

Neo-Neon[®]

NEO-NEON HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1868.HK; 911868.TDR

NEO-NEON was found in 1978



 **清华同方**
TSINGHUA TONGFANG

Neo-Neon[®]

2014 INTERIM REPORT

Professional LED product research,
development and production.

LEDs Light It

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CORPORATE INFORMATION

Board of Directors

Executive Directors	Mr. LU Zhi Cheng (<i>Chairman</i>) Mr. Ben FAN Mr. WANG Liang Hai Mr. SEAH Han Leong Mr. PAN Jin
Non-Executive Director	Mr. LIU Wei Dong
Independent Non-Executive Directors	Mr. FAN Ren Da Anthony Mr. LIU Tian Min Ms. LI Ming Qi
Company Secretary	Mr. CHAN Cheung
Authorised Representatives	Mr. SEAH Han Leong Mr. CHAN Cheung
Audit Committee	Ms. LI Ming Qi (<i>Chairman</i>) Mr. FAN Ren Da Anthony Mr. LIU Tian Min
Remuneration Committee	Mr. LIU Tian Min (<i>Chairman</i>) Mr. LU Zhi Cheng Mr. FAN Ren Da Anthony Ms. LI Ming Qi
Nomination Committee	Mr. LU Zhi Cheng (<i>Chairman</i>) Mr. FAN Ren Da Anthony Mr. LIU Tian Min Ms. LI Ming Qi
Regulatory Compliance Committee	Mr. FAN Ren Da Anthony (<i>Chairman</i>) Mr. PAN Jin Mr. LIU Tian Min Ms. LI Ming Qi

CORPORATE INFORMATION *(Continued)*

<i>Principal Share Registrar</i>	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
<i>Hong Kong Branch Share Registrar</i>	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
<i>Auditor</i>	KPMG
<i>Principal Bankers</i>	Bank of China Limited HeShan Branch China Construction Bank Corporation HeShan Branch Taishin International Bank
<i>Lawyers</i>	Minter Ellison Lawyers Level 25, One Pacific Place 88 Queensway Hong Kong
<i>Registered Office</i>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<i>Principal Place of Business in Hong Kong</i>	Block B, 12/F. Eldex Industrial Building 21 Ma Tau Wai Road Hung Hom, Kowloon Hong Kong
<i>Company Website</i>	www.neo-neon.com
<i>Stock Code</i>	1868

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

During the six months ended 30th September, 2014 (the “Review Period”), Neo-Neon Holdings Limited (the “Company”) and its subsidiaries (the “Group”) has recorded a turnover of approximately HK\$509.5 million, representing a decrease of 5.7% as compared to approximately HK\$540.6 million in the corresponding period in September 2013, which was basically stable.

Cost of Goods Sold

The Group’s costs of goods sold were HK\$522.6 million, representing a decrease of 18.1% as compared to HK\$638.4 million in the corresponding period in September 2013.

Gross Loss and Gross Loss Margin

The Group experienced a turnaround from gross loss and gross loss margin of HK\$97.8 million (gross loss margin 18.1%) in September 2013 to gross loss and gross loss margin of HK\$13.0 million (gross loss margin 2.6%). The reduce is mainly because of (i) impairment provision for inventory of HK\$73.1 million (September 2013: HK\$142.5 million), a decrease of HK\$69.4 million or 48.7%; (ii) depreciation cost of HK\$22.9 million (September 2013: HK\$32.7 million), a decrease of HK\$9.8 million or 30.0%; (iii) other cost of goods sold was affected by the decrease in the average price of bulk purchase of material, reflected by 3 to 7 percentage points drop in the average price of bulk purchase of material in September 2014 as compared to September 2013. During the period, excluding net impairment losses of inventory, the actual cost of goods sold was HK\$449.4 million as compared to HK\$495.9 million in the corresponding period of 2013. During the Review Period, the gross profit margin of the Group (excluding impairment losses of inventory) increased by 3.5 percentage points (for details, please refer to note 6).

Other Income

Other income was HK\$8.4 million during the Review Period (September 2013: HK\$5.1 million) representing an increase of HK\$3.3 million or 64.7%, mainly due to the increase of rental income.

Other Gains and Losses

Other gains and losses showed a gain of HK\$17.3 million during the six months ended 30th September, 2014 (September 2013: HK\$72.3 million). The gain was mainly due to net income of HK\$66.4 million from disposal of plant and land of Heshan Lide advertising lights factory during the period, as compared to the income from disposal of fixed assets during the same period of last year, which referred to the gain on disposal of its Hong Kong office and exhibition hall on ground floor and basement Level 1 located at New East Ocean Centre, No. 9 Science Museum Road, Tsim Sha Tsui East, Hong Kong amounting to HK\$110.7 million. The ultimate beneficial owners of the purchaser are independent unrelated parties.

FINANCIAL REVIEW *(Continued)*

Administrative, Distribution and Selling Expenses

For the six months ended 30th September, 2014, the Group's administrative, distribution and selling expenses were HK\$142.6 million, an increase of HK\$27.2 million or 23.6% from HK\$115.4 million in September 2013. The increase was mainly attributable to: (i) increase in salaries of HK\$20.5 million or 49.2%; (ii) increase in promotion expenses of HK\$4.6 million or 196.2%; and (iii) increase in professional service fees of HK\$3.0 million or 32.3%.

Finance Costs

The finance costs of the Group for the six months ended 30th September, 2014 were HK\$5.7 million, a decrease of 26.9% from HK\$7.8 million in September 2013.

Net Loss

For the six months ended 30th September, 2014, the Group's net loss was HK\$200.1 million, an increase of HK\$49.6 million or 33.0% compared with the Group's net loss of HK\$150.5 million in September 2013. The net loss margin for the period was 39.3% compared with net loss margin of 27.8% in September 2013. The reasons could be analysed from two main perspectives:

Earnings: i) a decrease in gross loss of HK\$84.8 million; ii) a decrease in income from disposal of fixed assets of HK\$44.4 million or 40.0%, net effect of which was a decrease of HK\$40.4 million in loss;

Expenses: i) an increase in impairment of fixed assets of HK\$41.2 million; ii) an increase in investment losses of HK\$10.1 million; iii) an increase in other expenditure, administrative, distribution and selling expenses of HK\$33.8 million resulted from an increase in current litigation, staff cost and other expenses, net effect of which was an increase of HK\$85.1 million in loss;

Net effect of these two integrated factors lead to an increase in net loss.

Financial Resources and Liquidity

The Group maintained a stable financial position. As at 30th September, 2014, the Group had bank balances and cash of HK\$974.0 million (31st March, 2014: HK\$113.4 million) and short-term bank loans of HK\$212.0 million (31st March, 2014: HK\$221.7 million). All short-term bank loans were denominated in Hong Kong dollars and at prevailing market interest. The liabilities-to-equity ratio representing the ratio of short-term bank loans to total equity of the Group was 14.3% as at 30th September, 2014 (31st March, 2014: 28.0%).

FINANCIAL REVIEW *(Continued)*

Assets and Liabilities

As of 30th September, 2014, the Group's total assets were HK\$2,081.5 million, an increase of HK\$768.5 million or 58.5% compared with HK\$1,313.0 million as of 31st March, 2014. The Group's total liabilities as of 30th September, 2014 were HK\$596.6 million, increased by 14.4% from HK\$521.6 million as of 31st March, 2014.

The Group's shareholders' equity as of 30th September, 2014 was HK\$1,480.9 million, representing an increase of 88.7% when compared with HK\$784.7 million as of 31st March, 2014.

Taxation

Taxation of the Group for the six months ended 30th September, 2014 was HK\$0.11 million (September 2013: HK\$0.203 million).

Foreign Exchange Risk

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

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

During the Review Period, there were no significant changes in capital commitments and contingent liabilities.

MARKET OVERVIEW

During the Review Period, LED lighting market continued to grow, and with incessant falling price in LED lighting products, and further development of the industry integration, a number of small and medium enterprises entered bankruptcy and certain competitive enterprises continuously improved, leading to the emergence of the industry leader.

BUSINESS REVIEW

In the first half of 2014, the US economy saw gradual recovery driven by the continuous growth in the property and individual consumption markets. However, the economic depression in Europe became more profound, whereas emerging economies such as China experienced a significant slowdown in domestic demand.

During the Review Period, the Group proactively made adjustment and improvement to its business operation in order to cope with the changing market. In addition, to improve its profitability, the Group strengthened its control over production cost and enhanced the effectiveness in management.

The sales revenue of the Group amounted to HK\$509.5 million, representing a decrease of 5.7% over the same period of last year, whereas the gross loss margin decreased to 2.6% from 18.1%. Also, the Group made impairment provision for inventory of HK\$73.1 million (September 2013: HK\$142.5 million) for items that was identified as obsolete, slow-moving and for inventories with net realizable values lower than their carrying amounts taking into account of market demands and the estimated selling prices and an aging analysis as 50% provision of more than 180 days and full provision of more than one year under the accounting policies for inventories provision.

Sales and Distribution

During the Review Period, the Group recorded total sales of HK\$509.5 million, representing a decrease of 5.7% over the same period of last year. The Group maintained a sales team of over 100 staff members. Its sales network covers a lot of countries and regions including mainland China, Hong Kong, Taiwan, Korea, Japan, Europe and the Americas. The Group puts much effort in distribution and marketing, improves and expands the sales channel of general LED lighting products.

BUSINESS REVIEW *(Continued)*

Research and Development

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.

Trade Receivable Management

As at 30th September, 2014, the Group's receivables were HK\$378.8 million (31st March, 2014: HK\$272.2 million), representing an increase of HK\$106.6 million, in which the amount of receivables due within 0-60 days increased by HK\$72.1 million. The increase was mainly due to the peak season of delivery of seasonal decorative lighting products at the end of September each year. During the period, trade receivables and bills receivables amounted to HK\$334.2 million, representing a decrease of HK\$28.0 million or 7.7% as compared to HK\$362.2 million in September 2013. 50% provision for bad debt was made with respect to receivables overdue for more than 180 days and full provision for bad debt was made with respect to receivables overdue for more than one year under the accounting policies for bad debts provision.

Inventory Management

During the Review Period, the Group's inventory balances decreased by approximately 34.3% to HK\$228.9 million from HK\$348.6 million as at 31st March, 2014. In September 2014, the Group made provision for inventories of HK\$73.1 million (September 2013: HK\$142.5 million) and for inventories with net realizable values lower than their carrying amounts taking into account of market demands and the estimated selling prices and an aging analysis as 50% provision of more than 180 days and full provision of more than one year under the accounting policies for inventories provision, due to lower than expected demand for our products, resulting lower valuations of inventory.

Employees and Remuneration Policy

As at 30th September, 2014, the Group's total number of employees was approximately 3,900 (31st March, 2014: 3,400). The basic remunerations of the employees are determined with reference to the industry remuneration benchmark, the employees' experience and their performance. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits required by laws, the Group provides discretionary bonus based upon the Group's results and the individual performance of the staff.

BUSINESS REVIEW *(Continued)*

Employees and Remuneration Policy *(Continued)*

Attracting and retaining top management and executive talent is the key for sustaining Neo-Neon's future growth. The Group's existing performance-based incentive scheme and employee share option scheme are helping to achieve this goal. These schemes will also improve overall management quality and business professionalism through on-the-job as well as formal training programmes. This will help develop team spirit and reinforce a sense of unity and belonging between management and staff. The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees. Most members of senior management have been working for the Group for more than 10 years.

Future Plans and Prospects

The gross proceeds from increase in the share capital of the Company amount to HK\$900 million: (i) 35% of the net proceeds is to be used for taking up potential investment/acquisition opportunities (including the relevant addition of products and technologies, strategic acquisition and alliance) in the future; (ii) 10% of the net proceeds is to be used for improving the R&D capability of the Group; (iii) 15% of the net proceeds is to be used for expanding the Group's business in overseas markets (especially the European and U.S. markets); (iv) 10% of the net proceeds is to be used for enhancing sales and marketing efforts of the Group in the Chinese market; (v) 15% of the net proceeds is to be used for improving the production capacity of the Group; and (vi) 15% of the net proceeds is to be used as the additional working capital of the Group. We believe that these will eventually help achieve our growth objective of promoting LED lighting as an energy-saving lighting solution in the future.

We continued to activate the assets, improve the return rate of asset, and seek for investment opportunities. We will efficiently reallocate its resources to create a rational organisation structure and achieve strategic growth by becoming more cost-effective, simplified in structure, effective in performance management and better-positioned to implement employee-oriented long-term incentive schemes.

BUSINESS REVIEW *(Continued)*

Disciplinary Hearing Result

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

Tsinghua Tongfang’s Investment in Neo-neon Created “Win-Win” Era

Tsinghua Tongfang Co., Ltd. (“Tsinghua Tongfang”) is a renowned high-tech enterprise in the People’s Republic of China (the “PRC”), which possesses the capabilities to manufacture upstream LED chips and wafers. Furthermore, Tsinghua Tongfang has strong technical know-how and global sales network in the related applications industries such as multimedia television industry, computer industry, intelligent building industry and energy saving industry. By leveraging on the strong technical know-how and global sales network of Tsinghua Tongfang in the abovementioned areas, it is believed that the introduction of Tsinghua Tongfang as a strategic investor of the Group can support the rapid development and expansion of the Group’s business. Besides, the implementation of the standard management system adopted by Tsinghua Tongfang can enhance the corporate governance of the Group and create more room for the Group to diversify its business structure in the future.

Combined with the advantages of Tsinghua Tongfang in channels and lights in the energy conservation of city, industry and construction, we introduced these solutions of integrated energy saving, intelligent building, smart home furnishing, and intelligent environment. At present, the LED smart lighting system of Tsinghua Tongfang can adjust the lightness wirelessly, and can choose different colors according to the degree of the temperatures. The intelligent lighting will definitely bring new opportunities for LED lighting. Electronically adjusted colors of LED lighting have met the aspirations of young people. For example, the LED lamp can be adjusted with different colors at the user’s wish, when installed on the faucet, the water temperature changes can be displayed with different light color, which allows the user intuitively feel the water temperature.

BUSINESS REVIEW *(Continued)*

Tsinghua Tongfang's Investment in Neo-neon Created "Win-Win" Era *(Continued)*

By leveraging the brand effect of Tsinghua Tongfang and our own powerful products, and improving our internal management through adjustment, we have adjusted the industrial chain layout by grasping the foremost and abandoning the secondary, and produced more marketable and competitive products, thus "turning into profitability" is just a matter of time. While Tsinghua Tongfang will also benefit from Neo-Neon: its reputation in the field of lighting at home and abroad, more than 1,000 authorized patents, and brand name of NEONEON in lighting industry, as well as its perfect sales channels, which can also facilitate Tsinghua Tongfang a prosperous future in LED lighting industry. Tsinghua Tongfang's complementarily joining Neo-Neon with alliances will definitely create a "win-win" partnership.

INTERIM DIVIDEND

No dividend will be paid for the six months period from 1st April to 30th September, 2014 (September 2013: Nil).

Events After the Reporting Period

On 29th October, 2014 (after trading hours), Heshan Lide Electronic Enterprise Limited ("Heshan Lide", as principal), a wholly-owned subsidiary of the Company, entered into an overseas assets management plan contract (the "Contract") with China Asset Management Co., Ltd. ("China AMC", as asset manager) and China Construction Bank Corporation ("CCBC", as asset custodian), pursuant to which Heshan Lide has agreed to participate in the overseas assets management plan operated by China AMC (the "Plan") by depositing the investment amount of RMB105.5 million (equivalent to approximately HK\$133.6 million) (the "Investment Amount") in a designated account maintained with CCBC. Pursuant to the Plan, the Investment Amount is proposed to be invested principally in equity interest and equity-linked structured products of Sinopec Marketing Co., Ltd. and bonds (including convertible bonds), funds, money market instruments, derivatives commodities and other financial instruments as permitted by the applicable securities laws and the requirements of the China Securities Regulatory Commission. As all of the applicable percentage ratios in respect of the Contract were more than 5% but less than 25%, the Contract and the transactions contemplated thereunder constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules. Therefore, on 29th October, 2014, the Company announced a discloseable transaction on entering into the Contract.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules of the Stock Exchange were as follows:

Long positions in shares of the Company

Name of Director	Number of ordinary shares held				Total	Percentage of total issued share capital of the Company as at 30th September, 2014
	Personal interests ⁽¹⁾	Family interests	Corporate interests	Other interests		
Ben FAN ⁽²⁾	600,000	26,366,000	336,400,000	–	363,366,000	18.74%

Notes:

- (1) This represents interests held by the relevant Director as beneficial owner.
- (2) Mr. Ben FAN was taken to be interested in the aggregate of 363,366,000 shares of the Company, of which 600,000 shares were held by Mr. Ben FAN, 10,668,000 shares were held by Ms. Michelle WONG, who is the spouse of Mr. Ben FAN; 336,400,000 shares were held by Rightmass Agents Limited ("Rightmass"), which is wholly-owned by Mr. Ben FAN; and 15,698,000 shares were held by Charm Light International Limited ("Charm Light"), which is owned as to 35% by Ms. Michelle WONG, 35% by Mr. FAN Pong Yang and 30% by eight other individuals, who have no relationship with Mr. Ben FAN and Ms. Michelle WONG.
 - (a) 336,400,000 shares of the Company were held by Rightmass which was wholly-owned by Mr. Ben FAN. Thus, Mr. Ben FAN was taken to be interested in 336,400,000 shares of the Company;
 - (b) 15,698,000 shares of the Company were held by Charm Light which was owned as to 35% by Ms. Michelle WONG. Thus, Ms. Michelle WONG was taken to be interested in 15,698,000 shares of the Company;
 - (c) Ms. Michelle WONG is the spouse of Mr. Ben FAN. By virtue of the SFO, Ms. Michelle WONG was deemed to be interested in 600,000 shares of the Company held by Mr. Ben FAN and 336,400,000 shares of the Company held by Rightmass; and
 - (d) Mr. Ben FAN is the spouse of Ms. Michelle WONG. By virtue of the SFO, Mr. Ben FAN was deemed to be interested in 10,668,000 shares of the Company held by Ms. Michelle WONG and 15,698,000 share of the Company held by Charm Light.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Long positions in shares of the Company *(Continued)*

Save as mentioned above, as at 30th September, 2014, none of the Directors and chief executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been entered in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30th September, 2014, the interests and short positions of those persons (other than the Directors and chief executives) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in shares of the Company

Name	Capacity in which shares were held	Number of ordinary shares held	Percentage of total issued share capital of the Company as at 30th September, 2014
THTF Energy-Saving Holdings Limited ("THTF ES") ⁽¹⁾	Beneficial owner	1,000,692,690	51.60%
Resuccess Investments Limited ("Resuccess") ⁽¹⁾	Interest of controlled corporation	1,000,692,690	51.60%
Tsinghua Tongfang ⁽¹⁾	Interest of controlled corporation	1,000,692,690	51.60%
Ms. Michelle WONG ⁽²⁾	Beneficial owner	10,668,000	0.55%
	Interest of spouse	337,000,000	17.38%
	Interest of controlled corporation	15,698,000	0.81%
Rightmass ⁽³⁾	Beneficial owner	336,400,000	17.35%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY *(Continued)*

Long positions in shares of the Company *(Continued)*

Notes:

- (1) THTF ES was wholly-owned by Resuccess. The entire issued share capital of Resuccess was wholly-owned by Tsinghua Tongfang. Each of Resuccess and Tsinghua Tongfang was deemed to be interested in 1,000,692,690 shares of the Company under the SFO.
- (2) Ms. Michelle WONG was taken to be interested in the aggregate of 363,366,000 shares of the Company, of which 600,000 shares were held by Mr. Ben FAN, 10,668,000 shares were held by Ms. Michelle WONG, who is the spouse of Mr. Ben FAN; 336,400,000 shares were held by Rightmass, which is wholly-owned by Mr. Ben FAN; and 15,698,000 shares were held by Charm Light, which is owned as to 35% by Ms. Michelle WONG, 35% by Mr. FAN Pong Yang and 30% by eight other individuals, who have no relationship with Mr. Ben FAN and Ms. Michelle WONG.
 - (a) 336,400,000 shares of the Company were held by Rightmass which was wholly-owned by Mr. Ben FAN. Thus, Mr. Ben FAN was taken to be interested in 336,400,000 shares of the Company;
 - (b) 15,698,000 shares of the Company were held by Charm Light which was owned as to 35% by Ms. Michelle WONG. Thus, Ms. Michelle WONG was taken to be interested in 15,698,000 shares of the Company; and
 - (c) Ms. Michelle WONG is the spouse of Mr. Ben FAN. By virtue of the SFO, Ms. Michelle WONG was deemed to be interested in 600,000 shares of the Company held by Mr. Ben FAN and 336,400,000 shares of the Company held by Rightmass.
- (3) The interests in ordinary shares held by Rightmass were included in the interests of Mr. Ben FAN and Ms. Michelle WONG as disclosed above and under the section headed "Directors and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures".

Save as mentioned above, as at 30th September, 2014, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been entered in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme was adopted by the Company pursuant to the shareholders' resolutions passed on 20th November, 2006 (the "Scheme") for the primary purpose of providing incentives to Directors and eligible employees. The Scheme became effective on 15th December, 2006 and the options granted pursuant to the Scheme will expire no later than 10 years from the date of grant of the options. Under the Scheme, the board of Directors (the "Board") may grant options to any employees of the Company or any of its subsidiaries to subscribe for shares of the Company.

The maximum number of shares in respect of which options may be granted under the Scheme as refreshed was 94,244,069 shares (the "Refreshed Scheme Mandate Limit"). The Refreshed Scheme Mandate Limit was approved by shareholders of the Company on 10th August, 2012 by an ordinary resolution. The listing approval in respect of the shares which may be issued on exercise of the options under the Scheme was granted by the Listing Committee of the Stock Exchange on 5th September, 2012.

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

SHARE OPTION SCHEME (Continued)

The option period is 8 years whereas the vesting period is 5 years. Details of movements of the share options during the six months ended 30th September, 2014 are as below:

Type of participants	Date of grant	Exercisable period ⁽¹⁾	Exercise price per share (HK\$)	Number of share options		
				Outstanding at 1st April, 2014	Lapsed/ Cancelled during the period	Outstanding at 30th September, 2014
Directors						
Mr. WONG Kon Man	14.12.2012	14.12.2012 – 13.12.2016	1.99	100,000	(100,000)	–
Ms. LIU Sheng Ping	14.12.2012	14.12.2012 – 13.12.2016	1.99	100,000	(100,000)	–
Mr. WENG Shih Yuan	14.12.2012	14.12.2012 – 13.12.2016	1.99	100,000	(100,000)	–
	22.01.2010	22.01.2010 – 21.01.2018	6.75	200,000	(200,000)	–
Mr. FAN Pong Yang	22.01.2010	22.01.2010 – 21.01.2018	6.75	760,000	(760,000)	–
Employees						
In aggregate	15.02.2007	15.02.2007 – 14.02.2015	8.72	5,970,000	(5,970,000)	–
	01.02.2008	01.02.2008 – 31.01.2016	5.03	1,521,500	(1,521,500)	–
	29.02.2008	29.02.2008 – 28.02.2016	5.90	1,417,500	(1,417,500)	–
	13.07.2009	13.07.2009 – 12.07.2017	2.19	7,910,000	(7,910,000)	–
	22.01.2010	22.01.2010 – 21.01.2018	6.75	7,145,000	(7,145,000)	–
	23.07.2010	23.07.2010 – 22.07.2018	4.51	1,050,000	(1,050,000)	–
	19.08.2011	19.08.2011 – 18.08.2015	1.95	10,690,000	(10,690,000)	–
	14.12.2012	14.12.2012 – 13.12.2016	1.99	10,473,000	(10,473,000)	–
				47,437,000	(47,437,000)	–

SHARE OPTION SCHEME *(Continued)*

The response document of the offer announced on 8th September, 2014 declared that the rights to exercise options were terminated with immediate effect after the latest time and date for acceptance of the share offers, being 4:00 p.m. on 22nd September, 2014, as set out in the offer document.

The option-based equity reserve derecognised will be transferred directly to retained earnings by the Group.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a high standard of corporate governance in the best interests of shareholders. The corporate governance principles adopted by the Company emphasise a highly efficient board of directors, sound internal control and the transparency and accountability to all shareholders.

The Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules stipulates the principles of good corporate governance and two levels of recommendations: (1) Code Provisions; and (2) Recommended Best Practices. Throughout the Review Period, the Company has been in full compliance with all the Code Provisions and certain Recommended Best Practices as set out in the CG Code except for Code Provision A.2.1.

Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by same individual. During the period from 1st April, 2014 to 24th August, 2014, Mr. Ben FAN continuously took the role of the Chairman of the Board and the chief executive officer (“CEO”) of the Company because Mr. Ben FAN has the vision on the LED industry, technology and market development which is necessary for the Group to maximise the edge solutions for the upstream, middle steam and downstream industrial chain integration from LED wafers & chip production packaging to LED lighting applications. Since THTF ES became the controlling shareholder of the Company, on 25th August, 2014, Mr. Ben FAN resigned as the chairman of the Board but remained as an executive Director, and on 25th August, 2014, Mr. LU Zhi Cheng was appointed as the chairman of the Board and on 26th August, 2014, Mr. SEAH Han Leong was appointed as the CEO of the Company respectively, which was in compliance with Code Provision A.2.1.

The Company has adopted a board diversity policy to enhance its corporate governance standard. The appointment of members of the Board shall take into consideration a number of factors, including but not limited to gender, age, culture and education background, race, professional experience, skills, knowledge and working experience.

CHANGES IN DIRECTORS AND DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES PURSUANT TO RULE 13.51B (1) OF THE LISTING RULES:

Pursuant to Rule 13.51B (1) of the Listing Rules, the changes in information of the Directors and chief executives subsequent to the date of the Company's 2013/14 annual report are set out below:

With effect from 25th August, 2014, Mr. LU Zhi Cheng was appointed as executive Director of the Company and the chairman of the Board; Mr. WANG Liang Hai, Mr. SEAH Han Leong and Mr. PAN Jin were appointed as executive Directors of the Company; Mr. LIU Wei Dong was appointed as non-executive Director of the Company; Mr. FAN Ren Da Anthony, Mr. LIU Tian Min and Ms. LI Ming Qi were appointed as independent non-executive Directors of the Company.

With effect from 26th August, 2014, Mr. SEAH Han Leong was appointed as president and CEO of the Company and Mr. PAN Jin as vice president of the Company.

With effect from 22nd September, 2014, Ms. Michelle WONG and Mr. FAN Pong Yang resigned from positions of executive Directors of the Company; Mr. WENG Shih Yuan, Mr. WONG Kon Man, Jason, Ms. LIU Sheng Ping and Mr. SUEN Man Tak, Stephen resigned from positions of independent non-executive Directors of the Company.

Summary of the Directors and their positions in the board committees are shown below:

Director \ Board Committee	Audit Committee	Remuneration Committee	Nomination Committee	Regulatory Compliance Committee
Mr. LU Zhi Cheng		M	C	
Mr. Ben FAN				
Mr. WANG Liang Hai				
Mr. SEAH Han Leong				
Mr. PAN Jin				M
Mr. LIU Wei Dong				
Mr. FAN Ren Da Anthony	M	M	M	C
Mr. LIU Tian Min	M	C	M	M
Ms. LI Ming Qi	C	M	M	M

Notes:

C Chairman of the relevant Board committee

M Member of the relevant Board committee

CHANGES IN DIRECTORS AND DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES PURSUANT TO RULE 13.51B (1) OF THE LISTING RULES: *(Continued)*

Save as disclosed above, the Directors are not aware of any changes in information of Directors and chief executives subsequent to the date of the Company's 2013/14 annual report, which are required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors of the Company. All the members of the Board have confirmed, following specific enquiries by the Company, that they have complied with the required standards as set out in the Model Code throughout the six months ended 30th September, 2014. The Model Code also applies to other specified senior management of the Group.

AUDIT COMMITTEE

The Audit Committee was established on 20th November, 2006 and its current members include:

Ms. LI Ming Qi (*Chairman*)
Mr. FAN Ren Da Anthony
Mr. LIU Tian Min

All Audit Committee members are independent non-executive Directors. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee satisfy the requirements under Rule 3.21 of the Listing Rules which requires a minimum of three members and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee meets not less than twice a year to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's external auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the external auditors.

AUDIT COMMITTEE *(Continued)*

The condensed consolidated interim financial information has not been audited but has been reviewed by the Audit Committee.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the financial statements for the six months ended 30th September, 2014. At the meeting held on 19th November, 2014, the Audit Committee reviewed the unaudited financial statements for the six months ended 30th September, 2014 together with the interim results announcement, with a recommendation to the Board for approval.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 20th November, 2006 and the current members include:

Mr. LIU Tian Min (*Chairman*)

Mr. LU Zhi Cheng

Mr. FAN Ren Da Anthony

Ms. LI Ming Qi

The majority of the Remuneration Committee members are independent non-executive Directors. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of Directors and senior management. The Remuneration Committee ensures that no Director or any of his/her associates is involved in deciding his/her own remuneration.

In determining the remuneration for Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and the desirability of performance-based remuneration. The Remuneration Committee meets to determine the policy for the remuneration of Directors and assess the performance of executive Directors and members of senior management.

NOMINATION COMMITTEE

The Nomination Committee was established on 20th November, 2006. Its current members include:

Mr. LU Zhi Cheng (*Chairman*)
Mr. FAN Ren Da Anthony
Mr. LIU Tian Min
Ms. LI Ming Qi

The majority of the Nomination Committee members are independent non-executive Directors. The Nomination Committee is mainly responsible for reviewing the candidates' qualification and competence, and making recommendations to the Board on appointment of Directors, so as to ensure that all nominations are fair and reasonable.

The Nomination Committee meets to discuss the procedures and criteria which should be adopted by them in nominating candidates for directorship and agrees that such criteria should include the candidates' professional background, their experience and their past track record with other listed companies (if any).

REGULATORY COMPLIANCE COMMITTEE

The Regulatory Compliance Committee was established on 23rd August, 2013. Its current members include:

Mr. FAN Ren Da Anthony (*Chairman*)
Mr. PAN Jin
Mr. LIU Tian Min
Ms. LI Ming Qi

The Regulatory Compliance Committee comprises independent non-executive Directors in majority who are qualified as certified public accountants and have many years of experience in corporate finance, business management, corporate restructuring, merger and acquisition and venture capital, etc. The duties of the committee are to monitor the compliance of the Company's existing or future business, and review and make recommendations on the compliance of applicable laws and regulations, including matters relating to the Listing Rules.

REGULATORY COMPLIANCE COMMITTEE *(Continued)*

The Regulatory Compliance Committee shall regularly report to the Board on any alleged frauds and non-compliances, internal control deficiencies or alleged violation of laws, regulations and rules. The 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. The committee may seek independent professional advice to perform its duties if necessary, and the expenses arising therefrom shall be borne by the Company.

CONTINGENT LIABILITIES AND CHARGE OF GROUP ASSETS

As at 30th September, 2014, the Group did not have any significant contingent liabilities. As at 30th September, 2014, the Group has pledged certain of its land and buildings with an aggregate carrying value of HK\$90.9 million (September 2013: HK\$175.0 million), certain of its trade receivables and inventories with an aggregate carrying value of HK\$34.1 million (September 2013: HK\$34.1 million) and also bank deposits with an aggregate carrying value of HK\$43.0 million (September 2013: HK\$2.5 million) to secure bank credit facilities granted to the Group.

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

THTF ES completed the subscription of 1,000,000,000 shares of the Company at the price of HK\$0.90 per share on 1st August, 2014.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30th September, 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September, 2014

		Six months ended	
		1.4.2014 to 30.9.2014	1.4.2013 to 30.9.2013
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	5	509,541	540,592
Cost of goods sold	6	(522,565)	(638,409)
Gross loss		(13,024)	(97,817)
Other income		8,406	5,063
Other gains and losses	7a	17,302	72,257
Other expenses	7b	(15,194)	(8,663)
Impairment losses recognised in respect of property, plant and equipment		(41,194)	–
Distribution and selling expenses		(53,895)	(36,990)
Administrative expenses		(88,698)	(78,370)
Finance costs		(5,650)	(7,760)
Share of (loss)/profit of a jointly controlled entity		(8,090)	1,998
Loss before taxation	8	(200,037)	(150,282)
Taxation	9	(110)	(203)
Loss for the period		(200,147)	(150,485)
Other comprehensive income for the period:			
Item that may be subsequently reclassified to profit or loss:			
– Exchange differences arising from translation		(7,544)	27,970
Total comprehensive expenses for the period		(207,691)	(122,515)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30th September, 2014

		Six months ended	
		1.4.2014 to 30.9.2014	1.4.2013 to 30.9.2013
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Loss for the period attributable to the following persons:			
Equity holders of the Company		(196,999)	(149,556)
Non-controlling interests		(3,148)	(929)
		(200,147)	(150,485)
Total comprehensive expenses for the period attributable to:			
Equity holders of the Company		(204,543)	(123,444)
Non-controlling interests		(3,148)	929
		(207,691)	(122,515)
Proposed interim dividend	10	–	–
Loss per share			
Basic	11	HK\$(0.155)	HK\$(0.159)
Diluted		HK\$(0.155)	HK\$(0.159)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2014

	<i>Notes</i>	30.9.2014 HK\$'000 (unaudited)	31.3.2014 <i>HK\$'000</i> (audited)
Non-current assets			
Investment properties		19,017	19,017
Property, plant and equipment	12	314,409	334,173
Prepaid lease payments	13	71,011	76,135
Goodwill	4	9,681	–
Intangible assets	14	23,070	8,857
Interest in an associate		611	628
Interest in a jointly controlled entity	4	–	21,663
Available-for-sale investments		3,950	3,950
Deposits made on acquisition of property, plant and equipment		8,532	19,263
Deposit made on formation of an associate		1,204	1,204
		451,485	484,890
Current assets			
Inventories		228,924	348,627
Trade and other receivables	15	378,808	272,243
Loan receivable		–	44,246
Tax recoverable		5,256	5,256
Pledged bank deposits		43,036	44,411
Cash and cash equivalents		973,953	113,357
		1,629,977	828,140

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30th September, 2014

	<i>Notes</i>	30.9.2014 HK\$'000 (unaudited)	31.3.2014 <i>HK\$'000</i> (audited)
Current liabilities			
Trade and other payables	16	307,931	267,886
Taxation payable		5,324	5,474
Bank borrowings repayable within one year		212,011	221,743
		525,266	495,103
Net current assets		1,104,711	333,037
Total assets less current liabilities		1,556,196	817,927
Non-current liabilities			
Government grants		65,205	20,118
Deferred taxation		6,136	6,375
		71,341	26,493
Net assets		1,484,855	791,434
Capital and reserves			
Share capital	17	193,932	93,932
Reserves		1,286,981	690,805
Equity attributable to equity holders of the Company		1,480,913	784,737
Non-controlling interests		3,942	6,697
Total equity		1,484,855	791,434

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2014

	Share Capital HK\$'000	Share premium & other reserve HK\$'000	Capital redemption reserve HK\$'000	Special reserve HK\$'000	Share compensation reserve HK\$'000	Translation reserve HK\$'000	Accumulated loss HK\$'000	Attributable to equity holders of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1st April, 2013 (audit)	93,932	1,745,549	312	53,856	48,100	314,013	(686,069)	1,569,693	8,340	1,578,033
Loss for the period	-	-	-	-	-	-	(149,556)	(149,556)	(929)	(150,485)
Other comprehensive income	-	-	-	-	-	27,970	-	27,970	-	27,970
Total comprehensive income for the period	93,932	1,745,549	312	53,856	48,100	341,983	(835,625)	1,448,107	7,411	1,455,518
Recognition of equity settled share-based payments	-	5,213	-	-	-	-	-	5,213	-	5,213
At 30th September, 2013 (unaudited)	93,932	1,750,762	312	53,856	48,100	341,983	(835,625)	1,453,320	7,411	1,460,731
At 1st April, 2014 (audited)	93,932	1,751,204	312	53,856	48,100	354,060	(1,516,727)	784,737	6,697	791,434
Loss for the period	-	-	-	-	-	-	(196,999)	(196,999)	(3,148)	(200,147)
Other comprehensive income	-	-	-	-	-	(7,544)	-	(7,544)	-	(7,544)
Total comprehensive income for the period	93,932	1,751,204	312	53,856	48,100	346,516	(1,713,726)	580,194	3,549	583,743
Issuance of new shares	100,000	800,000	-	-	-	-	-	900,000	-	900,000
Recognition of equity settled share-based payments	-	1,376	-	-	-	-	-	1,376	-	1,376
Acquisition of additional interests in subsidiaries	-	(658)	-	-	-	1	-	(657)	393	(264)
Lapse of share options	-	(78,759)	-	-	-	-	78,759	-	-	-
At 30th September, 2014 (unaudited)	193,932	2,473,163	312	53,856	48,100	346,517	(1,634,967)	1,480,913	3,942	1,484,855

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30th September, 2014

The special reserve represents 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 (changed to THTF Lighting Group Limited ("THTF Lighting Group") and a Chinese name as "同方照明產業集團有限公司" adopted, as per the Company's voluntary announcement dated 13 November 2014), 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.

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

As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue. Since the date of establishment, there was no appropriation to the statutory surplus reserve fund as no dividends have been distributed by any of the PRC subsidiaries.

Issuance of new shares represents that THTF ES subscribed for an aggregate of 1,000,000,000 shares at the subscription price of HK\$0.90 per share on 1st August, 2014, which resulted in an increase of HK\$100,000,000 and HK\$800,000,000 in the share capital and share premium respectively. The consideration for the subscription in the sum of HK\$900,000,000 has been fully paid by THTF ES on 1st August, 2014. (for details, please refer to note 4).

During the period, the option-based equity reserve derecognised will be transferred directly to retained earnings by the Group.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2014

	Six months ended	
	1.4.2014 to	1.4.2013 to
	30.9.2014	30.9.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(122,624)	213,799
Investing activities		
Interest received	1,990	3,404
Purchase of property, plant and equipment	(17,422)	(3,953)
Purchase of prepaid lease payments	–	(1,257)
Purchase of intangible assets	–	(1,553)
Proceeds from disposal of property, plant and equipment and prepaid lease payments	91,449	1,426
Investment in subsidiaries	(20,542)	–
Repayment from non-controlling shareholders	–	2,471
Loan receivable received	44,246	37,838
Release of pledged bank deposits	1,412	28,882
Net cash generated from investing activities	101,133	67,258
Financing activities		
Interest paid	(5,650)	(7,762)
Proceeds from issuance of shares	900,000	–
Bank loans raised	93,820	(176,242)
Repayment of bank loans	(106,855)	(117,657)
Repayment of borrowings to a director	–	(10,662)
Net cash generated from/(used in) financing activities	881,315	(312,323)
Net increase/(decrease) in cash and cash equivalents	859,824	(31,266)
Cash and cash equivalents at the beginning of the period	113,357	253,508
Effect of foreign exchange rate changes	772	3,163
Cash and cash equivalents at the end of the period	973,953	225,405

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September, 2014

1. GENERAL

The Company was incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands and acts as an investment holding company. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and certain of its shares are listed as Depositary Receipts in Taiwan Stock Exchange.

The addresses of the registered office and principal place of business of the Company are set out in the "Corporate Information" section of the interim report.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30th September, 2014 have been prepared in accordance with the applicable disclosure requirements set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31st March, 2014, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31st March, 2015. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected Explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013/14 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31st March, 2014 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st March, 2014 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in the final results report dated 25th June, 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th September, 2014

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for leasehold land and buildings and derivative financial instruments, which are stated at revalued amounts or fair value, as appropriate.

Except as described below, the accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2014.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretation issued by the HKICPA which are relevant to the Group's financial statements and effective for the annual period beginning on 1st April, 2014.

The HKICPA has issued the following amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities
- Amendments to HKAS 32, Offsetting financial assets and financial liabilities
- Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets
- HK (IFRIC) – Int 21, Levies

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

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

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th September, 2014

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. These amendments do not have an impact on the Group's interim financial report.

HK (IFRIC) – Int 21, Levies

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

4. SIGNIFICANT ACQUISITION AND CAPITAL INCREASE

THTF ES' Conditional Subscription of the Shares in the Company

The subscription agreement dated 19th March, 2014 entered into between the Company and Tsinghua Tongfang via THTF ES (an indirectly wholly-owned subsidiary of Tsinghua Tongfang), was in relation to the subscription (the "Subscription") of 1,000,000,000 shares (representing approximately 106.46% of the then issued share capital of the Company) at the subscription price of HK\$0.90 per share by THTF ES. The completion of the Subscription pursuant to the subscription agreement took place on 1st August, 2014 and the consideration for the Subscription in the sum of HK\$900,000,000 has been fully paid by THTF ES to the Company on 1st August, 2014. When completion, THTF ES has subscribed for an aggregate of approximately 51.56% of the issued share capital of the Company. THTF ES made an announcement on the Stock Exchange regarding the mandatory unconditional cash offers for all the issued shares and outstanding options of the Company on 8th August, 2014. The joint announcement dated 22nd September, 2014 confirmed that THTF ES had received 692,690 shares under the share offer (representing approximately 0.0357% of the issued share capital of the Company as at the date of this report). As at the date of this report, the shareholding of THTF ES, Mr. Ben FAN and its associated parties, and other shareholders in the Company is 51.6%, 18.75% and 29.65% respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th September, 2014

4. SIGNIFICANT ACQUISITION AND CAPITAL INCREASE *(Continued)*

Acquisition of Tivoli, LLC.

On 8th May, 2014, Neo-Neon LED USA Holdings Limited and American Lighting Inc. (the "Purchasers"), both of which are wholly-owned subsidiaries of the Company, and Targetti Poulsen USA Inc. (the "Vendor") entered into an acquisition agreement. Pursuant to the acquisition agreement, the Purchasers agreed to acquire and the Vendor agreed to sell 50% issued share capital of Tivoli, LLC. at the consideration of US\$3,000,000 (equivalent to approximately HK\$23,271,000) (the "Acquisition"), to be funded by the existing general working capital of the Group. Completion of the Acquisition took place on 15th May, 2014. Prior to the completion of the acquisition agreement, Tivoli was a jointly controlled entity owned by the Company and the Vendor. Upon the completion of the acquisition agreement, Tivoli became a wholly-owned subsidiary of the Company.

5. TURNOVER AND SEGMENT INFORMATION

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

LED decorative lighting	–	manufacture and distribution of LED decorative lighting products
LED general illumination lighting	–	manufacture and distribution of LED general illumination lighting products
Incandescent decorative lighting	–	manufacture and distribution of incandescent decorative lighting products
Entertainment lighting	–	manufacture and distribution of entertainment lighting products
All others	–	distribution of lighting product accessories

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th September, 2014

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment Information

Business segment

	Six months ended	
	1.4.2014 to 30.9.2014 <i>HK\$'000</i> (unaudited)	1.4.2013 to 30.9.2013 <i>HK\$'000</i> (unaudited)
Business segment		
LED Decorative Lighting	306,840	289,613
LED General Illumination Lighting	135,076	151,186
Incandescent Decorative Lighting	40,187	62,005
Entertainment Lighting	24,047	28,883
All others	3,391	8,905
	509,541	540,592
Gross Loss		
LED Decorative Lighting	(1,355)	(49,223)
LED General Illumination Lighting	(4,899)	(31,362)
Incandescent Decorative Lighting	(3,917)	(13,925)
Entertainment Lighting	(2,177)	(2,939)
All others	(676)	(368)
	(13,024)	(97,817)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th September, 2014

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment Information *(Continued)*

Business segment *(Continued)*

	Six months ended	
	1.4.2014	1.4.2013
	to 30.9.2014	to 30.9.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Results		
Loss from operations		
LED Decorative Lighting	(75,378)	(99,214)
LED General Illumination Lighting	(37,486)	(57,459)
Incandescent Decorative Lighting	(13,612)	(24,628)
Entertainment Lighting	(7,979)	(7,925)
All others	(1,493)	(1,904)
	(135,948)	(191,130)
Unallocated other income	8,406	5,063
Unallocated other gains and losses	(39,086)	63,594
Unallocated expenses	(19,669)	(22,047)
Finance costs	(5,650)	(7,760)
Share of (loss)/profit of a jointly controlled entity and an associate	(8,090)	1,998
Loss before taxation	(200,037)	(150,282)
Taxation	(110)	(203)
Loss for the period	(200,147)	(150,485)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th September, 2014

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment Information *(Continued)*

Geographical segment

	Six months ended	
	1.4.2014	1.4.2013
	to 30.9.2014	to 30.9.2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Turnover		
America	260,128	264,303
Europe	95,938	93,581
The PRC	55,163	70,300
Russia	39,140	46,110
Asia Pacific and Middle East (excluding the PRC)	59,172	66,298
	509,541	540,592
Gross Loss		
America	25,592	(46,543)
Europe	(11,390)	(10,640)
The PRC	(10,736)	(19,122)
Russia	(6,220)	(3,581)
Asia Pacific and Middle East (excluding the PRC)	(10,270)	(17,931)
	(13,024)	(97,817)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th September, 2014

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment Information *(Continued)*

Geographical segment *(Continued)*

	Six months ended	
	1.4.2014 to 30.9.2014 HK\$'000 (unaudited)	1.4.2013 to 30.9.2013 HK\$'000 (unaudited)
Results		
Loss from operations		
– America	(51,809)	(100,353)
– Europe	(34,628)	(22,969)
– The PRC	(18,746)	(31,950)
– Asia Pacific and Middle East (excluding the PRC)	(30,765)	(35,858)
	(135,948)	(191,130)
Unallocated other income	8,406	5,063
Unallocated other gains and losses	(39,086)	63,594
Unallocated expenses	(19,669)	(22,047)
Finance costs	(5,650)	(7,760)
Share of (loss)/profit of a jointly controlled entity and an associate	(8,090)	1,998
Loss before taxation	(200,037)	(150,282)
Taxation	(110)	(203)
Loss for the period	(200,147)	(150,485)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th September, 2014

6. COST OF GOODS SOLD

	Six months ended	
	1.4.2014	1.4.2013
	to 30.9.2014	to 30.9.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Actual cost of goods sold	449,415	495,881
Net impairment losses of inventory	73,150	142,528
	522,565	638,409

During the period, excluding net impairment losses of inventory, the Group's actual cost of goods sold amounted to HK\$449,400,000 and its gross profit margin amounted to 11.8%, as compared to HK\$495,900,000 and 8.3% respectively in the same period of 2013. During the Review Period, the Group's gross profit margin grew by 3.5 percentage points.

7a. OTHER GAINS AND LOSSES

	Six months ended	
	1.4.2014	1.4.2013
	to 30.9.2014	to 30.9.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	66,351	110,739
Net allowance for bad and doubtful debts	(53,449)	(26,748)
Decrease in fair value of investments held-for-trading	–	(612)
Net exchange gain/(loss)	4,400	(11,122)
	17,302	72,257

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th September, 2014

7b. OTHER EXPENSES

	Six months ended	
	1.4.2014	1.4.2013
	to 30.9.2014	to 30.9.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Research and development costs	(8,368)	(8,663)
Compensation relating to litigation*	(6,826)	–
	(15,194)	(8,663)

* Compensation relating to litigation includes the following:

In October 2013, a customer of the Group filed a claim to Shanghai Arbitration Commission against Heshan Yinyu Illumination Co., Ltd. (鶴山市銀雨照明有限公司) (“Heshan Yinyu”) for the dispute on a special sale and purchase agreement. On 13th August, 2014, Shanghai Arbitration Commission issued a verdict and ordered Heshan Yinyu to pay RMB2,927,000 (equivalent to HK\$3,681,000) to the plaintiff.

In November 2013, a customer of the Group filed a claim to the Court of the State of Illinois in the U.S. against Neo-Neon International Limited (“NNI”), a wholly-owned subsidiary of the Group. On 24th October, 2014, the Company has paid to the plaintiff HK\$3,145,000 for compromising the case and for the legal fees incurred.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th September, 2014

8. LOSS BEFORE TAXATION

	Six months ended	
	1.4.2014	1.4.2013
	to 30.9.2014	to 30.9.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	22,069	31,454
Less: Depreciation included in research and development costs	(157)	(725)
	21,912	30,729
Amortisation of intangible assets	–	388
Research and development costs	3,215	3,348
Operating lease rentals in respect of		
– prepaid lease payments	852	855
– rented premises	4,854	2,202
and after crediting:		
Interest income	1,990	3,404
Property rental income before deduction of negligible outgoings	2,245	1,402

9. TAXATION

	Six months ended	
	1.4.2014	1.4.2013
	to 30.9.2014	to 30.9.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")	–	(203)
Taxation in other overseas jurisdictions	(110)	–

During the period, Neo-Neon (Vietnam) Development Company Limited, a wholly-owned subsidiary of the Group, paid back its EIT of 2013. The PRC Enterprise Income Tax and overseas taxation are calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th September, 2014

10. DIVIDEND

No interim dividend will be paid for the six months ended 30th September, 2014 (September 2013: Nil).

11. LOSS PER SHARE

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

	Six months ended	
	1.4.2014	1.4.2013
	to 30.9.2014	to 30.9.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss attributable to equity holders of the Company	(196,999)	(149,556)
Weighted average number of ordinary shares in issue for basic earnings per share	1,272,653,027	939,319,694
Basic loss per share	HK\$(0.155)	HK\$(0.159)
Weighted average number of ordinary shares for diluted earnings per share	1,272,653,027	939,319,694
Diluted loss per share	HK\$(0.155)	HK\$(0.159)

During the period, the increase in the number of shares of the Company was due to THTF ES' subscription of an aggregate of 1,000,000,000 shares at the subscription price of HK\$0.90 per share on 1st August, 2014. The Company has a weighted average number of ordinary shares in issue of 1,272,653,027 during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th September, 2014

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK\$23,700,000 (30th September, 2013: HK\$8,400,000) on additions to property, plant and equipment to expand and upgrade its manufacturing capabilities. Among which, amount for buildings was nil (30th September, 2013: nil); leasehold improvement was HK\$500,000 (30th September, 2013: HK\$1,500,000); furniture, fixture and equipment was HK\$700,000 (30th September, 2013: HK\$1,200,000); motor vehicles was nil (30th September, 2013: HK\$300,000); plant and machinery was HK\$20,300,000 (30th September, 2013: HK\$3,500,000); mould was HK\$2,200,000 (30th September, 2013: HK\$600,000); construction in progress was nil (30th September, 2013: nil), land use right was nil (30th September, 2013: HK\$1,300,000). In addition, due to its acquisition of Tivoli, the Group recorded an increase of HK\$2,000,000 in the furniture, fixtures and equipment and plant and machinery (for details, please refer to note 4).

During the period, the decrease in property, plant and equipment of the Group was mainly due to its disposal of Heshan Lide advertising lighting factory with a net value of HK\$20,200,000.

13. PREPAID LEASE PAYMENTS

During the period, the decrease in prepaid lease payments of the Group was mainly due to the net disposal amount of HK\$3,700,000 in relation to the land of Heshan Lide advertising lights factory.

14. INTANGIBLE ASSETS

During the period, the Group recorded an increase of HK\$14,200,000 in intangible assets, mainly resulting from its acquisition of Tivoli (for details, please refer to note 4).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th September, 2014

15. TRADE AND OTHER RECEIVABLES

	30.9.2014 <i>HK\$'000</i> (unaudited)	31.3.2014 <i>HK\$'000</i> (audited)
Trade receivables	279,683	214,508
Bills receivables	54,509	11,700
Less: Allowance for bad and doubtful debts	(110,947)	(90,542)
	223,245	135,666
Deposits paid to suppliers	26,115	30,739
Value added tax recoverable	6,362	7,623
Value added tax refundable on export sales	91,081	71,280
Other receivables	32,005	26,935
	378,808	272,243

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable from 60 days to 90 days of issuance, except for certain well established customers in which the credit terms are up to 180 days. As from July to September every year is the peak sales season of the Group, the trade receivables and bills receivables during the period amounted to HK\$334,200,000, representing a decrease of HK\$28,000,000 or 7.7% as compared to HK\$362,200,000 in September 2013. The following is an aged analysis of trade and bills receivables presented based on the invoice date (which approximated the respective revenue recognition dates) at the end of the reporting period:

	30.9.2014 <i>HK\$'000</i> (unaudited)	31.3.2014 <i>HK\$'000</i> (audited)
Age		
0 to 60 days	123,438	51,338
61 to 90 days	70,207	11,955
91 to 180 days	28,364	39,467
181 to 360 days	1,236	32,906
	223,245	135,666

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th September, 2014

16. TRADE AND OTHER PAYABLES

	30.9.2014 <i>HK\$'000</i> (unaudited)	31.3.2014 <i>HK\$'000</i> (audited)
Trade payables	151,091	104,753
Bills payables	2,998	7,848
	154,089	112,601
Customers' deposits	24,798	35,613
Payroll and welfare payables	22,166	18,927
Payables for acquisition of property, plant and equipment	44	44
Other tax payables	21,640	21,729
Obligation under onerous contract in connection with acquisition of property, plant and equipment	277	2,731
Other payables	84,917	76,241
	307,931	267,886

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	30.9.2014 <i>HK\$'000</i> (unaudited)	31.3.2014 <i>HK\$'000</i> (audited)
Age		
0 to 30 days	28,936	45,080
31 to 60 days	29,793	11,330
61 to 90 days	26,274	13,102
91 to 180 days	39,010	9,258
181 to 360 days	5,330	14,525
Over 1 year	24,746	19,306
	154,089	112,601

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th September, 2014

17. SHARE CAPITAL

	Number of Shares		Share capital	
	30.9.2014	31.3.2014	30.9.2014 HK\$'000 (unaudited)	31.3.2014 HK\$'000 (audited)
Ordinary Shares of HK\$0.10 each				
Authorised	5,000,000,000	5,000,000,000	500,000	500,000
At beginning of the period/year	1,939,319,694	939,319,694	193,932	93,932
At end of the period/year	1,939,319,694	939,319,694	193,932	93,932

Neither the Company nor its subsidiaries have purchased, redeemed or sold any of the Company's listed securities during the six months ended 30th September, 2014.

For the six months ended 30th September, 2014, THTF ES subscribed for an aggregate of 1,000,000,000 shares at the subscription price of HK\$0.90 per share on 1st August, 2014, which resulted in an increase of HK\$100,000,000 and HK\$800,000,000 in the share capital and share premium respectively (for details, please refer to note 4).

18. SHARE OPTIONS

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options	
	30.9.2014 (unaudited)	31.3.2014 (audited)
Outstanding at 1st April	47,437,000	50,386,000
Forfeited during the period/year	(47,437,000)	(2,949,000)
	–	47,437,000

During the year ended 31st March, 2014, the weighted average exercise price of options forfeited during the year and outstanding at the balance sheet date is HK\$4.92 (2013: HK\$3.5) and HK\$3.94 (2013: HK\$4), respectively.

These fair values were calculated using the binomial option pricing model.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th September, 2014

18. SHARE OPTIONS *(Continued)*

The response document of the offer announced on 8th September, 2014 declared that the rights to exercise options were terminated with immediate effect after the latest time and date for acceptance of the share offers, being 4:00 p.m. on 22nd September, 2014, as set out in the offer document.

The option-based equity reserve derecognised will be transferred directly to retained earnings by the Group.

19. CAPITAL COMMITMENTS

	30.9.2014 HK\$'000 (unaudited)	31.3.2014 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	11,860	15,967

20. RELATED PARTY TRANSACTIONS

During the Review Period, the Group sold goods totalling HK\$Nil (September 2013: HK\$77,000) to its associates and jointly controlled entity.

American Lighting, LLC, a wholly-owned subsidiary of the Group, rented a building from Miss Camielle FAN (the daughter of Mr. Ben FAN and Ms. Michelle WONG and the niece of Mr. FAN Pong Yang) for warehouse purpose, which incurred rental expenses of US\$111,000 (equivalent to approximately HK\$890,461) during the period.

During the Review Period, the emoluments to the Company's Directors, who are the Group's key management, were HK\$711,000 (September 2013: HK\$707,000). During the Review Period, Mr. Ben FAN and other Directors have waived their emoluments of HK\$2,160,000 and HK\$540,000 in relation to their services respectively.