (2019: 8) commercial properties in the PRC and Dubai, 11 (2019: 10) industrial properties in Vietnam and the PRC and no (2019: 5) parcels of land for development of commercial properties in the PRC. The directors of the Company determined that the Group's investment properties consist of different classes of assets based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2020 based on valuations performed by Roma Appraisals Limited, an independent professionally qualified valuer.

The investment properties, except for the lands for development of commercial properties, are leased to third parties under operating leases, further summary details of which are included in note 15 to the consolidated financial statements.

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2020 using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
Recurring fair value measurement for:				
Investment properties	**–**	**–**	**74,441**	**74,441**

	Fair value measurement as at 31 December 2019 using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Recurring fair value measurement for:				
Investment properties	–	–	873,891	873,891

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties *RMB'000*	Industrial properties *RMB'000*	Land for development of commercial properties *RMB'000*	Total *RMB'000*
Carrying amount at 1 January 2019	14,200	–	758,765	772,965
Transfer from right-of-use assets (note 15(a))	–	4,305	–	4,305
Transfer from property, plant and equipment (note 13)	–	36,226	–	36,226
Net (losses)/gains from fair value adjustment recognised in profit or loss	(1,500)	(1,722)	63,243	60,021
Exchange realignment	–	374	–	374
Carrying amount at 31 December 2019 and 1 January 2020	12,700	39,183	822,008	873,891
Transfer from right-of-use assets (note 15(a))	–	810	–	810
Transfer from property, plant and equipment (note 13)	25,418	2,820	–	28,238
Net losses from fair value adjustment recognised in profit or loss	(1,100)	(3,016)	(37,049)	(41,165)
Disposal of subsidiaries (note 35)	–	–	(784,959)	(784,959)
Exchange realignment	–	(2,374)	–	(2,374)
Carrying amount at 31 December 2020	37,018	37,423	–	74,441

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (continued)

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2020	2019
Commercial properties	Direct comparison approach	Prevailing market price (per sq.m.)	RMB29,662 to RMB55,502	RMB61,000
Industrial properties	Depreciated replacement cost approach	Construction cost (per sq.m.)	RMB1,097 to RMB1,500	RMB1,171
Lands for development of commercial properties	Direct comparison and land datum value approach	Prevailing market price (per sq.m.)	N/A	RMB2,927 to RMB3,904

Direct comparison approach

Fair value of investment properties is generally derived using the direct comparison method.

The valuation was arrived at by adopting the direct comparison approach with reference to the recent transactions of similar properties under the prevailing property market conditions. A significant increase (decrease) in the prevailing market price in isolation would result in a significant increase (decrease) in the fair value of the investment properties.

Depreciated replacement cost approach

The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence, whether arising from physical, functional or economic causes. A significant increase (decrease) in cost of construction would result in a significant increase (decrease) in the fair values of completed investment properties.

Land datum value approach

The land datum value method is to analyse the influencing factors of the parcel land price and use correction coefficients to correct the published benchmark land price for the same land use and same land class to estimate the land price. A significant increase (decrease) in the published benchmark land price in isolation would result in a significant increase (decrease) in the fair value of the investment properties.

15. LEASES

The Group as a lessee

The Group has lease contracts for various properties used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 49 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of offices and warehouses generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. No lease contracts have extension and termination options.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land *RMB'000*	Offices and warehouses *RMB'000*	Total *RMB'000*
As at 1 January 2019	47,402	17,821	65,223
Acquisition as a result of acquisition of a subsidiary	–	7,960	7,960
Depreciation charges	(1,073)	(15,321)	(16,394)
Revaluation upon transfer to investment properties	3,622	–	3,622
Transfer to investment properties (note 14)	(4,305)	–	(4,305)
Transfer to non-current assets classified as held for sale	(31,796)	–	(31,796)
Exchange realignment	126	161	287
As at 31 December 2019 and 1 January 2020	13,976	10,621	24,597
Additions	–	26,369	26,369
Depreciation charges	(384)	(14,764)	(15,148)
Revaluation upon transfer to investment properties	352	–	352
Transfer to investment properties (note 14)	(810)	–	(810)
Exchange realignment	(237)	(1,885)	(2,122)
As at 31 December 2020	12,897	20,341	33,238

At 31 December 2020, the Group's right-of-use assets with a carrying amount of RMB8,135,000 (2019: RMB8,348,000) were pledged as security for the Group's bank loans, as further detailed in note 28(b) to the consolidated financial statements.

15. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 *RMB'000*	2019 *RMB'000*
Carrying amount at 1 January	10,862	17,821
Additions as a result of acquisition of a subsidiary	–	7,960
New leases	26,369	–
Accretion of interest recognised during the year	857	1,137
Payments	(16,138)	(16,428)
Exchange realignment	(1,122)	372
Carrying amount at 31 December	20,828	10,862
Analysed into:		
Current portion	7,586	9,957
Non-current portion	13,242	905
	20,828	10,862

The maturity analysis of lease liabilities is disclosed in note 42 to the consolidated financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 *RMB'000*	2019 *RMB'000*
Interest on lease liabilities	857	1,137
Depreciation charge of right-of-use assets	15,148	16,394
Expense relating to short-term leases (included in administrative expense)	341	258
Total amount recognised in profit or loss	16,346	17,789

(d) The total cash outflow for leases is disclosed in note 36(c) to the consolidated financial statements.

15. LEASES (CONTINUED)

The Group as a lessor

The Group leases its investment properties (note 14) consisting of 14 commercial properties in the PRC and Dubai and 8 industrial properties in Vietnam and the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was RMB6,644,000 (2019: RMB9,600,000), details of which are included in note 5 to the consolidated financial statements.

At 31 December 2020, the undiscounted leases payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Within one year	**6,082**	3,473
After one year but within two years	**5,817**	2,667
After two years but within three years	**5,904**	2,899
After three years but within four years	**5,900**	3,107
After four years but within five years	**405**	3,107
After five years	**1,489**	45
	25,597	15,298

16. GOODWILL

	RMB'000
At 1 January 2019:	
Cost	129,421
Accumulated impairment	–
Net carrying amount	129,421
Cost at 1 January 2019, net of accumulated impairment	129,421
Acquisition of a subsidiary	87,278
Exchange realignment	4,279
Cost and net carrying amount at 31 December 2019	220,978
At 31 December 2019 and 1 January 2020:	
Cost	220,978
Accumulated impairment	–
Net carrying amount	220,978
Cost at 1 January 2020, net of accumulated impairment	220,978
Impairment during the year (note a)	(21,736)
Exchange realignment	(12,061)
Cost and net carrying amount at 31 December 2020	187,181
At 31 December 2020:	
Cost	207,208
Accumulated impairment	(20,027)
Net carrying amount	187,181

16. GOODWILL (CONTINUED)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- USA lighting cash-generating unit for Tivoli, LLC;
- USA lighting cash-generating unit for Novelty Lights, LLC; and
- Securities cash-generating unit.

USA lighting cash-generating unit for Tivoli, LLC

The recoverable amount of this USA lighting cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 14.4% (2019: 14.5%). The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 2.0% (2019: 2.3%).

USA lighting cash-generating unit for Novelty Lights, LLC

The recoverable amount of this USA lighting cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 14.6% (2019:14.3%). The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 2.0% (2019: 2.3%).

Securities cash-generating unit

The recoverable amount of the Securities cash-generating unit has been determined based on fair value less costs of disposal using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13.9% (2019: 14.8%). The growth rate used to extrapolate the cash flows of the financial services beyond the five-year period is 2.0% (2019: 3.0%).

Note:

(a) During the interim review, as the fluctuation of the capital market adversely affected the operating performance of the Group's securities cash-generating unit, management reassessed the outlook and future performance of the Group's securities cash-generating unit and determined the estimated recoverable amount of this cash-generating unit was approximately RMB494.0 million which was lower than its carrying amount. Accordingly, an impairment of RMB21.7 million was charged to profit or loss during the six months ended 30 June 2020.

The Group further performed its annual impairment test as at 31 December 2020. As the estimated recoverable amount of securities cash-generating unit was higher than its carrying amount, in the opinion of the directors of the Company, no further impairment was considered necessary as at 31 December 2020. As a result, an impairment loss of RMB21.7 million was recognised in the consolidated statement of profit or loss during the year (note 5).

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

Securities cash-generating unit (continued)

In the opinion of the Company's directors, an increase in the discount rate by 1% would cause the carrying amount of the securities cash-generating unit to exceed its recoverable amount by approximately RMB6.5 million.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2020 *RMB'000*	2019 *RMB'000*
USA lighting cash-generating unit for Tivoli, LLC	8,149	8,712
USA lighting cash-generating unit for Novelty Lights, LLC	82,976	88,715
Securities cash-generating unit	96,056	123,551
Carrying amount of goodwill	187,181	220,978

Assumptions were used in the cash flow projections of the USA Lighting and Securities cash-generating units for 31 December 2020 and 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rates – The growth rates are determined with reference to the growth rate for the relevant units, adjusted for relevant businesses and market development, and economic condition.

The values assigned to the key assumptions on market development of USA lighting and securities industries, budgeted gross margins, discount rates and growth rates are consistent with external information sources.

17. OTHER INTANGIBLE ASSETS

	Patent *RMB'000*	Securities licences *RMB'000*	Software *RMB'000*	Deferred development costs *RMB'000*	Total *RMB'000*
31 December 2020					
At 1 January 2020:					
Cost	53,541	11,197	6,796	34,339	105,873
Accumulated amortisation	(44,179)	(3,225)	(2,710)	(11,695)	(61,809)
Net carrying amount	9,362	7,972	4,086	22,644	44,064
Cost at 1 January 2020, net of accumulated amortisation	9,362	7,972	4,086	22,644	44,064
Additions	–	–	1,002	6,366	7,368
Amortisation provided during the year	(1,196)	(1,042)	(1,243)	(6,742)	(10,223)
Exchange realignment	(1,152)	(449)	(607)	(3,310)	(5,518)
At 31 December 2020	7,014	6,481	3,238	18,958	35,691
At 31 December 2020:					
Cost	50,366	10,521	7,088	37,394	105,369
Accumulated amortisation	(43,352)	(4,040)	(3,850)	(18,436)	(69,678)
Net carrying amount	7,014	6,481	3,238	18,958	35,691

17. OTHER INTANGIBLE ASSETS (CONTINUED)

	Patent RMB'000	Securities licences RMB'000	Software RMB'000	Deferred development costs RMB'000	Total RMB'000
31 December 2019					
At 1 January 2019:					
Cost	52,951	10,953	6,377	27,720	98,001
Accumulated amortisation	(43,148)	(2,103)	(1,405)	(6,862)	(53,518)
Net carrying amount	9,803	8,850	4,972	20,858	44,483
Cost at 1 January 2019, net of accumulated amortisation	9,803	8,850	4,972	20,858	44,483
Additions	–	–	320	6,619	6,939
Amortisation provided during the year	(1,226)	(1,063)	(1,275)	(4,833)	(8,397)
Exchange realignment	785	185	69	–	1,039
At 31 December 2019	9,362	7,972	4,086	22,644	44,064
At 31 December 2019:					
Cost	53,541	11,197	6,796	34,339	105,873
Accumulated amortisation	(44,179)	(3,225)	(2,710)	(11,695)	(61,809)
Net carrying amount	9,362	7,972	4,086	22,644	44,064

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 *RMB'000*	2019 *RMB'000*
Equity investments designated at FVTOCI		
Unlisted equity investments, at fair value	**–**	404

The above equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature.

During the years ended 31 December 2020 and 2019, no dividend was received from the unlisted equity investments. One of the investments was disposed in 2020.

19. INVENTORIES

	2020 *RMB'000*	2019 *RMB'000*
Raw materials	**26,078**	41,216
Work in progress	**23,459**	34,849
Finished goods	**110,633**	80,619
	160,170	156,684

At 31 December 2020, the Group's inventories with a carrying amount of RMB80,998,000 (2019: RMB65,134,000) were pledged as security for the Group's bank loans, as further detailed in note 28(b) to the consolidated financial statements.

20. TRADE AND BILLS RECEIVABLES

	2020 *RMB'000*	2019 *RMB'000*
Trade receivables	**133,921**	100,742
Bills receivables	**642**	968
Less: Impairment loss on trade receivables	**(6,409)**	(4,281)
Less: Impairment loss on bills receivables	**(16)**	(20)
	128,138	97,409

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to six months for major customers.

PRC and USA lighting segments

Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Securities segment

Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group has certain concentration of credit risk as 70% and 88% (2019: 53% and 78%) of the total gross trade receivables was due from the Group's largest customer and the five largest customers, respectively. The Group does not hold collateral over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from the Group's related parties of RMB4,613,000 (2019: RMB4,549,000) which are repayable on credit terms similar to those offered to the major customers of the Group.

At 31 December 2020, the Group's receivables with a carrying amount of RMB60,962,000 (2019: RMB53,659,000) were pledged as security for the Group's bank loans, as further detailed in note 28(b) to the consolidated financial statements.

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020			2019		
	Lighting	**Securities**	**Total**	Lighting	Securities	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	**59,023**	**4,763**	**63,786**	42,509	5,825	48,334
1 to 2 months	**22,699**	**431**	**23,130**	21,502	38	21,540
2 to 3 months	**4,698**	**97**	**4,795**	10,751	288	11,039
3 to 6 months	**24,832**	**2,082**	**26,914**	6,356	47	6,403
Over 6 months	**8,246**	**1,267**	**9,513**	9,522	571	10,093
	119,498	**8,640**	**128,138**	90,640	6,769	97,409

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2020			2019		
	Lighting	**Securities**	**Total**	Lighting	Securities	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year	**4,280**	**21**	**4,301**	5,158	3,493	8,651
Impairment losses/(reversal of impairment), net (note 6)	**5,927**	**4,064**	**9,991**	3,574	(2,827)	747
Amount written off as uncollectable	**(3,929)**	**(3,938)**	**(7,867)**	(4,452)	(645)	(5,097)
At end of the year	**6,278**	**147**	**6,425**	4,280	21	4,301

PRC and USA lighting segments

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by industry credit benchmark). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Securities segment

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by industry credit benchmark). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade and bills receivables using a provision matrix:

As at 31 December 2020

PRC and USA lighting segments	Current	Past due: Less than 1 month	Past due: 1 to 3 months	Past due: 3 months to 1 year	Past due: 1 to 2 years	Past due: 2 to 3 years	Past due: Over 3 years	Total
Expected credit loss rate	2.55%	2.95%	7.85%	10.84%	14.83%	23.50%	26.95%	
Gross carrying amount (RMB'000)	90,260	14,462	8,661	2,235	832	154	9,172	125,776
Expected credit losses (RMB'000)	2,298	427	680	242	123	36	2,472	6,278

Securities segment	Current	Past due: Less than 1 month	Past due: 1 to 3 months	Past due: 3 months to 1 year	Past due: 1 to 2 years	Past due: 2 to 3 years	Past due: Over 3 years	Total
Expected credit loss rate	1.28%	1.28%	2.01%	2.12%	2.99%	N/A	N/A	
Gross carrying amount (RMB'000)	4,680	144	546	3,230	187	–	–	8,787
Expected credit losses (RMB'000)	60	2	11	68	6	–	–	147

As at 31 December 2019

PRC and USA lighting segments	Current	Past due: Less than 1 month	Past due: 1 to 3 months	Past due: 3 months to 1 year	Past due: 1 to 2 years	Past due: 2 to 3 years	Past due: Over 3 years	Total
Expected credit loss rate	2.11%	2.11%	5.64%	7.38%	9.56%	13.05%	15.72%	
Gross carrying amount (RMB'000)	52,897	13,168	7,812	9,325	835	1,334	9,549	94,920
Expected credit losses (RMB'000)	1,118	278	441	688	80	174	1,501	4,280

Securities segment	Current	Past due: Less than 1 month	Past due: 1 to 3 months	Past due: 3 months to 1 year	Past due: 1 to 2 years	Past due: 2 to 3 years	Past due: Over 3 years	Total
Expected credit loss rate	0.26%	0.26%	0.43%	0.72%	1.15%	N/A	N/A	
Gross carrying amount (RMB'000)	5,896	–	273	533	88	–	–	6,790
Expected credit losses (RMB'000)	15	–	1	4	1	–	–	21

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Prepayments	13,661	19,784
Receivables in relation to disposal of subsidiaries	676,129	–
Deposits and other receivables	87,570	38,236
Value added tax recoverable	17,508	39,790
Tax reserve certificates	25,670	27,321
	820,538	125,131
Less: Impairment allowance	(8,504)	(480)
	812,034	124,651
Current portion	(810,670)	(119,555)
Non-current portion	1,364	5,096

The movements in the loss allowance for impairment of other receivables are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of the year	480	782
Impairment losses/(reversal of impairment losses), net (note 6)	13,972	(302)
Amount written off as uncollectable	(5,948)	–
At end of year	8,504	480

During the year ended 31 December 2020, RMB13,972,000 was impaired (2019: RMB302,000 was credited as a reversal of allowance) for expected credit losses on other receivables. The provision rates are based on published credit rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Deposits and other receivables mainly represented rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. As at 31 December 2020, the probability of default applied ranged from 0.02% to 40% (2019: 0.15% to 100%) and the loss given default was estimated to be ranged from 59% to 69% (2019: 61% to 100%). The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

22. LOAN RECEIVABLES

	2020 *RMB'000*	2019 *RMB'000*
Loan receivables	**160,206**	303,115
Less: Impairment allowance	**(627)**	(467)
	159,579	302,648

The movement in the loss allowance for impairment of loan receivables is as follows:

	2020 *RMB'000*	2019 *RMB'000*
At beginning of the year	**467**	653
Impairment losses/(reversal of impairment losses) (note 6)	**160**	(186)
At end of year	**627**	467

As at 31 December 2020, loan receivables represented the money lent to a customer (2019: 2 customers) by Tongfang Finance Limited, a subsidiary of the Company which is principally engaged in money lending business. The loan receivables bore interest rate at 8% p.a. (2019: ranging from 8% p.a. to 13% p.a.) and was overdue (2019: repayable within one year). The loan receivables amounted to RMB160,206,000 (2019: RMB303,115,000) were secured by certain properties, other investments, listed securities, private equities of the borrowers and personal guarantees. The balances are classified as financial assets at amortised cost. Management performs continuous assessment on the recoverability of loan receivables.

Management has performed credit risk assessment by performing background search on the borrowers, financial analysis on the companies for which the borrowers has pledged the equity shares and property search on pledged properties.

An impairment analysis is performed at each reporting date by considering the expected credit losses, which are estimated by applying the probability of default approach with reference to the risks of default of the borrowers or comparable companies. For the loan receivables which are secured by second charge on properties and/or share charges, management also takes into account the mitigating effect of the value of these collaterals in the ECL analysis. As at 31 December 2020, in the opinion of the directors, the probability of default applied of loan receivable was 100% (2019: 0.56% to 9.12%) and the loan receivables were fully covered by collaterals with an aggregate fair value of approximately RMB263.4 million (2019: RMB463.6 million) as at 31 December 2020 after deducting any outstanding first mortgage loan balances.

22. LOAN RECEIVABLES (CONTINUED)

An ageing analysis of the loan receivables as at the end of the reporting period, based on the maturity date and net of loss allowance, is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Within 1 year or on demand	159,579	302,648

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2020 *RMB'000*	2019 *RMB'000*
Listed equity investments, at fair value	(i)	40,451	60,589
Other unlisted investments, at fair value	(ii)	137,101	208,966
		177,552	269,555
Non-current unlisted investments, at fair value		(134,299)	(113,458)
Current portion		43,253	156,097

Notes:

(i) The above equity investments were classified as financial assets at FVTPL as they were held for trading.

(ii) As at 31 December 2019, the above unlisted investments included the 7% redeemable fixed coupon convertible bonds issued by Burwill Holdings Limited ("Burwill") in the aggregate principal amount of US$9,000,000 (approximate RMB62,786,000) ("Convertible Bonds"), with a carrying amount of RMB52,377,000 at the end of the reporting period. On 31 December 2019, the Group has entered into a transfer agreement with an independent third party, to dispose the Convertible Bonds at a consideration of US$9,227,000. The disposal was completed in March 2020.

Except for the Convertible Bonds, the remaining unlisted investments included unlisted equity and fund were mandatorily classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest as at 31 December 2020 and 2019.

24. CASH AND CASH EQUIVALENTS

	2020 ***RMB'000***	2019 *RMB'000*
Cash and bank balances	**411,131**	261,260
Less: cash held on behalf of clients	**(2,646)**	(4,322)
Cash and cash equivalents	**408,485**	256,938

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB23,921,000 (2019: RMB42,138,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits were made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earned interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

25. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 4 November 2019, a leasehold land located in the PRC with a carrying amount of RMB28,054,000 was classified as non-current asset held for sale following a contract entered with Heshan Industrial City Management Council ("鶴山工業城管理委員會") which intended to dispose the leasehold land to Heshan City Land Reserve Centre ("鶴山市土地儲備中心") at a consideration of RMB31,207,000. The transaction was completed on 20 January 2020.

On 30 August 2019, another leasehold land and building erected thereon located in Vietnam with a total carrying amount of VND13,235,509,000 (equivalent to RMB3,983,000) were classified as non-current assets held for sale following a contract entered with People's Committee of Thai Binh Province which intended to dispose the leasehold land and building to Ministry of Natural Resources and Environment at a consideration of VND36,968,375,000 (equivalent to RMB10,694,000). The transaction was completed on 2 January 2020.

The non-current assets classified as held for sale as at 31 December 2019 are as follows:

	RMB'000
Property, plant and equipment	243
Right-of-use assets	31,833
	32,076

At 31 December 2019, the Group's non-current assets classified as held for sale with a carrying amount of RMB28,054,000 were pledged as security for the Group's bank loans, as further detailed in note 28(b) to the consolidated financial statements.

26. TRADE PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	88,138	67,162
Accounts payables to securities clients	2,646	4,322
	90,784	71,484

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

	2020			2019		
	Accounts payables to securities clients RMB'000	Trade payables RMB'000	Total RMB'000	Accounts payables to securities clients RMB'000	Trade payables RMB'000	Total RMB'000
Within 1 month	2,646	68,832	71,478	4,322	37,774	42,096
1 to 2 months	–	9,347	9,347	–	6,177	6,177
2 to 3 months	–	3,014	3,014	–	2,442	2,442
3 to 6 months	–	5,144	5,144	–	68	68
6 months to 1 year	–	162	162	–	600	600
Over 1 year	–	1,639	1,639	–	20,101	20,101
	2,646	88,138	90,784	4,322	67,162	71,484

The trade payables are non-interest-bearing and are normally settled within terms of 90 days.

27. OTHER PAYABLES AND ACCRUALS

	Notes	2020 RMB'000	2019 RMB'000
Sundry payables and accruals	(a)	**53,971**	49,499
Contract liabilities	(b)	**4,999**	10,509
		58,970	60,008

Notes:

(a) Sundry payables are non-interest-bearing and have an average term of three months.

(b) Details of contract liabilities are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000	1 January 2019 RMB'000
Short-term advances received from customers			
Sale of goods	**4,999**	10,509	15,727

Contract liabilities include short-term advances received from customers to deliver lighting products. The decrease in contract liabilities in 2020 was mainly due to the decrease in short-term advances received from customers in relation to uncompleted contracts at the end of the year.

28. INTEREST-BEARING BANK BORROWINGS

	2020			2019		
	Effective interest rate %	Maturity	RMB'000	Effective interest rate %	Maturity	RMB'000
Current						
Bank loans – unsecured	–	–	–	4.4	2020	20,000
Bank loans – secured	5.0	2021	43,000	3.6–5.0	2020	63,000
Bank loans – secured	LIBOR	2021	37,518	LIBOR	2020	58,135
			80,518			141,135
Non-current						
Bank loans – secured	0.3	2022	10,596	–	–	–
			91,114			141,135

28. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

The maturity of the above bank borrowings is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Analysed into:		
Within one year or on demand	**80,518**	141,135
Within one to two years	**10,596**	–
	91,114	141,135

Notes:

(a) Except for the bank borrowings of RMB43,000,000 (2019: RMB30,295,000) which are denominated in RMB and bear interest at fixed interest rates, all bank borrowings as set out above are denominated in US$ either at LIBOR or at fixed interest rate.

(b) The Group's bank borrowings are secured by charges over certain assets of the Group as follows:

	2020 *RMB'000*	2019 *RMB'000*
Inventories (note 19)	**80,998**	65,134
Trade receivables (note 20)	**60,962**	53,659
Property, plant and equipment (note 13)	**7,435**	8,127
Right-of-use assets (note 15(a))	**8,135**	8,348
Non-current assets classified as held for sale (note 25)	**–**	28,054

(c) As at 31 December 2019, the ultimate holding company had provided guarantees to certain of the Group's bank borrowings up to RMB20,000,000. No guarantees were provided by the ultimate holding company as at 31 December 2020.

29. PROVISION

	2020 RMB'000	2019 RMB'000
At 1 January	**12,316**	9,546
Additional provision	**6,142**	2,770
Amounts utilised during the year	**(12,056)**	–
Exchange realignment	**(143)**	–
At 31 December	**6,259**	12,316

During the prior years, the Group has received notices served by the People's Court in the PRC, which were initiated by independent trading parties to demand remedies for the loss arising from early termination of rental agreements and termination of transfer of inventory agreement, where relevant. In the opinion of the directors of the Company, as the court decisions have been finalised for most of the legal proceedings, the Group has utilised the related provision to settle the outstanding claims during the year ended 31 December 2020.

30. DEFERRED TAX

	Taiwan withholding tax on un-distributed earnings RMB'000	Fair value adjustments on intangible assets RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments on investment properties RMB'000	Inventory provision RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	(2,890)	(1,580)	2,038	(46,631)	2,345	2,183	(44,535)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	–	178	(6,510)	(15,468)	2,012	1,889	(17,899)
Deferred tax charged to the statement of other comprehensive income	–	–	–	(7,213)	–	–	(7,213)
Acquisition of a subsidiary (note 34)	–	–	–	–	(357)	–	(357)
Exchange realignment	(65)	(94)	(19)	(66)	52	46	(146)
At 31 December 2019 and at 1 January 2020	(2,955)	(1,496)	(4,491)	(69,378)	4,052	4,118	(70,150)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	–	167	(1,702)	53,371	653	9,912	62,401
Deferred tax charged to the statement of other comprehensive income	–	–	–	(793)	–	–	(793)
Disposal of subsidiaries (note 35)	–	–	–	9,671	–	–	9,671
Exchange realignment	179	250	(379)	418	6	(610)	(136)
At 31 December 2020	(2,776)	(1,079)	(6,572)	(6,711)	4,711	13,420	993

30. DEFERRED TAX (CONTINUED)

Deferred tax assets and liabilities have not been offset for the purpose of presentation in the consolidated statement of financial position as they relate to different tax authorities. The following is the analysis of the deferred taxation balances for financial reporting purposes:

	2020 *RMB'000*	2019 *RMB'000*
Deferred tax assets	**11,980**	4,127
Deferred tax liabilities	**(10,987)**	(74,277)
	993	(70,150)

The Group has tax losses arising in Hong Kong of RMB219,025,000 (2019: RMB234,625,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the PRC of RMB88,269,000 (2019: RMB295,709,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. As 31 December 2020 and 2019, no unrecognised deferred tax for the withholding taxes as there was no such earnings for its subsidiaries to distribute in the foreseeable future.

As 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB132,104,000 (2019: RMB129,987,000) that are subject to withholding taxes of subsidiaries of the Group established in the USA. In the opinion of directors of the Company, the Group's fund will be retained in the USA for the expansion of the Group's operation, so it is not probable that its subsidiaries will distribute such earning in the foreseeable future.

Pursuant to the Taiwan Corporate Income Tax Law, a 5% withholding tax on undistributed earnings tax rate and 21% is levied on dividends declared to a non-resident recipient from the foreign investment enterprises established in Taiwan. The requirement is effective from 1 January 2018.

There are no income tax consequences attaching to the payment of dividend by the subsidiary to its shareholders.

31. SHARE CAPITAL

	2020 *HK$'000*	2019 *HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	500,000	500,000

	2020 *RMB'000*	2019 *RMB'000*
Issued and fully paid:		
2,094,505,417 ordinary shares of HK$0.10 each	185,676	185,676

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital *RMB'000*
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	2,094,505,417	185,676

Note: During the year ended 31 December 2019, the Company purchased 40,000 of its shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") at a total consideration of RMB19,000 which was paid wholly out of reserves. The Company did not purchase any shares in the current year. No purchased shares were cancelled during the year (2019: Nil).

32. SHARE OPTION SCHEME

Share option scheme of the Company

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 recognising 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.

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.

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 par value of the Company's share.

The following share options were outstanding under the Scheme during the year:

	2020		2019	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	***'000***	*HK$ per share*	*'000*
At 1 January	**1.31**	**15,600**	1.31	21,200
Forfeited during the year	**1.31**	**(15,600)**	1.31	(5,600)
At 31 December		**–**	1.31	15,600

32. SHARE OPTION SCHEME (CONTINUED)

Share option scheme of the Company (continued)

No share option was granted or exercised during the year ended 31 December 2020 (2019: Nil).

The exercise prices and exercise periods of the share options outstanding as at 31 December 2019 were as follows:

Number of options *'000*	Exercise price* *HK$ per share*	Exercise period
7,800	1.31	15-05-16 to 14-05-20
7,800	1.31	15-05-17 to 14-05-20
15,600		

* The exercise price of the share options was subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

At 31 December 2019, the Company had 15,600,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 15,600,000 additional ordinary shares of the Company and additional share capital of RMB1,560,000 and share premium of RMB18,876,000 (before issue expenses).

At the date of approval of these financial statements, the Company had no share options outstanding under the Scheme.

32. SHARE OPTION SCHEME (CONTINUED)

Share option scheme of a subsidiary of the Company

During the year ended 31 December 2015, American Lighting, Inc. ("American Lighting"), an indirect non-wholly owned subsidiary of the Company, has adopted a share option scheme for eligible employees of American Lighting, the Company and Tivoli, LLC ("Tivoli"), the wholly-owned subsidiary of American Lighting. On 30 June 2015, 2,869 share options were granted to certain employees and directors of the Company, American Lighting, and Tivoli. The closing price immediately before the date on which the options were granted was US$330 per share. Under the scheme of American Lighting, 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 American Lighting.

On 27 April 2017, 1,401 share options were granted to certain employees and directors of the Company. The closing price immediately before the date on which the options were granted was US$405 per share.

Options may be exercised in accordance with the terms stipulated in the scheme of American Lighting. 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 American Lighting 's shares on the date of grant, (ii) the average closing price of American Lighting 's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the American Lighting 's share.

The following share options were outstanding under the Scheme during the year:

	2020		2019	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	US$ per share	***'000***	*US$ per share*	*'000*
At 1 January and 31 December	**369**	**2,435**	369	2,435

No share option was granted or exercised during the year ended 31 December 2020 (2019: Nil).

32. SHARE OPTION SCHEME (CONTINUED)

Share option scheme of a subsidiary of the Company (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2020 and 2019

Number of options	Exercise price *US$ per share*	Exercise period
354	330	30-06-2016 to 30-06-2025
355	330	30-06-2017 to 30-06-2025
471	330	30-06-2018 to 30-06-2025
376	405	27-04-2018 to 27-04-2027
376	405	27-04-2019 to 24-04-2027
503	405	27-04-2020 to 27-04-2027
2,435		

The weighted average fair value of the share options granted in prior years was RMB851 each, of which the Group recognised share option expenses over the vesting period of RMB174,000 (2019: RMB445,000) during the year ended 31 December 2020.

33. RESERVES

The nature of the Group's reserves are described as below:

(a) The application of the share premium account of the Company is governed by the Company Law (Revised) of the Cayman Islands. Under the constitutional documents and Companies Law (Revised) of the Cayman Islands, the share premium is distributable as a dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business immediately after the proposed dividend is paid.

(b) Capital redemption reserve comprises the amount by which the issued share capital of the Company is diminished through the cancellation of shares.

(c) Special reserve comprises the differences between the nominal amount of the shares issued by the Company and the Group's former holding company, Neo-Neon Holdings (BVI) Limited ("NNH"), 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.

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

(e) Share option reserve represents the fair value of share options granted to directors and employees of the Group in accordance with the accounting policy adopted for share-based payment in note 32 to the consolidated financial statements.

(f) Exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2.4 to the consolidated financial statements.

(g) Fair value reserve comprises the cumulative net change in the fair value of equity investments designated at FVTOCI which will not be recycled to profit or loss in subsequent periods.

(h) Asset revaluation reserve arises from change in use from owner-occupied properties to investment properties carried at fair value.

(i) Other reserve comprises: (i) the difference between the consideration paid for acquiring additional interests in subsidiaries of the Company and the amount of interests acquired; and (ii) the difference between the cash received on exercise of share options plus the amount included in equity from the recognition of the compensation cost and the non-controlling interest measured at the proportionate interest in subsidiaries' equity as measured in the Group's consolidated financial statements.

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 80 and 81 of this annual report.

34. BUSINESS COMBINATION

On 1 January 2019, the Group acquired 80% interest in Novelty Lights, LLC (the "Novelty") through a non-wholly owned subsidiary, American Lighting, from an independent third party (the "Seller"). The acquisition of Novelty is to explore new sales channel for the Group's lighting products to e-commerce platform. Pursuant to the underlying sales and purchase agreement, the Group initially acquired 80% equity interest of Novelty at the date of completion. The consideration for the acquisition was US$13,400,000.

Moreover, the Group has an option to acquire and the Seller has an option to dispose the remaining 20% equity interest of Novelty at each of the anniversary for the coming two years (the "Call and Put Options"). If there is no exercise of the Call and Put Options during the coming two years, the Group is mandatory to acquire the remaining 20% equity interest of Novelty at the third anniversary. It is considered that the Call and Put Options have given to the Group the present ownership interest of the remaining 20% equity interest in Novelty and deemed that the 100% equity interests have been acquired at the completion date of the acquisition, i.e. 1 January 2019. Therefore, a contingent consideration payable has been recognised at the same date.

The fair values of the identifiable assets and liabilities of Novelty as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *RMB'000*
Property, plant and equipment	13	343
Right-of-use assets	15(a)	7,960
Cash and bank balances		15,140
Trade receivables		1,682
Inventories		24,736
Other receivables		69
Trade payables		(6,170)
Lease liabilities	15(b)	(7,960)
Other payables and accruals		(2,652)
Deferred tax liabilities	30	(357)
Total identifiable net assets at fair value		32,791
Non-controlling interests		(751)
		32,040
Goodwill on acquisition		87,278
		119,318
Satisfied by:		
Cash (US$13,400,000)		91,968
Contingent consideration payable		27,350
		119,318

34. BUSINESS COMBINATION (CONTINUED)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB1,682,000 and RMB69,000, respectively. All trade receivables and other receivables are expected to be collectible.

The directors of the Company consider the acquisition of Novelty as an effort to expand the distribution networks of lighting products in the northern region of America and the goodwill on acquisition mainly represents the expected incremental values and potential synergies for the expansion plans of the Group.

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Cash consideration	(91,968)
Deposit paid in prior year	82,428
Cash and bank balances acquired	15,140
Net inflow of cash and cash equivalents included in cash flows from investing activities	5,600

Since the acquisition, Novelty contributed RMB121,917,000 to the Group's revenue and RMB11,500,000 to the consolidated profit for the year ended 31 December 2019.

As part of the sales and purchase agreement, contingent consideration is payable, which is dependent on the amount of projected earnings before finance costs, tax, depreciation and amortisation ("Projected EBITDA") of Novelty subsequent to the acquisition. The initial amount recognised was RMB27,350,000 which was determined using the discounted cash flow model and is within Level 3 fair value measurement.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

34. BUSINESS COMBINATION (CONTINUED)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	2020 *RMB'000*	2019 *RMB'000*
Carrying amount at 1 January	**27,800**	27,350
Change in fair value	**(2,486)**	(23)
Exchange realignment	**(1,798)**	473
Carrying amount at 31 December	**23,516**	27,800

Significant unobservable valuation inputs for the fair value measurement of contingent consideration payable are as follows:

	31 December 2020	31 December 2019	At acquisition date
Weighted average Projected EBITDA	**US$2,490,000 to US$4,563,000**	US$2,490,000 to US$4,684,000	US$3,480,000 to US$4,626,000
Discount rate	**10.9%**	6.5%	6.8%

The increase (decrease) in the Projected EBITDA of Novelty would result in an increase (a decrease) in the fair value of the contingent consideration payable.

35. DISPOSAL OF SUBSIDIARIES

On 29 December 2020, the Group disposed entire equity interests in Jiangmen Tonghe Guangyuan Technology Limited and Jiangmen Tongxin Guangyuan Technology Limited, indirect wholly-owned subsidiaries, to Zhonghe Real Estate Development Company, an independent third party, at a consideration of approximately RMB392,961,000, which was subsequently fully received.

	RMB'000
Net assets disposed of:	
Investment properties	784,959
Cash and cash equivalents	20
Other receivables	10,519
Other payables	(402,956)
Deferred tax liabilities	(9,671)
	382,871
Gain on disposal of subsidiaries (note 5)	10,090
	392,961
Satisfied by:	
Cash	392,961

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration	392,961
Cash and cash equivalents disposed of	(20)
Consideration receivable as at year end	(275,073)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	117,868

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB26,369,000 (2019: Nil) and RMB26,369,000 (2019: Nil), respectively, in respect of lease arrangements for offices and warehouses.

(ii) During the year, the Group had non-cash transfer from financial assets at FVTPL to prepayments, other receivables and other assets of RMB50,794,000 in relation to the disposal of Convertible Bonds.

(iii) During the year ended 31 December 2019, the Group had non-cash addition to financial assets at FVTPL of RMB8,664,000 in respect of re-investment of dividend income.

(b) Changes in liabilities arising in financing activities

	Bank loans *RMB'000*	Loan from the ultimate holding company *RMB'000*	Lease liabilities *RMB'000*
As at 1 January 2019	227,323	350,000	17,821
Changes from financing cash flows	(88,003)	–	(15,291)
Addition as a result of acquisition of a subsidiary	–	–	7,960
Interest expenses	10,585	17,613	1,137
Interest paid	(10,585)	(13,907)	(1,137)
Foreign exchange movement	1,815	–	372
As at 31 December 2019 and 1 January 2020	141,135	353,706	10,862
Changes from financing cash flows	(46,116)	(110,000)	(15,281)
New leases	–	–	26,369
Interest expenses	6,854	17,553	857
Interest paid	(6,854)	(6,640)	(857)
Foreign exchange movement	(3,905)	–	(1,122)
As at 31 December 2020	91,114	254,619	20,828

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Within operating activities	857	1,395
Within financing activities	15,281	15,291
	16,138	16,686

37. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in note 28(b) to the consolidated financial statements.

38. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020 *RMB'000*	2019 *RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	–	9,921

39. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the year:

	2020 *RMB'000*	2019 *RMB'000*
Interest paid to the ultimate holding company	**17,553**	17,613

Note: The loan from Tsinghua Tongfang Co., Limited, the ultimate holding company, is unsecured and interest-bearing at 4.95% (2019: 4.95%) per annum and repayable in 2022.

(b) Compensation of key management personnel of the Group

The Company's directors represented the Group's key management personnel and their emoluments are included in note 8 to the consolidated financial statements.

(c) Loan from the ultimate holding company

At 31 December 2020, the loan from Tsinghua Tongfang Co., Limited with an amount of RMB254,619,000 (2019: RMB353,706,000) is unsecured, interest-bearing at 4.95% per annum and repayable in 2022.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

Financial assets

	Financial assets at FVTPL *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Trade and bills receivables	–	128,138	128,138
Loan receivables	–	159,579	159,579
Financial assets included in prepayments, other receivables and other assets	–	755,195	755,195
Financial assets at FVTPL	177,552	–	177,552
Cash held on behalf of clients	–	2,646	2,646
Cash and cash equivalents	–	408,485	408,485
	177,552	1,454,043	1,631,595

Financial liabilities

	Financial liabilities at FVTPL *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade payables	–	90,784	90,784
Financial liabilities included in other payables and accruals	–	53,971	53,971
Interest-bearing bank borrowings	–	91,114	91,114
Loan from the ultimate holding company	–	254,619	254,619
Lease liabilities	–	20,828	20,828
Contingent consideration payable	23,516	–	23,516
	23,516	511,316	534,832

40. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2019

Financial assets

	Financial assets at FVTPL *RMB'000*	Equity investments at FVTOCI *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Trade and bills receivables	–	–	97,409	97,409
Loan receivables	–	–	302,648	302,648
Financial assets included in prepayments, other receivables and other assets	–	–	37,756	37,756
Equity investments designated at FVTOCI	–	404	–	404
Financial assets at FVTPL	269,555	–	–	269,555
Cash held on behalf of clients	–	–	4,322	4,322
Cash and cash equivalents	–	–	256,938	256,938
	269,555	404	699,073	969,032

Financial liabilities

	Financial liabilities at FVTPL *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade payables	–	71,484	71,484
Financial liabilities included in other payables and accruals	–	49,499	49,499
Interest-bearing bank borrowings	–	141,135	141,135
Loan from the ultimate holding company	–	353,706	353,706
Lease liabilities	–	10,862	10,862
Contingent consideration payable	27,800	–	27,800
	27,800	626,686	654,486

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Equity investments designated at FVTOCI	**–**	404	**–**	404
Financial assets at FVTPL	**177,552**	269,555	**177,552**	269,555
	177,552	269,959	**177,552**	269,959
Financial liabilities				
Interest-bearing bank borrowings	**91,114**	141,135	**91,456**	144,676
Loan from the ultimate holding company	**254,619**	353,706	**255,108**	384,840
Contingent consideration payable	**23,516**	27,800	**23,516**	27,800
	369,249	522,641	**370,080**	557,316

Management has assessed that the fair values of cash and cash equivalents, cash held on behalf of clients, trade and bills receivables, loan receivables, trade payables, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments, except for bank loans and a loan from the ultimate holding company which is repayable in 2022.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. Management reports directly to the executive directors and the audit committee. At each reporting date, the finance department of each segment analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings and loan from the ultimate holding company have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted investments, which were classified as financial assets at FVTPL, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before finance cost, taxes, depreciation and amortisation ("EBITDA") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors of the Company believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in consolidated statement of profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the rest of the financial assets at FVTPL, their fair values are derived from the net asset value per share of the investments or latest transaction prices. The directors of the Company believe that the estimated fair values which are recorded in the consolidated statement of financial position with net changes in fair value recognised in the statement of profit or loss in the years ended 31 December 2020 and 2019 are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair values of other financial assets and financial liabilities carried at amortised cost approximate to their carrying amounts.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020 and 2019:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Unlisted investments	Valuation multiple	EV/EBITDA multiple of peers	2020: 13.6 (2019: 13.7)	3.7% (2019: 3.6%) increase/ decrease in the multiple would result in increase/ decrease in fair value by RMB13,115,000 (2019: RMB10,507,000)

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial assets at FVTPL	40,450	2,803	134,299	177,552

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Equity investments designated at FVTOCI	–	–	404	404
Financial assets at FVTPL	60,589	43,130	165,836	269,555
	60,589	43,130	166,240	269,959

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2020 RMB'000	2019 RMB'000
Financial assets at FVTPL – unlisted:		
At 1 January	165,836	204,693
Total gains/(losses) recognised in the statement of profit or loss included in other income, gains and losses, net	20,841	(28,969)
Disposals	–	(10,399)
Reclassification	(50,794)	–
Exchange realignment	(1,584)	511
At 31 December	134,299	165,836

	2020 RMB'000	2019 RMB'000
Equity investments designated at FVTOCI:		
At 1 January	404	1,224
Disposals	–	(600)
Total losses recognised in the statement of other comprehensive income	(404)	(220)
At 31 December	–	404

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Contingent consideration payable	–	–	23,516	23,516

As at 31 December 2020, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank borrowings and a loan from the ultimate holding company with fair values of RMB91,456,000 (2019: RMB144,676,000) and RMB255,108,000 (2019: RMB384,840,000), respectively. Except for the loan from the ultimate holding company, which was classified as level 3, the other interest-bearing bank borrowings were classified as level 2.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, a loan from the ultimate holding company, loan receivables, cash and cash equivalents and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as financial assets at FVTPL, equity investments designated at FVTOCI, trade and bills receivables, other receivables, trade payables and other payables.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and bank balances and debt obligations with a floating interest rate.

The interest rates and terms of repayment of interest-bearing bank borrowings are disclosed in note 28 to the consolidated financial statements. Other financial assets and liabilities of the Group do not have material interest rate risk. Interest-bearing bank borrowings, a loan from the ultimate holding company and cash and bank balances are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expenses are credited or charged to the statement of profit or loss as incurred.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's (loss)/profit before tax (through the impact on interest-bearing bank borrowings, a loan from the ultimate holding company and cash and cash equivalents) and Group's equity.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax** *RMB'000*	**Increase/ (decrease) in equity*** *RMB'000*
31 December 2020			
RMB	**100**	**2,416**	**–**
RMB	**(100)**	**(2,416)**	**–**
US$	**100**	**(2,025)**	**–**
US$	**(100)**	**2,025**	**–**

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity* *RMB'000*
31 December 2019			
RMB	100	(3,909)	–
RMB	(100)	3,909	–
US$	100	1,052	–
US$	(100)	(1,052)	–

* Excluding accumulated losses

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 18% (2019: 20%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, while approximately 18% (2019: 20%) of cost were denominated in the units' functional currencies. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in RMB exchange rates against US$ and HK$, with all other variables held constant, of the Group's (loss)/profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in loss before tax *RMB'000*
31 December 2020		
If RMB weakens against US$	**5**	**(9,579)**
If RMB strengthens against US$	**(5)**	**9,579**
If RMB weakens against HK$	**5**	**(17,345)**
If RMB strengthens against HK$	**(5)**	**17,345**

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax *RMB'000*
31 December 2019		
If RMB weakens against US$	5	9,536
If RMB strengthens against US$	(5)	(9,536)
If RMB weakens against HK$	5	12,774
If RMB strengthens against HK$	(5)	(12,774)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are closely monitored on an ongoing basis to minimise the Group's exposure to bad debts.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade and bills receivables*	642	–	–	133,921	134,563
Financial assets included in prepayments, other receivables and other assets					
– Normal**	685,737	77,962	–	–	763,699
Cash held on behalf of securities clients					
– Not yet past due	2,646	–	–	–	2,646
Cash and cash equivalents					
– Not yet past due	408,485	–	–	–	408,485
Loan receivables					
– More than 3 months past due	–	–	160,206	–	160,206
	1,097,510	77,962	160,206	133,921	1,469,599

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade and bills receivables*	968	–	–	100,742	101,710
Financial assets included in prepayments, other receivables and other assets					
– Normal**	35,086	–	–	–	35,086
– Doubtful**	–	3,280	229	–	3,509
Cash held on behalf of securities clients					
– Not yet past due	4,322	–	–	–	4,322
Cash and cash equivalents					
– Not yet past due	256,938	–	–	–	256,938
Loan receivables					
– Not yet past due	230,871	–	–	–	230,871
– Less than 1 month past due	–	72,244	–	–	72,244
	528,185	75,524	229	100,742	704,680

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered as "normal" when they are not past due and there is no information indicating that the financial assets have significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered as "doubtful".

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of long term bank loans and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2020

	On demand *RMB'000*	**No later than 1 year** *RMB'000*	**1 to 5 years** *RMB'000*	**Total** *RMB'000*
Trade payables	**2,646**	**88,138**	**–**	**90,784**
Other payables and accruals	**53,971**	**–**	**–**	**53,971**
Interest-bearing bank borrowings	**–**	**80,966**	**11,017**	**91,983**
Loan from the ultimate holding company	**–**	**–**	**267,395**	**267,395**
Lease liabilities	**–**	**8,299**	**14,139**	**22,438**
Contingent consideration payable	**23,516**	**–**	**–**	**23,516**
	80,133	**177,403**	**292,551**	**550,087**

31 December 2019

	On demand *RMB'000*	No later than 1 year *RMB'000*	1 to 5 years *RMB'000*	Total *RMB'000*
Trade payables	4,323	67,161	–	71,484
Other payables and accruals	49,499	–	–	49,499
Interest-bearing bank borrowings	–	144,676	–	144,676
Loan from the ultimate holding company	–	–	384,840	384,840
Lease liabilities	–	11,282	909	12,191
Contingent consideration payable	27,800	–	–	27,800
	81,622	223,119	385,749	690,490

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in financial assets at FVTPL (note 23) as at 31 December 2020. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	31 December 2020	**High/low 2020**	31 December 2019	High/low 2019
Hong Kong – Hang Seng Index	**27,231**	**29,056/21,696**	28,190	30,157/25,064

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period, of the Group's (loss)/profit before tax and equity.

	Carrying amount of equity investments ***RMB'000***	**Increase/ (decrease) in loss before tax** ***RMB'000***	**Increase/ (decrease) in equity*** ***RMB'000***
31 December 2020			
Investments listed in:			
Hong Kong – Financial assets at FVTPL	**40,451**	**(4,045)/4,045**	**–**

	Carrying amount of equity investments *RMB'000*	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity* *RMB'000*
31 December 2019			
Investments listed in:			
Hong Kong – Financial assets at FVTPL	60,589	6,059/(6,059)	–

* Excluding accumulated losses

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt represents interest-bearing bank borrowings, a loan from the ultimate holding company and lease liabilities. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Total debt	**366,561**	505,703
Total equity	**1,661,277**	1,731,679
Gearing ratio	**22.1%**	29.2%

43. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and re-presented to conform to the current year's presentation.

44. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY

	2020 *RMB'000*	2019 *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	585	936
Investments in subsidiaries	1,408,748	1,507,484
Total non-current assets	1,409,333	1,508,420
CURRENT ASSETS		
Prepayments, other receivables and other assets	3	3
Cash and cash equivalents	2,920	3,872
Total current assets	2,923	3,875
CURRENT LIABILITIES		
Other payables and accruals	3,463	2,996
NET CURRENT (LIABILITIES)/ASSETS	(540)	879
NET ASSETS	1,408,793	1,509,299
EQUITY		
Issued capital	185,676	185,676
Reserves (Note)	1,223,117	1,323,623
Total equity	1,408,793	1,509,299

44. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Treasury shares RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Special reserve RMB'000	Share compensation reserve RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	–	2,415,147	2,146	55,238	50,024	4,298	(370,904)	(8,220)	(853,405)	1,294,324
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	33,032	–	(3,714)	29,318
Share repurchase	(19)	–	–	–	–	–	–	–	–	(19)
At 31 December 2019 and 1 January 2020	(19)	2,415,147	2,146	55,238	50,024	4,298	(337,872)	(8,220)	(857,119)	1,323,623
Total comprehensive loss for the year	-	-	-	-	-	-	(90,922)	-	(9,584)	(100,506)
Transfer of share option reserve upon forfeiture or expiry of share options	-	-	-	-	-	(4,298)	-	-	4,298	-
At 31 December 2020	(19)	2,415,147	2,146	55,238	50,024	-	(428,794)	(8,220)	(862,405)	1,223,117

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2021.

SCHEDULE OF PRINCIPAL PROPERTIES

PARTICULARS OF PROPERTIES

INVESTMENT PROPERTIES

31 December 2020

Location	Use	Tenure	Attributable interest of the Group
Units A93b, B20h, B37, B113b, D38, E123a, E125 and E127 on Basement 1, Zhenjia Plaza, No. 228 Tianhe Road, Tianhe District, Guangzhou City, Guangdong Province, The PRC	Commercial	Medium term lease	100%
Unit 2301-2311, The Regal Tower, Business Bay, Dubai	Commercial	Long term lease	100%
10 factory buildings situated at Gia Le Huyen, Dong Hung, Tinh Thai Binh Province, Vietnam	Industrial	Long term lease	100%
An industrial complex located at Gonghe Town, Heshan City, Guangdong Province, The PRC	Industrial	Long term lease	100%

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statement and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
REVENUE	**876,738**	841,349	693,698	665,724	611,243
Cost of sales	**(594,592)**	(557,591)	(489,568)	(457,634)	(422,713)
Gross profit	**282,146**	283,758	204,130	208,090	188,530
Other income, gains and losses, net	**(701)**	86,881	222,335	141,232	39,125
Selling and distribution expenses	**(168,875)**	(161,396)	(111,937)	(90,146)	(97,396)
Administrative expenses	**(154,121)**	(172,979)	(154,280)	(128,199)	(107,583)
Finance costs	**(25,264)**	(29,335)	(14,874)	(4,658)	(3,873)
PROFIT/(LOSS) BEFORE TAX	**(66,815)**	6,929	145,374	126,319	18,803
Income tax (expense)/credit	**39,377**	(29,458)	563	(5,838)	(7,061)
PROFIT/(LOSS) FOR THE YEAR	**(27,438)**	(22,529)	145,937	120,481	11,742

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS	**2,239,265**	2,494,749	2,517,925	1,752,843	1,521,442
TOTAL LIABILITIES	**(577,988)**	(763,070)	(811,125)	(319,044)	(311,491)
NON-CONTROLLING INTERESTS	**(5,359)**	(4,222)	(2,982)	(3,964)	(781)
	1,655,918	1,727,457	1,703,818	1,429,835	1,209,170

DEFINITIONS

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

"2006 Share Option Scheme"	the share option scheme of the Company adopted by resolutions of the Shareholders on 20 November 2006
"2016 Share Option Scheme"	the share option scheme on 13 May 2016 adopted by the Shareholders at the Shareholders' meeting
"AGM"	the annual general meeting of the Company to be convened and held at 15 Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong on 25 June 2021, or where the context so admits, any adjournment thereof
"American Lighting"	means American Lighting, Inc., a Delaware corporation and an indirectly non-wholly-owned subsidiary of the Company
"Articles of Association" or "Articles"	the articles of association of the Company adopted by the written resolution of the Shareholders 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 this report, 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

DEFINITIONS

“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
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“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
“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)
“Subsidiary Share Incentive Plan”	means American Lighting’s share incentive plan adopted by the Shareholders on 2 April 2015
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

"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.