



Neo-Neon®

**NEO-NEON HOLDINGS LIMITED**

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



**清华同方**  
TSINGHUA TONGFANG



**PROVIDING INTEGRATED FINANCIAL SERVICES**  
A platform for incubating technological innovations

**TONGFANG  
SECURITIES**

**2018  
INTERIM REPORT**

Cooperation, Shared, Win-Win

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Mr. Seah Han Leong  
Mr. Daniel P.W. Li

#### *Non-executive Directors*

Mr. Huang Yu (*Chairman*)  
Mr. Wang Liang Hai  
Mr. Liu Wei Dong

#### *Independent non-executive Directors*

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

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### RISK MANAGEMENT AND REGULATORY COMPLIANCE COMMITTEE

Mr. Fan Ren Da Anthony (*Chairman*)  
Mr. Huang Yu  
Mr. Seah Han Leong  
Mr. Daniel P.W. Li  
Mr. Wang Liang Hai  
Mr. Liu Wei Dong  
Mr. Liu Tian Min  
Ms. Li Ming Qi

### AUTHORIZED REPRESENTATIVES

Mr. Seah Han Leong  
Mr. Leung Lok Wai

### COMPANY SECRETARY

Mr. Leung Lok Wai

**CORPORATE INFORMATION** *(Continued)*

**HONG KONG BRANCH  
SHARE REGISTRAR**

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

**AUDITOR**

KPMG  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

**LAWYER AS TO HONG KONG  
LAWS**

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

**PRINCIPAL BANKS**

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

**REGISTERED OFFICE**

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

**PRINCIPAL PLACE OF  
BUSINESS IN HONG KONG**

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

**PRINCIPAL SHARE REGISTRAR**

Royal Bank of Canada Trust Company (Cayman)  
Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

**COMPANY WEBSITE ADDRESS**

[www.neo-neon.com](http://www.neo-neon.com)

**STOCK CODE**

1868

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

The total revenue for the Period was approximately RMB331.8 million, representing an increase of approximately 3.0% as compared to approximately RMB322.1 million for the six months ended 30 June 2017. For further details, please refer to the below.

#### *Lighting Segment*

The revenue attributable to the lighting segment (research and development, manufacturing of lighting products and distribution of lighting products and providing solutions of lighting products) for the Period was approximately RMB294.2 million, representing a decrease of approximately 5.5% as compared to approximately RMB311.3 million for the six months ended 30 June 2017, mainly attributable to the prudent selective acceptance of orders with higher profit margin during the Period.

#### *Securities Segment*

During the Period, the revenue attributable to securities segment was approximately RMB37.6 million, representing an increase of approximately 248.1% as compared to approximately RMB10.8 million for the six months ended 30 June 2017, mainly attributable to increasing gain in securities investment during the Period.

#### Cost of goods sold

For the Period, the cost of goods sold was approximately RMB199.9 million, representing a decrease of approximately RMB20.1 million over approximately RMB220.0 million for the six months ended 30 June 2017. Such decrease was mainly attributable to the decrease in material cost.

## FINANCIAL REVIEW *(Continued)*

### **Gross profit and gross profit margin**

For the Period, the Group recorded a gross profit of approximately RMB131.9 million, representing an increase of RMB29.8 million or 29.2% over the gross profit of approximately RMB102.1 million for the six months ended 30 June 2017.

#### *Lighting Segment*

For the Period, the Group recorded a gross profit of approximately RMB94.3 million for the lighting segment, representing an increase of approximately RMB3.0 million or 3.3% over approximately RMB91.3 million for the six months ended 30 June 2017 primarily due to the prudent selective acceptance of orders with higher profit margin.

#### *Securities Segment*

For the Period, the Group's securities segment recorded a gross profit of approximately RMB37.6 million.

The Group recorded a gross profit margin of approximately 39.8% for the Period, representing an increase of 8.1 percentage points over a gross profit margin of approximately 31.7% for the six months ended 30 June 2017 because there is no cost of goods sold for securities segment and a decrease in material cost.

### **Other gains, losses and expenses**

For the Period, the Group recorded other gains of approximately RMB17.2 million, representing a decrease of approximately RMB88.4 million over the other gains of RMB105.6 million for the six months ended 30 June 2017. The gain was mainly due to the net gains of approximately RMB110.6 million resulting from the completion of the disposal of three subsidiaries, namely Yangzhou Tongfang Semiconductors Co., Ltd, Shanghai Cuiheng Photoelectricity Science and Technology Co., Ltd and Tianjin Zhenmingli Photoelectricity Co., Ltd during the period ended 30 June 2017 and there was no disposal of any subsidiary in the Period.

### **Impairment loss of property, plant and equipment**

For the Period, the amount of impairment losses recognised in respect of property, plant and equipment was nil (30 June 2017: nil).

## **FINANCIAL REVIEW** *(Continued)*

### **Operating expenses**

For the Period, total operating expenses were approximately RMB109.5 million, representing an increase of approximately RMB13.6 million over approximately RMB95.9 million for the six months ended 30 June 2017, mainly attributable to the increase in staff costs, rent and rates and professional fees.

### **Finance costs**

The finance costs for the Period was approximately RMB4.8 million, representing an increase of RMB3.2 million over RMB1.6 million for the six months ended 30 June 2017, mainly due to the increase in bank loan.

### **Taxation**

For the Period, the Group's tax charge of RMB2.3 million (30 June 2017: tax charge of RMB6.4 million) mainly included tax provision for the Period of 2018 for approximately RMB1.5 million and deferred tax of approximately RMB0.8 million.

### **Profit attributable to owners of the Company**

For the Period, the Group recorded a profit attributable to owners of the Company of RMB36.8 million, representing a decrease over RMB75.1 million for the six months ended 30 June 2017, primarily due to the absence of disposal of any subsidiary recognised during the Period as compared to the net gains of approximately RMB110.6 million resulting from the completion of the disposal of three subsidiaries, namely Yangzhou Tongfang Semiconductors Co., Ltd, Shanghai Cuiheng Photoelectricity Science and Technology Co., Ltd and Tianjin Zhenmingli Photoelectricity Co., Ltd during the period ended 30 June 2017.

### **Financial Resources and Liquidity and Gearing Ratio**

The Group maintained a stable financial position. As at 30 June 2018, the Group had bank balances of RMB481.9 million and interest-bearing borrowings of approximately RMB355.7 million. The gearing ratio representing the ratio of interest-bearing borrowings to total equity of the Group was 24.4% as at 30 June 2018 (31 December 2017: 4.9%). Such increase was mainly caused by increase in interest-bearing borrowings of RMB314.1 million.

## FINANCIAL REVIEW *(Continued)*

### Cash flows

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

The Group recorded (1) cash outflow from operating activities of approximately RMB89.8 million (the six months ended 30 June 2017: cash outflow of RMB109.3 million) for the Period; (2) cash outflow from investing activities of approximately RMB141.7 million (the six months ended 30 June 2017: cash outflow of approximately RMB60.9 million) for the Period; and (3) cash inflow from financing activities of approximately RMB273.9 million (the six months ended 30 June 2017: cash inflow of approximately RMB96.3 million) for Period.

The above decrease in cash outflow from operating activities was mainly attributable to (1) increase in inventories of approximately RMB25.2 million; (2) increase in trade receivables of approximately RMB57.0 million and (3) decrease in trade and other payables of approximately RMB69.7 million.

The above increase in cash outflow from investing activities was mainly attributable to (1) the disposal of financial assets at fair value through profit or loss of approximately RMB538.6 million; and (2) the purchase of financial assets at fair value through profit or loss of approximately RMB383.0 million; and (3) the purchase of financial assets carried at amortised cost of approximately RMB277.5 million.

The above increase in cash inflow from financing activities was mainly attributable to increase in interest-bearing borrowings of approximately RMB314.1 million and repayment of bank loans of approximately RMB32.1 million.

### Assets and liabilities

As at 30 June 2018, the Group recorded the total assets of approximately RMB1,978.2 million (31 December 2017: RMB1,752.8 million) and total liabilities of approximately RMB519.8 million (31 December 2017: RMB319.0 million).

As at 30 June 2018, the Group's current assets and non-current assets were approximately RMB1,500.7 million (31 December 2017: RMB1,298.3 million) and approximately RMB477.5 million (31 December 2017: RMB454.5 million) respectively. The increase in current assets was mainly attributable to the increase in financial asset at fair value through profit or loss of approximately RMB189.6 million, and trade and other receivables of approximately RMB48.7 million.

As at 30 June 2018, the Group's current liabilities and long-term liabilities were approximately RMB507.9 million (31 December 2017: RMB305.1 million) and approximately RMB11.9 million (31 December 2017: RMB13.9 million) respectively. The increase in current liabilities was mainly attributable to increase in interest-bearing borrowings of approximately RMB285.5 million.



## **FINANCIAL REVIEW** *(Continued)*

### **Foreign exchange Risk**

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

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

### **Charge on Assets**

As at 30 June 2018, the Group did not pledge any of its land and buildings (31 December 2017: nil). The Group pledged certain of its trade receivables and inventories with an aggregate carrying value of approximately RMB52.2 million (31 December 2017: RMB53.4 million), and also bank deposits of aggregate carrying value of RMB34.8 million (31 December 2017: RMB13.3 million) to secure bank credit facilities granted to the Group.

### **Capital Commitments**

As at 30 June 2018, the Group had capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment of RMB4.9 million (31 December 2017: RMB4.6 million).

### **Contingent Liabilities**

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

### **Capital Structure**

As at 30 June 2018, the issued share capital of the Company was RMB185,814,228 (equivalent to HK\$209,589,342) (31 December 2017: RMB186,911,931 (equivalent to HK\$210,916,342)), divided into 2,095,893,417 ordinary shares of HK\$0.10 each. Such change was primarily due to cancellation of the repurchased Shares.

## **FINANCIAL REVIEW** *(Continued)*

### **Advance to an Entity**

On 6 April 2018, Tongfang Finance Limited, a wholly-owned subsidiary of the Company, had agreed to advance an aggregate of secured loans of HK\$269,102,000 to Mr. Wang Li Feng as the borrower (the “Borrower”) by way of (i) an acquisition of bonds (the “Bonds”) issued by the Borrower at a consideration of HK\$185,450,000; and (ii) a provision of a secured loan in cash of HK\$83,652,000 at an interest rate of 8% per annum under a loan agreement (the “Loan Agreement”) dated 6 April 2018 and entered into between Tongfang Finance Limited and the Borrower. On 6 April 2018, Tongfang Finance Limited had also entered into a supplemental agreement (the “Supplemental Agreement”) with the Borrower to amend certain terms of the Bonds. The transactions contemplated under the Bonds as amended by the Supplemental Agreement and the Loan Agreement constitute an advance to an entity by the Company under Rule 13.13 of the Listing Rules and details of the relevant interest rates, repayment terms and collaterals are disclosed in the announcement of the Company dated 6 April 2018.

As at 30 June 2018, the circumstances giving rise to the disclosure under Rule 13.13 of the Listing Rules continued to exist and the advance to the Borrower by the Group as at 30 June 2018 amounted to HK\$269,102,000.

### **Material Acquisition, Disposal and Significant Investment**

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period, nor was there any plan authorized by the Board for other material investments or additions of capital assets during the Period.

### **Interim Dividend**

The Board resolved not to declare any dividend for the Period (30 June 2017: nil).

## BUSINESS REVIEW

### Overview

During the Period, lighting segment of the Group seized the opportunity to explore the overseas market without slack, increased the gross margins, improved the management level, and revitalized idle assets, which lead to the improvement in its operating performance.

Heshan Tongfang Lighting Technology Co., Ltd.\* (鶴山同方照明科技有限公司) (“Heshan Tongfang”), a wholly-owned subsidiary of the Group, entered into an investment framework agreement (the “Investment Framework Agreement”) with the Management Committee of Heshan Municipal Industry City\* (鶴山市工業城管委會) (“Management Committee of Heshan Industry City”) in relation to the development and expansion of electronic information industry and LED lighting industry in Heshan Industry City\* (鶴山市工業城) by planning and constructing Tongfang Science and Technology City\* (同方科技城), a science and technology zone to be operated by Heshan Tongfang on 29 June 2017.

The Investment Framework Agreement marks the Group’s continuous efforts to expand its current businesses of research & development, sales and manufacturing of LED decorative lighting, LED general lighting, LED professional lighting and engineering projects. The cooperation with Management Committee of Heshan Industry City also demonstrates the local government authority’s commitment and faith in the Group’s business and operation.

Accordingly, the Directors (including the independent non-executive Directors) are of the view that the Investment Framework Agreement is in the best interest of the Company and the shareholders of the Company as a whole.

## **BUSINESS REVIEW** *(Continued)*

### **Overview** *(Continued)*

On 1 March 2018, the Company received an approval letter from Heshan Municipal People's Government\* (鶴山市人民政府) ("Heshan Government"), pursuant to which Heshan Government has approved the construction and development plan of Tongfang Science and Technology City\* (同方科技城), a science and technology zone to be operated by Heshan Tongfang, in Heshan Industry City\* (鶴山市工業城) as contemplated under the Investment Framework Agreement. On 7 August 2018, Heshan Municipal Land Bureau determined the site map of each planned plot. In the event any definitive agreement in relation to the Investment Framework Agreement is entered into, further announcement(s) will be made as appropriate in compliance with the Listing Rules.

On the other hand, the Company has started to cultivate the following into new pillar businesses, fund management, investment banking, financial management and technology-based financial business investments from emerging industries. During 2017, the Company completed the acquisition of Buttonwood Finance Limited, which is currently named as Tongfang Securities Limited and has become a wholly-owned subsidiary of the Company. Tongfang Securities Limited is a company incorporated in Hong Kong with limited liability and is principally engaged in provision of asset management services, investment advisory services and securities trading, and is licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities. Tongfang Securities Limited also incorporated Tongfang Capital Limited which is a licensed corporation to carry on Type 6 (Advising on Corporate Finance) regulated activity under the SFO. Tongfang Finance Limited, an entity under common control with Tongfang Securities, is a corporation to carry on money lending business under Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong). The deployment and development of such national strategic emerging industries would facilitate the Group to continue to innovate and develop.

## **BUSINESS REVIEW** *(Continued)*

### **Sales and Distribution**

During the Period, the Group took efforts in distribution and marketing, improving and expanding the sales channel of general LED lighting products. The Group proactively made deployment in branding establishment and sales channel in the world's fastest growing markets and brought to its customers better sales services in energy-saving technologies and solutions.

### **Research and Development (“R&D”)**

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

### **Employees and Remuneration Policy**

As at 30 June 2018, the Group's total number of employees was approximately 1,200 (31 December 2017: 1,200). 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.

In addition to the share option schemes and subsidiary share incentive plan adopted by the Company, on 13 April 2018, the Company approved the adoption of share award scheme which is a long-term incentive plan of the Company to align the interests of selected participants directly to the Shareholders through ownership of Shares.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders.

Throughout the Period, the Company complied with the code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

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

During the Period, the Company repurchased its own shares on the Stock Exchange, details of which are as follows:

Month/Year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
2 January 2018 <sup>(1)</sup>	394,000	HK\$0.83	HK\$0.82	HK\$326,100
8 January 2018 <sup>(1)</sup>	314,000	HK\$0.82	HK\$0.80	HK\$252,700
9 January 2018 <sup>(1)</sup>	986,000	HK\$0.82	HK\$0.79	HK\$801,500
19 January 2018 <sup>(2)</sup>	338,000	HK\$0.78	HK\$0.75	HK\$256,440
2 February 2018 <sup>(2)</sup>	684,000	HK\$0.75	HK\$0.71	HK\$498,900
6 February 2018 <sup>(2)</sup>	172,000	HK\$0.74	HK\$0.71	HK\$125,260
7 February 2018 <sup>(2)</sup>	484,000	HK\$0.77	HK\$0.72	HK\$356,200
9 February 2018 <sup>(2)</sup>	256,000	HK\$0.71	HK\$0.69	HK\$178,380
13 February 2018 <sup>(2)</sup>	698,000	HK\$0.80	HK\$0.72	HK\$531,120
20 June 2018 <sup>(3)</sup>	460,000	HK\$0.87	HK\$0.80	HK\$376,180
22 June 2018 <sup>(3)</sup>	302,000	HK\$0.85	HK\$0.84	HK\$255,380
25 June 2018 <sup>(3)</sup>	152,000	HK\$0.84	HK\$0.82	HK\$125,600

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

*(Continued)*

- (1) The repurchased shares were cancelled on 5 March 2018.
- (2) The repurchased shares were cancelled on 11 May 2018.
- (3) The repurchased shares have not been cancelled as at the date of this interim report.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

From 1 July 2018 up to the date of this interim report, the Company repurchased its own shares on the Stock Exchange, details of which are as follows:

Month/Year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
3 July 2018	26,000	HK\$0.85	HK\$0.79	HK\$21,760
4 July 2018	448,000	HK\$0.81	HK\$0.74	HK\$351,560

The repurchased shares above have not been cancelled as at the date of this interim report.

## DIVIDENDS

The Board resolved not to declare any interim dividend for the Period.

## AUDIT COMMITTEE

The audit committee of the Company comprises the three independent non-executive Directors of the Company.

The audit committee of the Company has reviewed the Group's unaudited interim results and the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2018 including the accounting principles and practices adopted by the Group, and discussed with the management the internal control and financial reporting matters for the Period.

## DISCLOSURE OF INTERESTS

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2018, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions 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 (Chapter 571 of the laws of Hong Kong) (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded 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:

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

Name	Capacity	Number of	Percentage of
		Ordinary Shares as at 30 June 2018	total issued share capital as at 30 June 2018
Mr. Seah Han Leong <sup>(1)</sup>	Beneficial owner	1,500,000	0.07%
Mr. Wang Liang Hai <sup>(2)</sup>	Beneficial owner	1,500,000	0.07%
Mr. Liu Wei Dong <sup>(3)</sup>	Beneficial owner	1,000,000	0.05%
Mr. Fan, Ren Da Anthony <sup>(4)</sup>	Beneficial owner	600,000	0.03%
Mr. Liu Tian Min <sup>(5)</sup>	Beneficial owner	600,000	0.03%
Ms. Li Ming Qi <sup>(6)</sup>	Beneficial owner	600,000	0.03%
Mr. Li P.W. Daniel <sup>(7)</sup>	Interest of controlled corporation	177,227,723	8.5%



**DISCLOSURE OF INTERESTS** *(Continued)*

**Long Positions in the Shares and underlying Shares of the Company:**  
*(Continued)*

Notes:

- (1) Mr. Seah Han Leong is deemed to be interested in 1,500,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 May 2015 under the 2006 Share Option Scheme.
- (2) Mr. Wang Liang Hai is deemed to be interested in 1,500,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 May 2015 under the 2006 Share Option Scheme.
- (3) Mr. Liu Wei Dong is deemed to be interested in 1,000,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 May 2015 under the 2006 Share Option Scheme.
- (4) Mr. Fan, Ren Da Anthony is deemed to be interested in 600,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 May 2015 under the 2006 Share Option Scheme.
- (5) Mr. Liu Tian Min is deemed to be interested in 600,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 May 2015 under the 2006 Share Option Scheme.
- (6) Ms. Li Ming Qi is deemed to be interested in 600,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 May 2015 under the 2006 Share Option Scheme.
- (7) Mr. Daniel P.W. Li holds the entire issued share capital of Vast Stone Limited and is therefore deemed to be interested in all 177,227,723 Shares held by Vast Stone Limited.

**DISCLOSURE OF INTERESTS** *(Continued)***Long Positions in the Shares and underlying Shares of the associated corporation:***American Lighting*

<b>Name</b>	<b>Capacity</b>	<b>Number of Ordinary Shares as at 30 June 2018</b>	<b>Percentage of total issued share capital of American Lighting as at 30 June 2018</b>
Mr. Seah Han Leong <sup>(1)</sup>	Beneficial owner	363	0.99%

*Notes:*

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

Save as disclosed above, as at 30 June 2018, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

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

**DISCLOSURE OF INTERESTS** *(Continued)***Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares**

So far as is known to any Director or chief executive of the Company, as at 30 June 2018, the persons or corporations (other than the Directors or chief executive of the Company) who had interest or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of Ordinary Shares as at 30 June 2018	Percentage of total issued share capital as at 30 June 2018
THTF ES <sup>(1)</sup>	Beneficial owner	1,348,360,690	64.3%
Resuccess Investments Limited <sup>(1)(2)</sup>	Interest of controlled corporation and beneficial owner	1,357,442,690	64.8%
Tsinghua Tongfang <sup>(1)(2)</sup>	Interest of controlled corporation	1,357,442,690	64.8%
Vast Stone Limited <sup>(3)</sup>	Beneficial owner	177,227,723	8.5%
Daniel P.W. Li <sup>(3)</sup>	Interest of controlled corporation	177,227,723	8.5%

*Notes:*

- (1) Resuccess holds the entire issued share capital of THTF ES and Tsinghua Tongfang holds the entire issued share capital of Resuccess. Therefore, each of Resuccess and Tsinghua Tongfang is deemed to be interested in all 1,348,360,690 Shares held by THTF ES.
- (2) Resuccess directly holds 9,082,000 Shares in the Company. Tsinghua Tongfang holds the entire issued share capital of Resuccess. Therefore, Tsinghua Tongfang is deemed to be interested in all Shares held by Resuccess.
- (3) Daniel P.W. Li holds the entire issued share capital of Vast Stone Limited and is therefore deemed to be interested in all 177,227,723 Shares held by Vast Stone Limited.

Save as disclosed above, as at 30 June 2018, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## SHARE OPTION SCHEMES

### 2006 Share Option Scheme

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

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

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

The amount payable on acceptance of an option is HK\$1.00. In relation to any options granted under the 2006 Share Option Scheme, the exercise price is determined by the Directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Upon the adoption of the 2016 Share Option Scheme on 13 May 2016, the 2006 Share Option Scheme has been terminated and no further share options can be granted under the 2006 Share Option Scheme.

As at the date of this interim report, a total of 21,500,000 Shares (representing 1.0% of the issued share capital of the Company as at the date of this interim report) may be issued upon exercise of all options which had been granted and yet to be exercised under the 2006 Share Option Scheme.

**SHARE OPTION SCHEMES** (Continued)**2006 Share Option Scheme** (Continued)

Details of the share options under the 2006 Share Option Scheme as at 30 June 2018 are set forth as below:

Category of participants	Date of grant	Exercise price per share (HK\$)	Outstanding as at 1 January 2018	Granted during the Period	Exercise during the Period	Forfeited/ Lapsed during the Period	Outstanding as at 30 June 2018
<b>Directors</b>							
Mr. Seah Han Leong	15 May 2015	1.31	1,500,000	-	-	-	1,500,000
Mr. Wang Liang Hai	15 May 2015	1.31	1,500,000	-	-	-	1,500,000
Mr. Liu Wei Dong	15 May 2015	1.31	1,000,000	-	-	-	1,000,000
Mr. Fan, Ren Da Anthony	15 May 2015	1.31	600,000	-	-	-	600,000
Mr. Liu Tian Min	15 May 2015	1.31	600,000	-	-	-	600,000
Ms. Li Ming Qi	15 May 2015	1.31	600,000	-	-	-	600,000
<b>Employees</b>	15 May 2015	1.31	16,500,000	-	-	(800,000)	15,700,000
<b>Total:</b>	-	-	22,300,000	-	-	(800,000)	21,500,000

Notes:

- (1) Share options granted under the 2006 Share Option Scheme on 15 May 2015 vest in the relevant grantee in accordance with the timetable below with a 5-year exercise period.

Vesting date	Percentage of options to vest	Vesting condition
1 July 2016	50% of the total number of share options granted	The vesting of the share options shall be conditional upon the Company meeting its performance targets for the year of 2015
1 July 2017	50% of the total number of share options granted	The vesting of the share options shall be conditional upon the Company meeting its performance targets for the year of 2016

Save as disclosed above, no share option was granted, exercised, lapsed, or cancelled under the 2006 Share Option Scheme during the Period.

## SHARE OPTION SCHEMES *(Continued)*

### 2016 Share Option Scheme

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

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

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2016 Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 193,931,969 Shares, representing approximately 10% of the issued share capital as at 13 May 2016, being the date of adoption of the 2016 Share Option Scheme and representing approximately 9.3% of the issued share capital as at the date of this report.

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

## **SHARE OPTION SCHEMES** *(Continued)*

### **2016 Share Option Scheme** *(Continued)*

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

- (a) the nominal value of a share;
- (b) the closing price of a share as stated in the Stock Exchange's daily quotations sheets on the offer date; and
- (c) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

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

As at the date of this interim report, a total of 193,931,969 Shares (representing 9.3% of the issued share capital of the Company as at the date of this report) may be issued upon exercise of all options which may be granted under the 2016 Share Option Scheme.

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

## SHARE OPTION SCHEMES *(Continued)*

### **Subsidiary Share Incentive Plan**

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

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

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



**SHARE OPTION SCHEMES** *(Continued)***Subsidiary Share Incentive Plan** *(Continued)*

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

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

**SHARE OPTION SCHEMES** *(Continued)***Subsidiary Share Incentive Plan** *(Continued)*

Details of the share options under the Subsidiary Share Incentive Plan as at 30 June 2018 are set forth as below:

Category of participants	Date of grant	Exercise price per share (US\$)	Outstanding	Granted during the Period	Exercise during the Period	Forfeited/ Lapsed during the Period	Outstanding
			as at 1 January 2018				as at 30 June 2018
<b>Director</b>							
Mr. Seah Han Leong	30 June 2015	330	363	-	-	-	363
<b>Employees</b>							
	30 June 2015	330	2,362	-	-	-	2,362

*Notes:*

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

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

**Share Award Scheme**

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

## **SHARE OPTION SCHEMES** *(Continued)*

### **Share Award Scheme** *(Continued)*

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

On 20 April 2018, the Company granted a sum equivalent to approximately HK\$15,000,000 to the trustee of the trust set up for the purpose of the Share Award Scheme for purchase of Shares (the "Restricted Shares") from the open market. Upon purchase of the Restricted Shares, the trustee will hold the Restricted Shares on trust for the Company and will vest the Restricted Shares to the selected participants in accordance with the person authorized to administer the Scheme and upon all vesting conditions specified having been satisfied. On 7 June 2018, the Company withdrew such sum equivalent to approximately HK\$15,000,000 from the trustee because the Company had no plan to grant Restricted Shares and thus considered it not appropriate for the trustee to hold the fund from the cost perspective.

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

## **CHANGES IN INFORMATION OF DIRECTORS**

During the Period and up to the date of this report, Mr. Daniel P.W. Li has been appointed as an executive Director, a member of the Risk Management and Regulatory Compliance Committee with effect from 16 May 2018. Details of the Director's biography is disclosed in the announcement of the Company dated 16 May 2018.

Save as disclosed above, the Directors of the Company are not aware of any other information in respect of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended 30 June 2018 – Unaudited

*(Expressed in Renminbi (“RMB”))*

		<b>Six months ended</b>	
		<b>30 June 2018</b>	30 June 2017
	<i>Note</i>	<b>RMB'000</b>	<i>RMB'000</i>
<b>Revenue</b>	3	<b>331,821</b>	322,054
Cost of goods sold		<b>(199,875)</b>	(219,973)
<b>Gross profit</b>		<b>131,946</b>	102,081
Other income		<b>4,425</b>	8,679
Other gains and losses	4	<b>17,226</b>	105,582
Other expenses		–	(462)
Distribution and selling expenses		<b>(51,320)</b>	(41,736)
Administrative expenses		<b>(58,172)</b>	(54,172)
Finance costs		<b>(4,815)</b>	(1,636)
<b>Profit before taxation</b>	5	<b>39,290</b>	118,336
Income tax	6	<b>(2,300)</b>	(6,423)
<b>Profit for the period</b>		<b>36,990</b>	111,913
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
– Available-for-sale securities: net movement in fair value reserve		<b>(1,295)</b>	(7,496)
– Exchange differences on translation of financial statements, net of nil tax		<b>(6,846)</b>	(27,544)
<b>Total comprehensive income for the period</b>		<b>28,849</b>	76,873

The notes on pages 34 to 59 form part of these financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(Continued)*

For the six months ended 30 June 2018 – Unaudited

*(Expressed in Renminbi (“RMB”))*

	<i>Note</i>	<b>Six months ended</b>	
		<b>30 June 2018 RMB'000</b>	30 June 2017 RMB'000
Profit for the period attributable to			
– owners of the Company		<b>36,799</b>	111,915
– non-controlling interests		<b>191</b>	(2)
		<b>36,990</b>	111,913
Total comprehensive income			
for the period attributable to			
– owners of the Company		<b>28,549</b>	77,011
– non-controlling interests		<b>300</b>	(138)
		<b>28,849</b>	76,873
		<b>RMB cents</b>	<i>RMB cents</i>
<b>Earning per share</b>			
Basic and diluted	7	<b>1.75</b>	5.3

*Notes:*

- (i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.
- (ii) This amount arose under the accounting policies applicable prior to 1 January 2018. As part of the opening balance adjustments as at 1 January 2018 the balance of this reserve has been reclassified to retained earnings. See note 2(b).

The notes on pages 34 to 59 form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2018 – Unaudited

*(Expressed in RMB)*

	<i>Note</i>	<b>At 30 June 2018 RMB'000</b>	At 31 December 2017 RMB'000
<b>Non-current assets</b>			
Investment properties		<b>14,322</b>	14,200
Property, plant and equipment		<b>125,254</b>	130,394
Prepaid lease payments		<b>59,347</b>	30,469
Goodwill		<b>123,556</b>	123,454
Intangible assets		<b>41,589</b>	35,404
Available-for-sale investments	2(a)	–	3,324
Other equity instrument investments	2(a)	<b>3,351</b>	–
Financial asset at fair value through profit or loss		<b>106,134</b>	111,166
Deferred tax assets		<b>3,946</b>	6,179
		<b>477,499</b>	454,590
<b>Current assets</b>			
Financial asset at fair value through profit or loss	2(a), 8	<b>211,169</b>	21,571
Inventories		<b>203,080</b>	177,395
Trade and other receivables	9	<b>257,653</b>	208,968
Tax reserve certificates		<b>29,888</b>	29,633
Loans	10	<b>277,466</b>	–
Available-for-sale investments	2(a)	–	321,079
Restricted bank deposits		<b>34,767</b>	13,322
Cash held on behalf of clients		<b>4,726</b>	90,321
Cash and cash equivalents		<b>481,947</b>	435,964
		<b>1,500,696</b>	1,298,253

The notes on pages 34 to 59 form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*

At 30 June 2018 – Unaudited

*(Expressed in RMB)*

	<i>Note</i>	<b>At 30 June 2018 RMB'000</b>	<b>At 31 December 2017 RMB'000</b>
<b>Current liabilities</b>			
Trade and other payables	11	151,283	234,827
Taxation payable		929	40
Interest-bearing borrowings		355,736	70,243
		<b>507,948</b>	305,110
<b>Net current assets</b>		<b>992,748</b>	993,143
<b>Total assets less current liabilities</b>		<b>1,470,247</b>	1,447,733
<b>Non-current liabilities</b>			
Government grants		6,825	7,475
Deferred tax liabilities		5,036	6,459
		<b>11,861</b>	13,934
<b>Net assets</b>		<b>1,458,386</b>	1,433,799
<b>Capital and reserves</b>			
Share capital	12	185,814	186,912
Reserves		1,268,308	1,242,923
Equity attributable to owners of the Company		<b>1,454,122</b>	1,429,835
Non-controlling interests		4,264	3,964
<b>Total equity</b>		<b>1,458,386</b>	1,433,799

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 34 to 59 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED**

For the six months ended 30 June 2018

(Expressed in RMB)

	Attributable to owners of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Special reserve	Share compensation reserve	Share options reserve	Translation reserve	Fair value reserve	Other reserve	Accumulated losses	Total		
	RMB'000	RMB'000	(note (i)) RMB'000	(note (ii)) RMB'000	(note (iii)) RMB'000	RMB'000	RMB'000	(note (iv)) RMB'000	(note (v)) RMB'000	RMB'000	RMB'000		
<b>At 1 January 2017</b>	171,808	2,264,017	344	55,238	50,024	6,389	(225,574)	-	(8,418)	(1,104,658)	1,209,170	781	1,209,951
Changes in equity for the six months ended 30 June 2017:													
Profit for the period	-	-	-	-	-	-	-	-	-	111,915	111,915	(2)	111,913
Other comprehensive income	-	-	-	-	-	-	(27,408)	(7,496)	-	-	(34,904)	(136)	(35,040)
Total comprehensive income	-	-	-	-	-	-	(27,408)	(7,496)	-	111,915	77,011	(138)	76,873
Issue of shares	15,670	166,098	-	-	-	-	-	-	-	-	181,768	-	181,768
Share repurchased and cancelled	(18)	(205)	18	-	-	-	-	-	-	-	(205)	-	(205)
Recognition of equity-settled share based payments	-	-	-	-	-	1,198	-	-	-	-	1,198	-	1,198
	15,652	165,893	18	-	-	1,198	-	-	-	-	182,761	-	182,761
<b>At 30 June 2017</b>	187,460	2,429,910	362	55,238	50,024	7,587	(252,982)	(7,496)	(8,418)	(992,743)	1,468,942	643	1,469,585

	Attributable to owners of the Company											Non-controlling interests	Total equity	
	Share Capital	Treasury shares	Share premium	Capital redemption reserve	Special reserve	Share compensation reserve	Share option reserve	Translation reserve	Fair value reserve	Other reserve	Accumulated losses			Total
	(note (12a)) RMB'000	(note (12b)) RMB'000	RMB'000	(note (i)) RMB'000	(note (ii)) RMB'000	(note (iii)) RMB'000	RMB'000	RMB'000	(note (iv)) RMB'000	(note (v)) RMB'000	RMB'000			RMB'000
<b>At 1 January 2018</b>	186,912	(6,300)	2,425,111	910	55,238	50,024	7,308	(282,700)	(13,285)	(9,100)	(984,283)	1,429,835	3,964	1,433,799
Profit for the year	-	-	-	-	-	-	-	-	-	-	36,799	36,799	191	36,990
Other comprehensive income	-	-	-	-	-	-	-	(6,955)	(1,295)	-	-	(8,250)	109	(8,141)
Total comprehensive income	-	-	-	-	-	-	-	(6,955)	(1,295)	-	36,799	28,549	300	28,849
Repurchase of own shares	-	(3,339)	-	-	-	-	-	-	-	-	-	(3,339)	-	(3,339)
Cancellation of treasury shares (note (12a))	(1,098)	8,999	(9,431)	427	-	-	-	-	-	-	-	(1,103)	-	(1,103)
Recognition of equity-settled share based payments	-	-	-	-	-	-	180	-	-	-	-	180	-	180
	(1,098)	5,660	(9,431)	427	-	-	180	-	-	-	-	(4,262)	-	(4,262)
<b>At 30 June 2018</b>	185,814	(640)	2,415,680	1,337	55,238	50,024	7,488	(289,655)	(14,580)	(9,100)	(947,484)	1,454,122	4,264	1,458,386

The notes on pages 34 to 59 form part of these financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

*(Continued)*

For the six months ended 30 June 2018

*(Expressed in RMB)*

Notes:

- (i) Capital redemption reserve represents the amount by which the issued share capital of the Company is diminished through the repurchase of shares.
- (ii) The special reserve represents the differences between the nominal amount of the shares issued by the Company and the Group's former holding company and the aggregate amount of share capital and share premium of the subsidiaries acquired pursuant to a corporate reorganisation in 1996 and a group reorganisation in preparation for the listing of the Company's shares in 2006.
- (iii) Share compensation reserve represents the difference of fair value of certain THTF Lighting's shares (the "Shares") transferred to the Group's certain senior management by the Company's shareholders and the consideration paid by the senior management in obtaining the Shares in 2004.
- (iv) Fair value reserve represents the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.
- (v) Other reserve represents the difference between the consideration paid for acquiring additional interests in subsidiaries of the Company and the amount of interests acquired.

The notes on pages 34 to 59 form part of these financial statements.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED**

For the six months ended 30 June 2018  
(Expressed in RMB)

	<b>Six months ended</b>	
	<b>30 June 2018 RMB'000</b>	30 June 2017 RMB'000
<b>Operating activities</b>		
Cash used in operations	<b>(89,232)</b>	(100,714)
Tax paid	<b>(597)</b>	(8,565)
<b>Net cash used in operating activities</b>	<b>(89,829)</b>	(109,279)
<b>Investing activities</b>		
Disposal of subsidiaries, net of cash and cash equivalents disposed of	–	251,668
Acquisition of a subsidiary, net of cash and cash equivalents acquired	–	40,768
Proceeds from disposal of financial assets at fair value through profit or loss	<b>538,625</b>	–
Purchase of available-for-sale investment	–	(348,600)
Purchase of financial asset at fair value through profit or loss	<b>(383,002)</b>	–
Increase in loans receivable	<b>(277,466)</b>	–
Other cash flows arising from investing activities	<b>(19,812)</b>	(4,691)
<b>Net cash used in investing activities</b>	<b>(141,655)</b>	(60,855)
<b>Financing activities</b>		
Proceeds from interest-bearing loans	<b>314,103</b>	108,968
Repayment of bank loans	<b>(32,072)</b>	(11,061)
Other cash flows arising from financing activities	<b>(8,154)</b>	(1,636)
<b>Net cash generated from financing activities</b>	<b>273,877</b>	96,271
<b>Net decrease in cash and cash equivalents</b>	<b>42,393</b>	(73,863)
<b>Cash and cash equivalents at 1 January</b>	<b>435,964</b>	647,356
<b>Effect of foreign exchange rates changes</b>	<b>3,590</b>	(11,791)
<b>Cash and cash equivalents at 30 June</b>	<b>481,947</b>	561,702

The notes on pages 34 to 59 form part of these financial statements.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2018

*(Expressed in RMB unless otherwise indicated)*

### 1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 10 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2017 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 16 March 2018.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** *(Continued)*

For the six months ended 30 June 2018

**2 CHANGES IN ACCOUNTING POLICIES****(a) Overview**

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

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (Continued)

For the six months ended 30 June 2018

**2 CHANGES IN ACCOUNTING POLICIES** (Continued)**(a) Overview** (Continued)

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9:

	At 31 December 2017 <i>RMB'000</i>	Impact on initial application of HKFRS 9 (Note 2(b)) <i>RMB'000</i>	<b>At 1 January 2018 <i>RMB'000</i></b>
Available-for-sale investments	3,324	(3,324)	–
Other equity instrument investments	–	3,324	<b>3,324</b>
<b>Total non-current assets</b>	454,590	–	<b>454,590</b>
Available-for-sale investments	321,079	(321,079)	–
Financial asset at fair value through profit or loss	21,571	321,079	<b>342,650</b>
<b>Total current assets</b>	1,298,253	–	<b>1,298,253</b>
<b>Total current liabilities</b>	305,110	–	<b>305,110</b>
<b>Net current assets</b>	993,143	–	<b>993,143</b>
<b>Total assets less current liabilities</b>	1,447,733	–	<b>1,447,733</b>
<b>Total non-current liabilities</b>	13,934	–	<b>13,934</b>
<b>Net assets</b>	1,433,799	–	<b>1,433,799</b>
<b>Total equity attributable to equity shareholders of the company</b>	1,429,835	–	<b>1,429,835</b>
<b>Total equity</b>	1,433,799	–	<b>1,433,799</b>

Further details of these changes are set out in sub-sections (b) of this note.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** *(Continued)*

For the six months ended 30 June 2018

**2 CHANGES IN ACCOUNTING POLICIES** *(Continued)***(b) HKFRS 9, Financial instruments**

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	<i>RMB'000</i>
<b>Retained earnings</b>	
Transferred from fair value reserve (recycling) relating to financial assets now measured at FVPL	13,285
<b>Fair value reserve (recycling)</b>	
Transferred to retained earnings relating to financial assets now measured at FVPL	(13,285)

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

For the six months ended 30 June 2018

### 2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (b) HKFRS 9, *Financial instruments* *(Continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

##### (i) *Classification of financial assets and financial liabilities*

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVOCI-recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** *(Continued)*

For the six months ended 30 June 2018

**2 CHANGES IN ACCOUNTING POLICIES** *(Continued)***(b) HKFRS 9, Financial instruments** *(Continued)**(i) Classification of financial assets and financial liabilities (Continued)*

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 <i>RMB'000</i>	Reclassification <i>RMB'000</i>	<b>HKFRS 9 carrying amount at 1 January 2018 <i>RMB'000</i></b>
<b>Financial assets carried at amortised cost</b>			
Cash and cash equivalents	435,964	–	<b>435,964</b>
Trade and other receivables	208,968	–	<b>208,968</b>
Restricted bank deposits	13,322	–	<b>13,322</b>
	658,254	–	<b>658,254</b>



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (Continued)

For the six months ended 30 June 2018

**2 CHANGES IN ACCOUNTING POLICIES** (Continued)**(b) HKFRS 9, Financial instruments** (Continued)*(i) Classification of financial assets and financial liabilities* (Continued)

	HKAS 39 carrying amount at 31 December 2017 RMB'000	Reclassification RMB'000	HKFRS 9 carrying amount at 1 January 2018 RMB'000
<b>Financial assets measured at FVOCI (non-recyclable)</b>			
Equity securities (note (i))	–	3,324	<b>3,324</b>
<b>Financial assets carried at FVPL</b>			
Units in bond funds (note (ii))	–	321,079	<b>321,079</b>
Trading securities (note (iii))	132,737	–	<b>132,737</b>
	132,737	321,079	<b>453,816</b>
<b>Financial assets classified as available-for-sale under HKAS 39 (note (i), (ii))</b>	324,403	(324,403)	<b>–</b>

## Notes:

- (i) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated certain unlisted equity investments at FVOCI (non-recyclable), as these investments are held for strategic purposes.
- (ii) Under HKAS 39, units in bond funds were classified as available-for-sale financial assets. They are classified as at FVPL under HKFRS 9.
- (iii) Trading securities were classified as financial assets FVPL under HKAS 39. These assets continue to be measured at FVPL under HKFRS 9.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

For the six months ended 30 June 2018

### 2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (b) HKFRS 9, *Financial instruments* *(Continued)*

##### (i) *Classification of financial assets and financial liabilities* *(Continued)*

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts.

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within “trade and other payables” at fair value. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs, see note 2(b)(ii)) on the financial guarantees are determined to be higher than the amount carried in “trade and other payables” in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

For the six months ended 30 June 2018

### 2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (b) HKFRS 9, *Financial instruments* *(Continued)*

##### (ii) *Credit losses*

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans).

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL and equity securities designated at FVOCI (non-recycling) and derivative are not subject to the ECL assessment.

##### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

- The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:
- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

For the six months ended 30 June 2018

### 2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (b) HKFRS 9, *Financial instruments* *(Continued)*

##### (ii) *Credit losses* *(Continued)*

##### Measurement of ECLs *(Continued)*

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

For the six months ended 30 June 2018

### 2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (b) HKFRS 9, *Financial instruments* *(Continued)*

##### (ii) *Credit losses* *(Continued)*

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are Grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

For the six months ended 30 June 2018

### 2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (b) HKFRS 9, *Financial instruments* *(Continued)*

##### (ii) *Credit losses* *(Continued)*

Significant increases in credit risk *(Continued)*

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

For the six months ended 30 June 2018

### 2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (b) HKFRS 9, *Financial instruments* *(Continued)*

##### (ii) *Credit losses* *(Continued)*

Basis of calculation of interest income on credit-impaired financial assets *(Continued)*

- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

##### Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

##### Opening balance adjustment

The Group assessed the ELCs of financial assets measured at amortised cost as at 1 January 2018. There was no significant change to the loss allowance for these financial assets of the Group as at 1 January 2018.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** *(Continued)*

For the six months ended 30 June 2018

**2 CHANGES IN ACCOUNTING POLICIES** *(Continued)***(b) HKFRS 9, Financial instruments** *(Continued)**(iii) Transition*

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):
  - the determination of the business model within which a financial asset is held; and
  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

For the six months ended 30 June 2018

### 2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The transition to HKFRS 15 has no material impact on retained earnings at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

#### (i) *Timing of revenue recognition*

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** *(Continued)*

For the six months ended 30 June 2018

**2 CHANGES IN ACCOUNTING POLICIES** *(Continued)***(c) HKFRS 15, Revenue from contracts with customers** *(Continued)**(i) Timing of revenue recognition (Continued)*

- B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The transition to HKFRS 15 has no material impact on retained earnings at 1 January 2018.

**(d) HK(IFRIC) 22, Foreign currency transactions and advance consideration**

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC)22 does not have any material impact on the financial position and the financial result of the Group.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

For the six months ended 30 June 2018

### 3 REVENUE AND SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on by divisions, which are organised by a mixture of both business lines (products and services) and geography. Specifically, the Group's reportable segments under HKFRS 8 are as follows:

People's Republic of China ("PRC") lighting segment	–	research and development, manufacture of lighting products in PRC and distribution of lighting products in PRC and overseas
United States of America ("USA") lighting segment	–	distribution and providing solutions of lighting Products in the USA.
Securities segment	–	asset management services, investment advisory services and securities trading

Revenue 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 UNAUDITED INTERIM FINANCIAL REPORT** *(Continued)*

For the six months ended 30 June 2018

**3 REVENUE AND SEGMENT INFORMATION** *(Continued)***(a) Information about profit or loss, assets and liabilities**

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

For the six months ended	PRC lighting segment		USA lighting segment		Securities segment		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	110,535	96,079	183,665	215,207	37,621	10,768	331,821	322,054
Inter-segment revenue	8,359	7,449	–	–	–	–	8,359	7,449
<b>Reportable segment revenue</b>	<b>118,894</b>	<b>103,528</b>	<b>183,665</b>	<b>215,207</b>	<b>37,621</b>	<b>10,768</b>	<b>340,180</b>	<b>329,503</b>
<b>Reportable segment profit</b>	<b>21,031</b>	<b>111,602</b>	<b>16,698</b>	<b>14,526</b>	<b>9,204</b>	<b>3,341</b>	<b>46,933</b>	<b>129,469</b>
<i>As at 30 June/ 31 December</i>								
<b>Reportable segment assets</b>	<b>928,925</b>	<b>852,468</b>	<b>250,911</b>	<b>257,037</b>	<b>761,805</b>	<b>628,287</b>	<b>1,941,641</b>	<b>1,737,792</b>
<b>Reportable segment liabilities</b>	<b>233,610</b>	<b>123,422</b>	<b>84,520</b>	<b>85,498</b>	<b>165,401</b>	<b>107,026</b>	<b>483,531</b>	<b>315,946</b>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** *(Continued)*

For the six months ended 30 June 2018

**3 REVENUE AND SEGMENT INFORMATION** *(Continued)***(b) Reconciliations of reportable segment profit or loss**

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Reportable segment profit derived from Group's external customers	<b>46,933</b>	129,469
Unallocated expenses	<b>(11,958)</b>	(10,551)
Unallocated other gains and losses	<b>4,315</b>	(582)
<b>Profit before taxation</b>	<b>39,290</b>	118,336

Segment profit represents the profit incurred by each segment without allocation of unallocated expenses, certain other gains or losses and expenses. This is the measure reported to the board of directors of the Company for the purposes of resource allocation and performance assessment.

**4 OTHER GAINS AND LOSSES**

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Gain on disposal of subsidiaries	–	110,649
Fair value changes on financial assets at fair value through profit or loss	<b>5,947</b>	–
Gain on disposal of property, plant and equipment	<b>71</b>	432
Net allowance of bad and doubtful debts	<b>(8,087)</b>	(352)
Net exchange gain/(loss)	<b>19,268</b>	(5,178)
Others	<b>27</b>	31
	<b>17,226</b>	105,582

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (Continued)

For the six months ended 30 June 2018

**5 PROFIT BEFORE TAXATION**

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>RMB'000</b>	<i>RMB'000</i>
Profit before taxation has been arrived at after charging/(crediting):		
(a) Finance costs		
Interest on interest bearing borrowings	<b>4,815</b>	1,636
(b) Other items		
Depreciation	<b>8,940</b>	9,471
Amortisation		
– prepaid lease payment	<b>644</b>	405
– intangible assets	<b>2,314</b>	3,036
Research and development costs (other than amortisation)	–	462
Operating lease rentals in respect of – rented premises	<b>5,619</b>	4,163
Interest income from bank deposits	<b>(1,591)</b>	(1,291)
Property rental income before deduction of negligible outgoings	<b>(2,676)</b>	(1,809)

**6 TAXATION**

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>RMB'000</b>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
Taxation in the consolidated statement of comprehensive income represents:		
Provision for the period	<b>1,487</b>	6,745
Deferred taxation	<b>813</b>	(322)
	<b>2,300</b>	6,423

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** *(Continued)*

For the six months ended 30 June 2018

**7 EARNINGS PER SHARE**

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

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Profit attributable to owners of the Company	<b>36,799</b>	111,915

Weighted average number of ordinary shares:

	<b>Number of shares</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>'000</b>	'000
Issued ordinary shares at 1 January	<b>2,103,278</b>	1,938,320
Effect of shares repurchased	<b>(3,800)</b>	(191)
Effect of issuance of new shares	–	158,520
Weighted average number of ordinary shares at 30 June	<b>2,099,478</b>	2,096,649

The equity-settled share options were not included in the calculation of diluted earnings per share because they are antidilutive for the six months ended 30 June 2018 and 2017.

**8 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>At</b>	At
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Equity securities and bond funds at fair value		
– Listed	<b>51,891</b>	21,571
– Unlisted	<b>159,278</b>	–
	<b>211,169</b>	21,571

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (Continued)

For the six months ended 30 June 2018

**9 TRADE AND OTHER RECEIVABLES**

	<b>At 30 June 2018 RMB'000</b>	At 31 December 2017 RMB'000
Trade receivables		
– due from related parties	<b>4,609</b>	4,667
– due from third parties	<b>191,065</b>	168,562
Bills receivable	<b>33,272</b>	10,190
Less: allowance for bad and doubtful debts	<b>(49,884)</b>	(46,312)
	<b>179,062</b>	137,107
Deposits paid to suppliers	<b>16,548</b>	13,916
Value added tax recoverable	<b>42,302</b>	35,193
Value added tax refundable on export sales	<b>3,960</b>	3,905
Other receivables	<b>15,781</b>	18,847
	<b>257,653</b>	208,968

The following is an ageing analysis of trade and bills receivable presented based on the invoice dates (or date of revenue recognition, if earlier) and net of allowance for doubtful debts:

	<b>At 30 June 2018 RMB'000</b>	At 31 December 2017 RMB'000
0 to 60 days	<b>125,947</b>	87,539
61 to 90 days	<b>7,116</b>	6,461
91 to 180 days	<b>19,603</b>	19,129
Over 180 days	<b>26,396</b>	23,978
	<b>179,062</b>	137,107

**10 LOANS**

	<b>At 30 June 2018 RMB'000</b>	At 31 December 2017 RMB'000
Loans receivable within one year	<b>277,466</b>	–



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (Continued)

For the six months ended 30 June 2018

**11 TRADE AND OTHER PAYABLES**

	<b>At 30 June 2018 RMB'000</b>	At 31 December 2017 RMB'000
Accounts payable to securities clients	4,726	90,321
Trade payables	92,192	55,771
Bills payable	2,978	24,669
Payroll and welfare payables	1,538	3,959
Other payables	27,803	44,211
Financial liabilities measured at amortised cost	129,237	218,931
Customers' deposits	18,865	11,866
Other taxes payable	3,181	4,030
	<b>151,283</b>	234,827

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

	<b>At 30 June 2018 RMB'000</b>	At 31 December 2017 RMB'000
0 to 60 days	65,249	57,408
61 to 90 days	9,592	2,963
91 to 180 days	3,999	53
181 to 360 days	548	3,469
More than 360 days	15,782	16,547
	<b>95,170</b>	80,440

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** *(Continued)*

For the six months ended 30 June 2018

**12 CAPITAL, RESERVES AND DIVIDENDS****(a) Share capital**

	Authorised		Issued and fully paid	
	Number of shares	Amount HKD'000	Number of shares	Amount RMB'000
Ordinary shares of nominal value HK\$0.10 each				
– at 31 December 2017	5,000,000,000	500,000	2,109,163,417	186,912
Share repurchased and cancelled	–	–	(13,270,000)	(1,098)
<b>– at 30 June 2018</b>	<b>5,000,000,000</b>	<b>500,000</b>	<b>2,095,893,417</b>	<b>185,814</b>

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

**(b) Treasury shares**

	2018	
	Number of shares	Amounts RMB'000
<b>Treasury shares</b>		
At 1 January	<b>8,944,000</b>	<b>6,300</b>
Shares repurchased to be cancelled	<b>5,240,000</b>	<b>3,339</b>
Cancellation of treasury shares	<b>(13,270,000)</b>	<b>(8,999)</b>
At 30 June	<b>914,000</b>	<b>640</b>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** *(Continued)*

For the six months ended 30 June 2018

**12 CAPITAL, RESERVES AND DIVIDENDS** *(Continued)***(b) Treasury shares** *(Continued)*

During the six months ended 30 June 2018, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

<b>Month/year</b>	<b>Number of shares repurchased</b>	<b>Highest price paid per share</b> <i>HK\$</i>	<b>Lowest price paid per share</b> <i>HK\$</i>	<b>Aggregate price paid</b> <i>HK\$'000</i>
January 2018	2,032,000	0.83	0.75	1,637
February 2018	2,294,000	0.80	0.69	1,690
June 2018	914,000	0.87	0.80	757

**13 CAPITAL COMMITMENTS**

Capital commitments outstanding at 30 June 2018 not provided for in the interim financial statements were as follows:

	<b>At</b> <b>30 June</b> <b>2018</b> <i>RMB'000</i>	<b>At</b> 31 December 2017 <i>RMB'000</i>
Acquisition of property, plant and equipment	<b>4,917</b>	4,569

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** *(Continued)*

For the six months ended 30 June 2018

**14 MATERIAL RELATED PARTY TRANSACTIONS****(a) Transactions with the controlling shareholder and its subsidiaries**

	<b>Six months ended</b>	
	<b>30 June 2018 RMB'000 (unaudited)</b>	30 June 2017 RMB'000 (unaudited)
Proceeds from shareholder loans	<b>162,454</b>	–
Interest owed to shareholder loans	<b>2,265</b>	–
Sales of products	<b>100</b>	1,612
Consideration received from disposal of subsidiaries	–	251,668

**(b) Transactions with other state-controlled entities in the PRC**

The controlling shareholder of the Company, Tsinghua Tongfang is a state-controlled enterprise controlled by the PRC government. Apart from transactions with Tsinghua Tongfang and its subsidiaries which were disclosed in note 14(a) above, the Group also has transactions with other state-controlled entities, included but not limited to the following:

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

## DEFINITIONS

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

“2006 Share Option Scheme”	the share option scheme adopted by the Company on 20 November 2006, the principal terms of which are summarized under Appendix VII of the prospectus of the Company dated 4 December 2006
“2016 Share Option Scheme”	the share option scheme adopted by the Company on at the annual general meeting on 13 May 2016
“American Lighting”	means American Lighting, Inc., a Delaware corporation and an indirectly wholly-owned subsidiary of the Company
“Articles of Association” or “Articles”	the articles of association of the Company adopted by the written resolution of the Shareholders on 20 November 2006 and as amended, supplemented and otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Business Day” or “business day”	a day on which banks in Hong Kong and Cayman Islands are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong or Cayman Islands
“BVI”	British Virgin Islands
“China” or “PRC”	the People’s Republic of China, excluding for the purpose of this interim report, Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time

**DEFINITIONS** *(Continued)*

“Company”	means Neo-Neon Holdings Limited (stock code: 1868), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange, and part of shares of which are listed on the Taiwan Stock Exchange as depositary receipts
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholders”	has the meaning ascribed thereto in the Listing Rules
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	individual(s) or company(ies) who is/are not connected with (within the meaning of the Listing Rules) any of the Company, Directors, chief executive or substantial shareholders of the Company, our subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
“Period”	the six months ended 30 June 2018
“RMB”	Renminbi, the lawful currency of the PRC

**DEFINITIONS** *(Continued)*

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share(s)”	means share(s) of HK\$0.1 each in the share capital of the Company
“Share Award Scheme”	means the share award scheme of the Company adopted by the Board on 13 April 2018
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Share Incentive Plan”	means American Lighting’s share incentive plan adopted by the Shareholders on 2 April 2015
“subsidiary(ies)”	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“THTF ES”	THTF Energy Saving Holdings Limited, a substantial shareholder of the Company
“Tsinghua Tongfang”	同方股份有限公司 (Tsinghua Tongfang Co., Ltd*), a joint stock limited company incorporated in the PRC, whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600100)
“% ”	per cent.
“ * ”	<i>For identification only</i>