TC ORIENT LIGHTING HOLDINGS LIMITED
達進東方照明控股有限公司

(Incorporated in the Cayman Islands with limited liability)
website: www.tatchun.com
(Stock Code: 515)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

The board of directors (the "Board") of TC Orient Lighting Holdings Limited (the "Company") is pleased to announce the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
	NOTES	***HK$'000***	*HK$'000*
Turnover	*3*	**705,921**	676,207
Cost of sales		**(653,520)**	(816,405)
Gross profit/(loss)		**52,401**	(140,198)
Other income	*4*	**35,247**	50,288
Other gains and losses	*5*	**(36,849)**	(87,226)
Selling and distribution expenses		**(41,400)**	(42,394)
Administrative expenses		**(113,342)**	(72,551)
Finance costs	*6*	**(9,120)**	(13,265)
Loss before tax		**(113,063)**	(305,346)
Income tax expense	*7*	**(3,356)**	(11,242)
Loss for the year	*8*	**(116,419)**	(316,588)

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

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	2014 HK$'000	2013 HK$'000
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
(Deficit)/Surplus on revaluation of properties		**(37,733)**	28,182
Deferred tax assets/(liabilities) arising from revaluation of properties		**9,433**	(7,045)
		(28,300)	21,137
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		**419**	3,268
Other comprehensive (expenses)/income for the year		**(27,881)**	24,405
Total comprehensive expense for the year		**(144,300)**	(292,183)
Loss for the year attributable to:			
Owners of the Company		**(111,872)**	(306,833)
Non-controlling interests		**(4,547)**	(9,755)
		(116,419)	(316,588)
Total comprehensive expense attributable to:			
Owners of the Company		**(139,890)**	(283,247)
Non-controlling interests		**(4,410)**	(8,936)
		(144,300)	(292,183)
Loss per share			
Basic and diluted	9	**(HK$0.25)**	(HK$0.69)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**245,750**	309,946
Prepaid lease payments – non-current portion		**19,459**	20,074
Interests in an associate		**–**	2
Trade receivables with extended credit terms	*11*	**77,281**	87,694
Deposits paid for acquisition of property, plant and equipment		**600**	2,748
		343,090	420,464
Current assets			
Inventories		**76,247**	64,588
Prepaid lease payments – current portion		**615**	615
Trade and other receivables	*11*	**426,039**	442,922
Bills receivable		**5,833**	1,750
Pledged bank deposits		**105,936**	34,707
Bank balances, deposits and cash		**167,319**	108,773
		781,989	653,355
Assets classified as held for sale		**16,044**	16,044
		798,033	669,399
Current liabilities			
Trade and other payables	*12(a)*	**313,203**	297,756
Bills payable	*12(b)*	**117,288**	139,360
Taxation payable		**78,927**	79,370
Bank borrowings – due within one year		**230,293**	138,442
Obligations under finance leases – due within one year		**394**	2,934
		740,105	657,862
Net current assets		**57,928**	11,537
Total assets less current liabilities		**401,018**	432,001
Non-current liabilities			
Obligation under finance leases – due after one year		**523**	920
Deferred tax liabilities		**18,816**	25,603
		19,339	26,523
Net assets		**381,679**	405,478
Capital and reserves			
Share capital		**53,074**	44,228
Reserves		**320,138**	348,373
Equity attributable to owners of the Company		**373,212**	392,601
Non-controlling interests		**8,467**	12,877
Total equity		**381,679**	405,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 12 November 2004. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Yeung Hoi Shan ("Mr. Yeung") is the ultimate controlling shareholder of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company acts as an investment holding company.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to nearest thousand except otherwise indicated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA"), which are effective for the Company's financial year beginning 1 January 2014. A summary of the new HKFRSs are set out as below:

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 and Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The nature of the impending changes in accounting policy on adoption is described below.

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

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC) – Int 21 Levies

The Group has applied HK(IFRIC) – Int 21 Levies for the first time in the current year. HK(IFRIC) – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) – Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38 and Amortisation5	Clarification of Acceptable Methods of Depreciation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[5]

1 Effective for annual periods beginning on or after1 January 2018, with earlier application permitted.

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with early application permitted.

3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

6 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon initial application but is not yet in a position to state whether the above HKFRSs will have a significant impact on the Group's and the Company's results of operations and financial position.

The directors of the Company anticipate that the application of other HKFRSs will have no material impact on the results and the financial positions of the Group.

3. TURNOVER

	2014	2013
	HK$'000	*HK$'000*
An analysis of the Group's revenue is as follows:		
Sales of printed circuit boards ("PCB")	**675,470**	600,420
Sales of light emitting diode ("LED") lighting	**30,451**	75,787
	705,921	676,207

4. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**3,130**	1,435
Imputed interest on trade receivables with extended credit terms	**8,465**	8,865
Sales of scarp materials	**17,115**	36,609
Government grants *(note)*	**3,954**	1,786
Others	**2,583**	1,593
	35,247	50,288

Note: Government grants were mainly granted to the Group as subsidies to support the operation of the PRC subsidiaries. The government grants had no conditions or contingencies attached to them and they were non-recurring in nature.

5. OTHER GAINS AND LOSSES

	2014	2013
	HK$'000	*HK$'000*
Net foreign exchange loss	**(2,304)**	(12,324)
Impairment loss recognised on trade and other receivables	**(1,809)**	(1,434)
Amounts written off as uncollectible trade receivables with extended credit terms	**(7,267)**	(12,904)
Impairment loss recognised on intangible assets	**–**	(28,686)
Impairment loss in respect of property, plant and equipment	**(7,201)**	(23,472)
Impairment loss of interests in associates	**(2)**	–
Fair value changes on derivative financial instruments	**–**	77
Provision for compensation charges	**(16,363)**	–
Reversal of impairment loss previously recognised on trade receivables	**592**	647
Loss on disposal/written off of property, plant and equipment	**(1,042)**	(4,120)
Compensation charges	**–**	(4,101)
Others	**(1,453)**	(909)
	(36,849)	(87,226)

6. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on:		
– Bank and other borrowing wholly repayable within five years	**9,018**	12,913
– Obligations under finance leases	**102**	352
	9,120	13,265

7. INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax ("EIT")	**710**	11,242
Deferred tax	**2,646**	–
	3,356	11,242

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

No provision for Hong Kong Profits Tax is made since there is no assessable profits for both years.

Under the Law of the People's Republic of China on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

EIT arises from the taxable profit from certain PRC subsidiaries. Pursuant to the relevant laws and regulations in the PRC, 達進東方照明(深圳)有限公司 is granted as High-Technology Enterprise and will be entitled to a favourable tax rate of 15% for the years from 2013 to 2015.

8. LOSS FOR THE YEAR

	2014	2013
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Employee benefits expenses, including directors' remuneration	**140,614**	137,606
Share-based payments	**32,144**	534
Retirement benefit schemes contributions	**10,128**	8,482
Total employee expenses	**182,886**	146,622
Auditor's remuneration	**1,600**	1,600
Amortisation of intangible assets (included in cost of sales)	**–**	7,542
Cost of inventories recognised as an expense	**653,520**	816,405
Depreciation of property, plant and equipment	**29,221**	41,003
Research and development costs recognised as an expense	**2,424**	3,590
Amortisation of prepaid lease payments	**615**	950

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the year is based on the following data:

	2014	2013
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic and diluted loss per share, loss for the year attributable to the owners of the Company	**(111,872)**	(306,833)

	2014	2013
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**453,917**	442,384

The calculation of the diluted loss per share for both years did not assume the exercise of the Company's outstanding share options as the effect is anti-dilutive.

10. DIVIDENDS

The board of directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables was trade receivable of approximately HK$421,922,000 (2013: HK$489,496,000) as follows:

Trade receivables

	2014	2013
	HK$'000	*HK$'000*
Trade receivables with normal credit terms	**207,455**	243,993
Less: Allowance for doubtful debts	**(1,841)**	(12,338)
	205,614	231,655
Trade receivables with extended credit terms	**216,308**	257,841
Total trade receivables, net of allowance for doubtful debts	**421,922**	489,496
Less: Non-current portion of trade receivables with extended credit terms	**(77,281)**	(87,694)
Current portion of trade receivables	**344,641**	401,802

The Group generally allows an average credit period of 30 days to 180 days to its trade customers with normal credit terms and credit period ranging from one year to ten years to its trade customers with extended credit terms which is based on the contractual repayment schedule. The following is an aged analysis of trade receivables with normal credit terms and trade receivables with extended credit terms, net of allowance for doubtful debts, respectively, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	Extended credit terms		**Normal credit terms**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
0 – 30 days	**–**	–	**58,064**	58,430	**58,064**	58,430
31 – 60 days	**–**	–	**54,199**	56,803	**54,199**	56,803
61 – 90 days	**597**	–	**44,024**	31,915	**44,621**	31,915
91 – 180 days	**1,291**	7,800	**44,789**	75,965	**46,080**	83,765
Over 180 days	**214,420**	250,041	**4,538**	8,542	**218,958**	258,583
	216,308	257,841	**205,614**	231,655	**421,922**	489,496

12. TRADE, BILLS AND OTHER PAYABLES

(a) Trade and other payables

The followings is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**40,294**	42,161
31 – 60 days	**37,276**	34,781
61 – 90 days	**31,834**	51,514
91 – 180 days	**53,112**	60,297
Over 180 days	**45,801**	26,628
	208,317	215,381
Other payables	**79,860**	62,838
Accrued salaries and other accrued charges	**25,026**	19,537
	313,203	297,756

The credit period on purchases of goods ranged from 90 days to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(b) Bills payable

The aged analysis of bills payable is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**31,814**	18,877
31 – 60 days	**14,923**	24,210
61 – 90 days	**15,806**	49,627
91 – 180 days	**54,745**	46,646
	117,288	139,360

13. SEGMENTAL INFORMATION

The Group determines its operating segment based on the reports reviewed by the chief operating decision maker for making strategic decisions. The Group is engaged in the manufacturing and trading of PCB and LED lighting and the information reported to the chief operating decision maker was analysed based on the three types of PCB and LED lighting which represent the operating segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Manufacturing and trading of Single-sided PCB ("Single-sided PCB")
- Manufacturing and trading of Double-sided PCB ("Double-sided PCB")
- Manufacturing and trading of Multi-layered PCB ("Multi-layered PCB")
- Manufacturing and trading of LED lighting

No information of segment assets and liabilities is available for the assessment of performance of different operating segments. Therefore, only segment turnover and segment results are presented.

Segment turnover and results

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

	2014	2013
	HK$'000	*HK$'000*
TURNOVER – external sales		
Single-sided PCB	**195,619**	182,975
Double-sided PCB	**278,444**	216,325
Multi-layered PCB	**201,407**	201,120
LED lighting	**30,451**	75,787
Total	**705,921**	676,207
RESULTS		
– single-sided PCB	**(23,907)**	(31,757)
– Double-sided PCB	**(34,031)**	(84,837)
– Multi-layered PCB	**(24,616)**	(118,873)
– LED lighting	**(24,130)**	(56,162)
	(106,684)	(291,629)
Other income	**5,713**	3,028
Central administrative costs	**(2,972)**	(3,557)
Fair value changes on derivative financial instruments	**–**	77
Finance costs	**(9,120)**	(13,265)
Loss before tax	**(113,063)**	(305,346)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss incurred by each segment after allocation of selling and administrative staff cost with reference to turnover and without allocation of certain other income, central administrative costs (mainly including audit fee, exchange loss and depreciation of property, plant and equipment for administrative purpose), fair value changes on derivative financial instruments and finance costs. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment.

Other segment information

Amounts included in the measure of segment results:

	2014	2013
	HK$'000	*HK$'000*
Depreciation and amortisation		
– single-sided PCB	**7,897**	11,699
– Double-sided PCB	**11,242**	13,831
– Multi-layered PCB	**8,131**	12,859
– LED lighting	**1,194**	9,149
	28,464	47,538
– unallocated	**1,372**	1,957
	29,836	49,495
Net written off/impairment loss recognised (reversed) in respect of trade and other receivables		
– single-sided PCB	**352**	(139)
– Double-sided PCB	**502**	(164)
– Multi-layered PCB	**363**	(155)
– LED lighting	**7,267**	14,149
	8,484	13,691
Impairment loss recognised in respect of property, plant and equipment		
– single-sided PCB	**1,348**	7,153
– Double-sided PCB	**1,919**	8,457
– Multi-layered PCB	**1,388**	7,862
– LED lighting	**2,546**	–
	7,201	23,472
Impairment loss recognized in respect of intangible asset		
– LED lighting	**–**	28,686

Geographical information

Detailed below is information about the Group's revenue from external customers and information about its noncurrent assets (excluding trade receivables with extended credit terms and interests in an associate), analysed by their geographical location: Group's operations are located in HK and the PRC.

	Revenue from External customers		Non-current assets	
	For the year ended 31 December		As at 31 December	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Asia:				
HK	**170,295**	172,203	**1,721**	2,014
Taiwan	**75,379**	111,043	**–**	–
The PRC (other than HK and Taiwan)	**292,307**	330,655	**264,088**	330,754
Japan	**922**	1,800	**–**	–
Other Asian countries	**52,336**	10,698	**–**	–
Europe:				
Austria	**18,631**	–	**–**	–
Holland	**19,826**	–	**–**	–
Hungary	**1,165**	1,326	**–**	–
Istanbul	**29,599**	–	**–**	–
Switzerland	**6,103**	–	**–**	–
Turkey	**25**	19,673	**–**	–
Other European countries	**14,302**	20,383	**–**	–
Others	**25,031**	8,426	**–**	–
	705,921	676,207	**265,809**	332,768

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2014	2013
	HK$'000	*HK$'000*
Customer A *(note)*	**–**	96,451
Customer B *(note)*	**–**	91,254

Note: The revenue is mainly from Multi-layered PCB segment.

14. CONTINGENT LIABILITIES

(a) During the period, Tat Chun Printed Circuit Board Company Limited ("HKTC"), a subsidiary of the Company, involved in a legal proceeding in respect of breach of contractual agreement for an amount of approximately HK$14,701,000.

In June 2014, HKTC received the arbitral decision from the 浙江省嘉興市中級人民法院 which required HKTC to compensate the customer with a total amount of approximately HK$14,701,000.

In view of the probability of cash outflow, the full amount was provided and recognised as other gains and losses in the consolidated financial statements for the years ended 31 December 2014,

HKTC took out an application to the High Court of Hong Kong to set aside the decision. The substantive hearing of the HKTC's application is scheduled on 8 September 2014.

b) On 9 December 2014，達進東方（江蘇）光電有限公司 ("TC Orient (JS)"), a subsidiary of the Company, received a writ issued by 連雲港市連溧椿基工程有限公司 against TC Orient (JS) and filed it with 連雲港市連雲區人民法院 together with the related court summons. It was alleged that TC Orient (JS) is obliged to make payment of approximately HK$1,662,000 under a settlement agreement. On 25 December 2014 TC Orient (JS) appealed to the 連雲港市連雲區人民法院.

In view of the probability of cash outflow, the full amount was provided and recognised as other gains and losses in the consolidated financial statements for the years ended 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the reporting period, the Group's LED business focused on credit management and control and inspection, acceptance and transfer of projects under development, in order to optimize the trade receivables of the Group's LED business. As such, the Group's business were mainly concentrated on local governments with which the Group have established good business relationship such as those in Zhongshan and Shenzhen in Guangdong, and Henan and Xinzheng in Henan. In addition, due to the change in the controlling shareholder of the Group, business expansion during the period of transfer slowed down, while other business efforts were focused on further speeding project inspection and acceptance and collection of trade receivables. During the period, the Group's turnover of trade receivables further improved.

The Group has substantially kept the risk of collection of trade receivables under control, while most of its projects under construction have been transferred. In the report of the PRC government, energy saving and emission reduction continues to play a very important role. The renovation of LED road lamps has become normal. In view of the Group's strong brand and reputation and its well-established qualifications and track record, we will optimize product pricing through further technical innovations while establishing our distribution system and e-commerce channels to expand direct product sales.

In order to make full use of the Group's strengths in the LED market for its established brand, reputation, qualifications and track record, the Group will attempt to implement a business partner system in three areas being "consolidating organizational structure, consolidating product platform and consolidating market resources", which will enable the Group to obtain more market resources, to realize diversified development and to expand into LED markets other than road lamps.

Business review

The Group is principally engaged in manufacturing and trading of broad range of LED lighting and PCBs including single-sided PCBs, double-sided PCBs and multi-layered PCBs up to 12 layers, the breakdown by turnover is summarised as follows:

	Year 2014		Year 2013		Increase/ (decrease)	Change in
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
LED lighting	**30,451**	**4.3**	75,787	11.2	(45,336)	(59.8)
Single-sided PCB	**195,619**	**27.7**	182,975	27.1	12,644	6.9
Double-sided PCB	**278,444**	**39.4**	216,325	32.0	62,119	28.7
Multi-layered PCB	**201,407**	**28.6**	201,120	29.7	287	0.1
Total	**705,921**	**100**	676,207	100	29,714	4.4

The products in the three categories are mainly applied in consumer electronics, computers and computer peripherals, and communications equipment. During the year, application wise, consumer electronics remained to contribute the highest turnover that accounted for approximately 35% of the Group's turnover. High end multi-layered PCBs became the core product of the Group, accounted for 28.6% of turnover.

The Group's turnover by geographical regions is summarised as follows:

	Year 2014		Year 2013		Increase/ (decrease)	Change in
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	**170,295**	**24.1**	172,203	25.5	(1,908)	(1.1)
The PRC	**292,307**	**41.4**	330,655	48.9	(38,348)	(11.6)
Asia (Excluding Hong Kong and the PRC)	**128,637**	**18.2**	123,541	18.3	5,096	4.1
Europe	**89,651**	**12.7**	41,382	6.1	48,269	116.6
Others	**25,031**	**3.6**	8,426	1.2	16,605	197.1
Total	**705,921**	**100**	676,207	100	29,714	4.4

The Group has two PCB manufacturing plants both located at Zhongshan, Guangdong of the PRC and one LED manufacturing plant located at Shenzhen, Guangdong of the PRC.

Production plant	**Location**	**Area**	**Products**	**Production capacity**	**Commencement of operations**
LED lighting	Shenzhen, Guangdong the PRC	3,000 sq. m.	LED lighting	15,000 LED lamps per month	July 2010
Plant 1	Zhongshan, Guangdong the PRC	58,000 sq. m.	1 layered PCBs	1,300,000 sq. ft. per month	May 2003
Plant 2	Zhongshan, Guangdong the PRC	52,000 sq. m.	2 – 12 layered PCBs	900,000 sq. ft. per month (phase 1)	October 2007 (phase 1)

FINANCIAL REVIEW

For the year ended 31 December 2014, the Group's turnover amounted to approximately HK$705.9 million, representing a increased of 4.4% as compared to approximately HK$676.2 million for the year ended 31 December 2013. The turnover of LED lighting has decreased by 59.8% during the year of 2014. The gross profit/(loss) margin for the year of 2014 was 7.4% (2013: (20.7)%). The gross profit/(loss) margins for LED lighting and PCBs were 2.2% and (13.2)% respectively. During the year of 2014, the average utilisation rate of single-sided PCBs, double-sided PCBs and multi-layered PCBs were 60%, 63% and 73% respectively.

The turnover and gross profit margin in both LED lighting and PCB business decreased, mainly attributable to (i) strong competition in LED lighting sector; (ii) more competitiveness in PCB industry; (iii) excess capacity of machinery in PCB business; and (iv) reduction in average selling price of PCB.

Loss attributable to shareholders was approximately HK$111.9 million (2013: HK$306.8 million). The loss was also due to the following non-recurring items.

Impairment loss in respect of property, plant and equipment

During the year, the directors conducted a review of the Group's plant and machinery and determined that a number of those assets were impaired due to the decline of market price and the increase in cost of production. Accordingly, impairment losses of HK$3,179,000 (2013: HK$18,778,000) and HK$4,022,000 (2013: HK$4,694,000) were recognised respectively in respect of plant and machinery and leasehold improvements, which are used in the Group's PCB business. The recoverable amount of the relevant assets is determined on the basis of their value in use and is less than the carrying value before impairment assessment as at 31 December 2014.

No negative cashflow effect is made to the Group.

Impairment loss in respect of inventories

During the year, the directors conducted a review of the Group's inventories and determined that the finished goods aged over 180 days, and raw materials aged over 1 year, were fully impaired, due to dynamic market changes. Accordingly, impairment loss of HK$3,861,000 (2013: HK$9,124,000) has been recognised in respect of inventories.

No negative cashflow effect is made to the Group.

Recognised Share based payments

During the year, the Group recognised a share based payments amounted HK$32,144,000 (2013: HK$534,000).

No negative cashflow effect is made to the Group.

WRITTEN OFF/IMPAIRMENT LOSS RECOGNISED ON TRADE RECEIVABLES AND OTHER RECEIVABLES

Since July 2010, the Group was over-optimistic in LED lighting business, like our peers, and experienced too fast expansion in securing LED lighting projects in various cities. During the year, the management performed an impairment assessment on trade receivables and other receivables. The written off/impairment losses of Nil (2013: HK$14,149,000) for LED lighting business and HK$1,809,000 (2013: HK$189,000) for PCB business were recognised respectively. More stringent risk management measures have been implemented to control the credit risk since the second half of 2012.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2014, the Group had total assets of approximately HK$1,141.1 million (31 December 2013: HK$1,089.9 million) and interest-bearing borrowings of approximately HK$231.2 million (31 December 2013: HK$142.3 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 20.3% (31 December 2013: 13.1%).

The Group had net current assets of approximately HK$57.9 million (31 December 2013: net current assets of HK$11.5 million) consisted of current assets of approximately HK$798.0 million (31 December 2013: HK$669.4 million) and current liabilities of approximately HK$740.1 million (31 December 2013: HK$657.9 million), representing a current ratio of approximately 1.08 (31 December 2013: 1.02).

As at 31 December 2014, the Group had cash and bank balances (including pledged bank deposits) of approximately HK$273.3 million (31 December 2013: HK$143.5 million). As at 31 December 2014, the Group had bank balances, deposit and cash of approximately HK$167.3 million (31 December 2013: HK$108.8 million).

FOREIGN CURRENCY EXPOSURE

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong dollars and Renminbi ("RMB"). However, foreign currencies, mainly United States Dollars, Euro and Japanese Yen, are required to settle the Group's expenses and additions on property, plant and equipment. There are also sales transactions denominated in United States Dollars and RMB. The Group will use forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

HUMAN RESOURCES

As at 31 December 2014, the Group employed a total of approximately 2,068 employees (31 December 2013: 1,953), including approximately 1,984 employees in its Zhongshan production Site, 61 employees in its PRC LED business units and approximately 23 employees in its Hong Kong office.

The Group's remuneration policy is reviewed regularly, with reference to the legal framework, market conditions and the performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive directors and members of the senior management are also reviewed by the remuneration committee. The Group may grant share options and discretionary bonuses to eligible employees based on the performance of the Group and individuals. Under the Group's remuneration policy, employees are rewarded in line with the market rate in compliance with statutory requirements of all jurisdictions where it operates. The Group holds regular training programmes and encourages staffs to attend training courses and seminars that are related directly or indirectly to the Group's business.

OUTLOOK

1. Group strategic move and prospects in LED segment

A. Enhancement of existing technology and production base

The Group understands that the potentials of the LED segment have not been fully explored. Based on our current technology platform, accumulated experience and to further strengthen our market share in the street light market, the Group has formulated the following strategies going forward:

(i) Selling of street light modules to partners other than first tier cities

The Group will continue to focus our effort in pursuing large street light projects in first tier cities as these projects require an established brand, quality product and control experience of extensive project profile. Gauged on our technology and strong procurement strengths, establishing partnership with other street light service providers other than first tier cities will be the focus of our marketing effort. Other than further utilising our technology and production capacity, this move will definitely improve our market share in Mainland China and also our cash flow in the coming years though the margin per project is expected to reduce.

On balance, the Group believes that this strategy will make the Group become stronger in the LED street light sector and increase overall profitability level.

(ii) Extension to the overseas market of street light

Thanks to our extensive project experience, quality of our products and the product profiles in Mainland China, the Group has been approached by various overseas buyers to request the supply of street light overseas. This request has inspired the Group to consider the overseas market in the coming financial year. This strategic change will further utilise our existing technology and production platform.

Accordingly, the Group expects to expand the overseas division by recruiting more professionals or combining other companies in order to vigorously explore the overseas market potentials.

Certainly, more research and development will be on advanced street light application including wireless control system of the smart street light which has been started to apply in Mainland China by our Group.

(iii) New product range: High-watt-flood-light for signage lighting

Well know issue for the advertising industry is that the signage lighting has consumed a lot of power energy for the signboard or the billboard. As the Group has extensive experience in lighting design in utilising special lens, high wattage driver, high power LED chips and heat sink ("Special Lighting Design", or SLD), the Group believe this market potential is great and will focus to develop a series of products which will match the special requirements of the advertising industry normally utilising the lights with a range between 100 watts to more than 1,000 watts.

B. Extension of our technology to Special Lighting Design

As just mentioned, the Group has specialised experience in SLD, the potential in applying our existing researches are also vital to the Group development in the LED lighting sectors. As a result, the Group has continued to search the applications which could utilise our technology base to further develop our product profile and hence the lucrative drive to improve the Group's performance.

Through our extensive research, the Group has identified that Horticulture and Floriculture lightings require a lot of application of SLD. As food safety and supply issues attracts global attention, the utilisation of LED lighting in the plant factory combining with controlled hydroponic systems will be a modern trend in the world's advanced application of horticulture business.

Researches show that the Global Warming and Dimming issues please refer to http://en.wikipedia.org/wiki/Global_sunlight_dimming for details make the amount of sunlight and solar radiation declined over the past decades.

The Group believes that the development of the product profiles in the Grow lights as mentioned before will generate more business in future in a special LED lighting sector which has a lot of potentials which the global demand is significant.

The Group may consider developing in the plant factory system and industry if opportunity comes.

Certainly, the Group may also identify partners in this sector to work together by forming joint venture or acquisition of their technology to enter this industry as earliest as possible.

C. Extension of product profile

As the LED technology has become more stable, the demand of products for small-wattage products (1 watt to 48w) becomes more popular. The market volumes of these products are huge for both Mainland market and overseas market.

The Group will select certain product range to specialise in certain products in order to tap the market move in the coming financial year. Certainly, the Group will focus on either special products or high volumes product in order to fully utilise the branding effect and production capacity.

D. Conclusion

No matter what, as mentioned the LED lighting industry will have rocket growth for industrial and commercial applications. Riding on these moves, surely, the Group will seize this opportunity by combining the current and new technology and resources to move a big step forward. Above all, the Group is very confident in the coming year to improve our performance in the LED lighting sector and the new product development will certainly bring our Group into a new era.

2. Group strategic move and prospects in PCB segment

A. Adjustment to product mix:

For ordinary single-sided products, we will shift to metal base materials for high-end LED and backlight power supply. In view of the major international customers we have newly obtained in the fourth quarter of 2014, sales of PCB for metal base materials may increase by 30% in 2015.

For multi-layered products, we will deepen motor vehicle market. Currently we have obtained 3 out of top 10 automotive electrical appliance assembly companies in the world and expect sales of PCB for motor vehicles as a percentage of total sales to increase to approximately 15% in 2015 from approximately 8% in 2014.

We will strengthen our cooperation with top domestic PCB manufacturers to support our research and development and marketing of high-end 4G communications products.

B. Measures to be taken in order to increase sales

We will expand our sales team and recruit talents, in particular building our teams for overseas markets such as Europe and U.S. to capture the opportunities brought by economic recovery in Europe and U.S..

We will expand our OEM function so that we will not give up any customer. We will share market and profit with suitable OEM manufacturers while securing long-term customers.

We will improve our production quality and optimise management through assessment of performance based on the increase in orders from existing customers.

We expect sales of the Group to increase by approximately 20% in 2015.

OTHER INFORMATION

Dividends

The Board has resolved not to recommend the payment of a final dividend (31 December 2013: Nil).

Share option scheme

Details of the share options held by the directors of the Company are as follows:

Grantee	Date of grant	Exercise price per share HK$	Outstanding at 1 January 2014 '000	Granted during the year '000	Reclassification '000	Exercised during the year '000	Lapsed/ Forfeited during the year '000	Outstanding at 31 December 2014 '000	Exercisable period
Directors:									
Yeung Hoi Shan	29 September 2009	1.07	2,400	–	–	–	(2,400)	–	(Note 1)
	22 October 2014	1.25	–	3,900	(3,900)	–	–	–	(Note 4)
Zhu Jianqin	29 September 2009	1.07	600	–	–	–	(600)	–	(Note 1)
	2 September 2011	2.11	2,300	–	–	–	–	2,300	(Note 3)
	22 October 2014	1.25	–	1,300	–	–	–	1,300	(Note 4)
Kwok Tung Fai	14 July 2010	1.50	240	–	–	–	(240)	–	(Note 2)
Wong Siu Fai, Albert	29 September 2009	1.07	140	–	–	–	(140)	–	(Note 1)
	14 July 2010	1.50	200	–	–	–	(200)	–	(Note 2)
	2 September 2011	2.11	200	–	–	–	(200)	–	(Note 3)

Grantee	Date of grant	Exercise price per share HK$	Outstanding at 1 January 2014 '000	Granted during the year '000	Reclassification '000	Exercised during the year '000	Lapsed/ Forfeited during the year '000	Outstanding at 31 December 2014 '000	Exercisable period
Cheung Sui Wing, Darius	29 September 2009	1.07	80	–	(80)	–	–	–	(Note 1)
	14 July 2010	1.50	140	–	(140)	–	–	–	(Note 2)
	2 September 2011	2.11	200	–	(200)	–	–	–	(Note 3)
Yeung Tai Hoi	29 September 2009	1.07	80	–	–	–	(80)	–	(Note 1)
Li Jinxia	29 September 2009	1.07	700	–	–	–	(700)	–	(Note 1)
Chen Jing	22 October 2014	1.25	–	3,900	–	–	–	3,900	(Note 4)
Li Jianchao	22 October 2014	1.25	–	4,423	–	–	–	4,423	(Note 4)
Shi Qiu Yu	22 October 2014	1.25	–	4,423	–	–	–	4,423	(Note 4)
Leung Wah	22 October 2014	1.25	–	440	–	–	–	440	(Note 4)
Lai Sze Ngot	22 October 2014	1.25	–	440	–	–	–	440	(Note 4)
Chen Zheng Xue	22 October 2014	1.25	–	440	–	–	–	440	(Note 4)
Subtotal			7,280	19,266	(4,320)	–	(4,560)	17,666	

Note 1: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 5th year after the date of grant.

Note 2: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 10th year after the date of grant.

Note 3: Options are exercisable subject to (i) up to 25% of the options are exercisable on or after 2 March 2012; (ii) up to 50% of the options are exercisable on or after 2 March 2013; (iii) up to 75% of the options are exercisable on or after 2 March 2014; and (iv) all the remaining options are exercisable on or after 2 March 2015. The options will be expired in the 10th year after the date of grant.

Note 4: Options are exercisable on or after 22 October 2014. The options will be expired in the 10th year after the date of grant.

Purchase, sales or redemption of the Company's listed securities

Other than the Company's share option scheme disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures, of the Company or any other body corporate.

Compliance with the Code of Corporate Governance Practices

The Board of the Company recognises the importance of corporate governance practice of a listed company and is committed to adopting the standards of corporate governance. It is in the interest of the stakeholders and shareholders for a listed company to operate in a transparent manner with the adoptions of various self-regulatory policies, procedures and monitoring mechanisms with a clear definition of accountability of directors and management.

The Company and the directors confirm, to the best of their knowledge, that the Company complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2014, except the deviation disclosed in the following paragraph:

– With respect to Code Provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separated and not be performed by the same individual. Mr. Wong Wing Choi, an executive director and CEO of the Company has resigned on 23 January 2009. Since then, the Company had tried to look for appropriate person to succeed and up to the date of this report, the process is still in progress.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

Compliance with the Model Code for Securities Transactions by directors of listed issuers (the "Model Code")

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

AUDIT COMMITTEE

An Audit Committee was established by the Company to review and supervise the Company's financial reporting process and internal control. The Audit Committee comprises the independent non-executive directors of the Company. Mr. Leung Wah, is the chairman of the Audit Committee.

On behalf of the Board
Chen Jing
Chairman

Hong Kong, 30 March 2015

As at the date hereof, the executive Directors are Mr. Chen Jing, Mr. Li Jianchao, Mr. Zhu Jianqin, Mr. Chen Zheng Xue, Mr. Wang Shi Jin, Ms. Shi Qiu Yu and Mr. Zeng Xiang Di; and the independent non-executive Directors are Mr. Leung Wah, Ms. Lai Sze Ngot, Mr. Lo Chi Ko and Mr. Luk Chi Keung.