NEO-NEON HOLDINGS LIMITED

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

The group's LED series of products have obtained certifications and are accredited as China energy conservation products.

2011/12 ANNUAL REPORT

Professional LED product research, development and production.

LEDs Light It

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ben FAN *(Chairman)*
Ms. Michelle WONG
Mr. FAN Pong Yang

Independent non-executive Directors

Mr. ZHAO Shan Xiang
Mr. WENG Shih Yuan
Mr. WONG Kon Man, Jason
Ms. LIU Sheng Ping

AUDIT COMMITTEE

Mr. WONG Kon Man, Jason *(Chairman)*
Mr. WENG Shih Yuan
Mr. ZHAO Shan Xiang

REMUNERATION COMMITTEE

Mr. WENG Shih Yuan *(Chairman)*
Ms. Michelle WONG
Mr. WONG Kon Man, Jason
Mr. ZHAO Shan Xiang

NOMINATION COMMITTEE

Mr. ZHAO Shan Xiang *(Chairman)*
Ms. Michelle WONG
Mr. WONG Kon Man, Jason
Mr. WENG Shih Yuan

AUTHORIZED REPRESENTATIVES

Ms. Michelle WONG
Mr. CHAN Cheung

COMPANY SECRETARY

Mr. CHAN Cheung

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
Taishin International Bank
CITIC Bank International Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

G/F & Basement Level 1 of New East Ocean Centre
9 Science Museum Road
Tsim Sha Tsui East
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

COMPANY WEBSITE ADDRESS

www.neo-neon.com

STOCK CODE

1868

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual report of Neo-Neon Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31st March 2012.

BUSINESS REVIEW

Although the world economy remained uncertain under the impact of the European sovereign debt crisis in 2012, the Company was immune from any negative financial impact and its sales revenue and accounts receivable from the European market were not exposed to exchange risk. This was because the Group's sales revenue and accounts receivable are denominated in USD and the Company's major customers in the European market have relatively solid balance sheets and excellent financing abilities. Owing to the gloomy prospect of the global market, our customers generally took a more prudent attitude when placing orders, which led to a lower turnover than expected. Meanwhile, excessive production capacity of enterprises made price competition more vicious. On the other hand, gross profit margin shrank in face of surging raw material prices, increasing labour cost and rising operating expenses. In addition, provisions for inventories, accounts receivables, goodwill and intangible assets also increased due to the deteriorating economic environment. Further, depreciation charges increased significantly as we increased investments in the construction of plants and equipments for development of upstream epitaxy products and light emitting diode ("LED") chips, this made the Group, an export-oriented enterprise targeting the U.S. and European markets, lagging behind in performance during the year. Under such unfavourable environment, the Company had no choice but to work diligently and press ahead with more efforts. We are more determined and confident that we can manufacture better quality products through adjusting the Company's marketing strategy, controlling costs, improving the production process and introducing more up-to-date equipments. Moreover, we will adjust our asset structure and endeavour to forge the Company into a world-class LED lighting and decorative lighting enterprise well prepared for the future surge in market demand for LED lighting.

The Group's turnover and gross profit decreased by 36.6% and 88.0% respectively in 2012. To further improve the Group's financial position, the Group had moved and relocated its labour-intensive production lines to Vietnam. By the end of March 2012, the Vietnam plant had developed mass production capacity. The Group will develop the plant into the largest decorative lighting production base in Asia. Besides expanding the Group's production capacity, the plant can provide sufficient labour force at relatively low cost, basically solving the Group's problem of rising production cost due to labour shortage in the mainland in the future. In addition, our expansion of overseas offices and investment in sales channels, recruitment of high-tech management and research and development ("R&D") personnel had incurred a loss before tax of HK$1,450,700,000.

Owing to the above, the Group recorded a loss per share of 151.8 HK cents in 2012 as compared to a profit per share of 12.7 HK cents in 2011. This does not indicate a general weakening of the Group's fundamentals but will enable the Group to rebound significantly in the near future, so that profitability in the coming years will probably surpass that of 2009.

PROSPECT

To capture the enormous sales opportunities emerging from the China market, the Group has established a number of sales offices all over the world. In this regard, the PRC government's fiscal subsidy policy serves as an encouragement for promotion of LED products, which impels the green lighting projects and energy saving and emission reduction, guides the development of the LED lighting industry, and at the same time provides the Group with an excellent opportunity to expand its domestic sales. Since the 2008 Beijing Olympic Games, the 2010 Shanghai World Expo and the 2011 Guangzhou Asian Games, the Group's LED products have won the orders of lighting applications for various major construction projects and facilities, including a number of domestic large-scale exhibitions and main arenas. Among the seven strategic emerging industries highlighted in the Twelfth Five-year Plan, energy-saving and environmental protection industry ranks top. And the semiconductor lighting industry is included in the energy-saving and environmental protection industry. Furthermore, some of the world's developed countries have promulgated their timetables for ceasing production and phasing out the use of incandescent lamps. Under such a favourable macro-environment, the LED lighting industry will embrace an opportunity for rapid development in the coming years from 2013 to 2015.

At present, the technologies for manufacturing LED lighting products have become mature; however, their markets have yet to be further expanded. The main reason of unpopularity is that prices of LED lighting products are far too high. The current technologies used in manufacturing alternative LED bulbs can completely meet the technological requirements for the substitution of incandescent lamps. The major obstacles in popularizing LED lightings are high prices and insufficient sales channels. In view of this, the Company, in addition to further deepening vertical integration with an aim to reduce production cost, is continuing to develop and integrate its existing sales channels, as evidenced by the establishment of flagship showrooms in Shanghai, Tianjin, Chongqing, Jiangmen and Hong Kong. Meanwhile, the Company continues, through merger and acquisitions, to speed up developing the market, establishing operation centers and multi-level marketing models, introducing exclusive sales of famous distributor's branded products and brand franchising as well as developing distribution channels so as to capture advantageous market resources from traditional lighting enterprises. However, this task cannot be accomplished overnight. In the past two years, we have not made much progress in market development, but this actually provided the Company with a good opportunity to make adjustments so as to consolidate its leading position in the industry, to better integrate its branches and to provide more quality before-sales and after-sales services to its existing customers. We are confident that through our continuous integration of market resources, Neo-Neon can maintain its leading position in the industry in the future amidst the LED market competition and will continue to enlarge its LED market share!

As at 31st March 2012, the Group had a sales team of 180 staff members with offices in 16 countries and regions including the PRC, Korea, Taiwan, Hong Kong, Macau, Vietnam, Malaysia, Dubai, UK, Thailand, Netherlands, Germany, Russia, USA and Brazil. While developing the LED lighting business, the Group also puts much effort in distribution and marketing, improves and expands the sales channel of general LED lighting products and explores high-end market demand and business opportunities for this highly profitable business.

Energy crisis and environmental protection have become the main theme of global sustainable development, and development and application of energy-saving products and renewable energy are the basic choices for most countries in respect of energy development in the 21st century. Benefited from the advantages brought about by the completion of vertical integration of our LED business and our previous extensive experience in LED lighting, we are able to achieve rapid development in the LED lighting industry. To differentiate from its peers in the global lighting market, an enterprise needs to have elite products that can attract the world market. NEO-NEON has won the favour of its global customers mainly because of these reasons, which I shall summarize as, the trinity management model of simplicity, transparency and systemization, supported by aggressive technological innovation, stringent control on cost, cost advantages, fast delivery and diversified product chains.

Due to the world's focus on environmental protection and energy conservation, the application and usage of white LED lighting will become higher and higher. The Group's new technology will further push the increasing application of white LED lighting so as to make contribution to energy-saving and environmental protection in China and the world.

APPRECIATION

On behalf of the board (the "Board") of the directors ("Directors") of the Company, I would like to thank all our staff for their continuous hard work and dedication. We also express my heartfelt gratitude to our customers, suppliers and government bodies for their precious support and comments. With the constant vigilance of our expertise management and responsive strategic thinking, I am confident that the Group can have a swift pick-up. We will continue to seek business opportunities in the lighting industry to maintain our leading position in the industry. Meanwhile, We are committed to make greater contributions towards man's third lighting revolution in order to maximize returns for our shareholders.

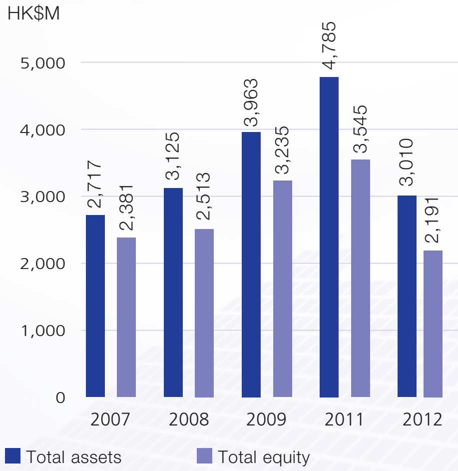
Ben Fan
Chairman

Hong Kong, 25th June 2012

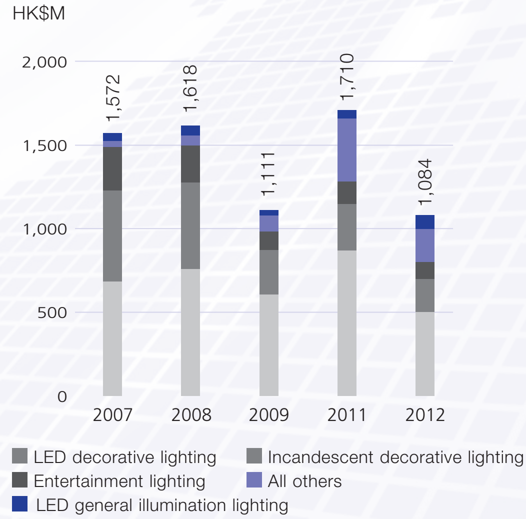
FINANCIAL HIGHLIGHTS

Expressed in HK$ million	2007	2008	2009	2011*	2012
			Year		
Turnover	1,572	1,618	1,111	1,710	**1,084**
Gross (loss) profit	605	526	382	582	**(585)**
(Loss) profit attributable to owners of the Company	334	139	158	117	**(1,430)**
EBITA	438	271	307	331	**(1,230)**
Total assets	2,717	3,125	3,963	4,785	**3,010**
Total equity	2,381	2,513	3,235	3,545	**2,191**
Gross (loss) profit margin	38.5%	32.5%	34.4%	34.0%	**(53.9%)**
Net (loss) profit margin	21.2%	8.6%	14.2%	6.6%	**(132.0%)**
(Loss) EPS – basic (HK cents)	43.9	18.2	19.5	12.7	**(151.8)**

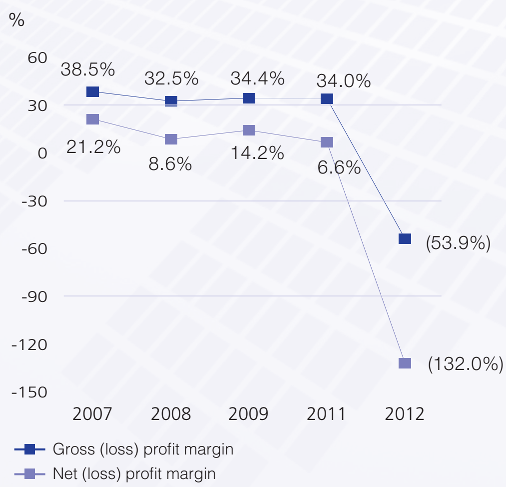
Total assets/Total equity



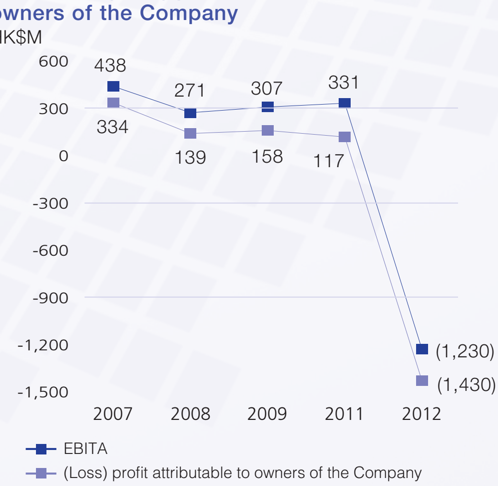
Turnover



Gross and net (loss) profit margin



EBITA and (Loss) profit attributable to owners of the Company



* *For the period from 1st January, 2010 to 31st March, 2011.*

DIRECTORS, AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Ben FAN (樊邦弘)

Mr. Fan, aged 58, is the founder and Chairman of the Group. He commenced decorative lighting business in 1981. Mr. Fan is responsible for overall management, strategic planning and major decision-making of the Group, including sales and marketing, research and development as well as customer relationships. Mr. Fan has over 29 years of experience in the decorative lighting industry. In 1977, Mr. Fan graduated from Shih Hsin College in Taiwan where he studied journalism. During the course of his career in the decorative lighting industry, Mr. Fan received many awards such as "1998 Hong Kong Youth Industrialist Awards" which was granted to Mr. Fan in recognition of his success and contribution to the industrial sector. Mr. Fan was appointed as an Executive Director in August 2006.

Ms. Michelle WONG (翁翠端)

Ms. Wong, aged 48, is the wife of Mr. Ben Fan. Ms. Wong has been with the Group since 1986. She is responsible for general administration, human resources management and procurement of the Group. Ms. Wong has over 23 years of experience in corporate management and business administration. Ms. Wong graduated from Yu Da High School of Commerce Home Economics in 1982 where she studied integrated commerce. Ms. Wong was appointed as an Executive Director in September 2006.

Mr. FAN Pong Yang (樊邦揚)

Mr. Fan, aged 56, is the younger brother of Mr. Ben Fan. He is responsible for liaison with relevant government authorities involving land use rights application, incorporation of wholly foreign-owned enterprises and factory building constructions. He has been managing our legal department for ten years and has been in charge of all legal matters in relation to the Group, including patent applications, litigations, environmental protection with the support and legal advice of a team of internal legal counsel. Mr. Fan Pong Yang has been representing our Company for liaising with government authorities in respect of various legal matters and will, whenever necessary, represent the Company to engage external legal advisors for more complex legal matters. Mr. Fan Pong Yang was appointed as an executive Director in October 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Kon Man, Jason (王幹文)

Mr. Wong, aged 48, is currently a director of Fortune Capital Group Limited, a private company. Mr. Wong is also an independent non-executive director of Group Sense (International) Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), an independent non-executive director and chairman of the audit committee of Polyard Petroleum International Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange and an independent director and chairman of the audit committee of China Shen Zhou Mining & Resources, Inc., a company listed on the American Stock Exchange. Mr. Wong was the Financial Consultant for Transpac Capital Ltd. Mr. Wong graduated from the University of Hawaii at Manoa in the United States with a Business Administration Bachelor Degree majoring in Accounting. He is a member of American Institute of Certified Public Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Wong was appointed as an independent non-executive Director of the Company in November 2011.

Mr. ZHAO Shan Xiang (趙善祥)

Mr. Zhao, aged 67, is currently the chairman of Jiangmen Education Promotion Association. Mr. Zhao was formerly a representative of Guangdong Provincial Party Representative Congress, a member of Guangdong Provincial People's Political Consultative Congress and a member of Guangdong Provincial Commission for Discipline Inspection of the Communist Party of China. Between 1985 to 2007, he was the secretary of Discipline Committee of Jiangmen City Party, the vice secretary of Jiangmen City Party Committee and the chairman of Jiangmen People's Political Consultative Congress. Mr. Zhao was also a member of the Standing Committee and the secretary of the Discipline Committee of Xinhui County Party from 1976 to 1985. Mr. Zhao graduated from the Renmin University of China, Beijing in 1968 where he obtained a Graduate Certificate in Statistics. Mr. Zhao was appointed as an independent non-executive Director in August 2007.

Mr. WENG Shih Yuan (翁世元)

Mr. Weng, aged 57, is currently the deputy chairman of Beijing Gang Yuan Architectural Decoration Engineering Co. Ltd which is one of the "top one hundred" national decoration companies in China, engaging in land development, decoration, curtain wall, mechanical and engineering projects. Mr. Weng has over 30 years of senior managerial experience, previously holding the positions like general manager and chairman in several companies in Taiwan, United States of America and China. Mr. Weng was appointed as an independent non-executive Director in March 2009.

Ms. LIU Sheng Ping (劉升平)

Ms. Liu, aged 55, is a senior economist. She is the Chairman of China Lighting Association. She graduated from the postgraduate course of Chinese Academy. At the beginning of 1990, she started to provide management guidance in the Republic of China Ministry of Light Industry Division; during the period from 1990 to 1998, she was the director of Clerks and director ministry of the Light Industry Division and China Light Industry Federation. During the period from 1994 to 1999, she was the Deputy Secretary-General of China Lighting Association and since 1999 she became the Vice Chairman and Secretary-General of China Lighting Association. She has participated in the development plan preparation and peer-review work of the "Ninth Five-Year", "Tenth Five-Year", "Eleventh Five-Year" and "Twelfth Five-Year"; chaired the 11th to the 27th "National Lighting Materials Conference" and organized a series of various kinds of activities such as"National Lighting Quality Analysis", "Electric Lighting Development Seminars", "National Forum on Road Lighting", "Lighting Forum 2008 Beijing Olympics Projects", "Shanghai World Expo Lighting Project Forum" and "Guangzhou Asian Games Lighting Project Forum". Furthermore, she was the writer of "China Light Industry Yearbook – Lighting Industry Articles" during the period from 1994 to 2009 and has published dozens of signed articles in several consolidated class and professional class of newspapers and magazines. Ms. Liu is also an independent director of Cnlight Co., Ltd, a company listed on the Shenzhen Stock Exchange. Ms. Liu was appointed as an independent non-executive Director in January 2012.

SENIOR MANAGEMENT

Ms. Camielle FAN (樊毓秀)

Miss Fan, aged 24, is the daughter of Mr. Ben Fan and Ms. Michelle Wong. She joined the company in 2011 and is chief executive officer ("CEO") of LED Commercial Decorations Division. Miss Fan graduated Cum Laude with a BA in Honor Economics from New York University and has a dual Masters Degree in Management and International Management from the London School of Economics.

Mr. LIU Ying Chieh (劉英傑)

Mr. Liu, aged 49, joined the Group in September 2009 and is currently CEO of LED packaging division. Mr. Liu has more than 20 years of LED production management. He has previously worked as production head, quality director and general manager of international listed companies in Taiwan and has run LED-based operations independently. Mr. Liu graduated from the Lunghwa University of Science and Technology (Taiwan) in 1986 where he obtained a Bachelor Degree in Industrial Electronics.

Mr. CHAN Cheung (陳璋)

Mr. Chan, aged 56, joined the Group as the chief financial officer in April 2009. He is an associate member of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants of the United Kingdom. Mr. Chan graduated from the Chinese University of Hong Kong in 1983 with a Bachelor of Social Science, majoring in Economic. Mr. Chan has over 28 years of experience in financial, taxation and general management with both international banking and manufacturing organisations in various fields and industries.

Mr. LIAO Chang Wen (廖彰文)

Mr. Liao, aged 52, joined the Group in May 2009 and is director of LED packaging plant. Mr. Liao has more than 20 years of industrial management experience in LED automation, repair and maintenance, research and development and quality control. He is very familiar with LED packages (LAMP, SMD, HP and FLUX) and other LED related products. He has previously worked in international LED listed companies in Taiwan. Mr. Liao graduated from the Wanneng University of Science and Technology (Taiwan) in 1980 where he obtained a Bachelor Degree in Electronic Engineering.

Mr. CHIEN Tang Hao (錢塘豪)

Mr. Chien, aged 47, joined the Group in 1992 and is currently CEO of Entertainment Lighting Division and the Group's Marketing Director. Mr. Chien graduated from the Taiwan Tamkang University in 1988 and obtained a bachelor's degree.

Mr. CHEN Yuh Wen (陳郁文)

Mr. Chen, aged 56, joined the Group in May 2007, is currently Assistant Vice President of Information Technology Division. In 1981, Mr. Chen graduated from the Taiwan National Central University, and obtained a Bachelor Degree in Geophysics. He has completed the 10th Youth Vocational Training Center in Computer Applications from the National Youth Commission.

Mr. Chen Yue Ming (陳月明)

Mr. Chen, aged 54, joined the Group in 2011, is currently President of China Lighting Division. In 2004, Mr. Chen graduated from the Naval Command College in China, and obtained a Bachelor Degree in Economic Management. He has 30 years of industrial, manufacturing, marketing, strategic, and operation experience, serving as Regional CEO and Corporate CEO in China of several large enterprises, such as Philips Lighting (China) Group, China-US Strategic Capital Group, and Poly GCL Energy Group.

Mr. CHENG Yun (程雲)

Mr. Cheng, aged 45, joined the Group in 1997. He is currently CEO of China Division, R&D Director and Group Head of production plants. Mr. Cheng graduated from the South China Agricultural University in 1990.

Mr. FAN Pang Ku (樊邦固)

Mr. Fan, aged 52, joined the Group in 2000, is currently General Manager of production plants in Vietnam. Mr. Fan graduated from the Taiwan Air Force Academy, Polytechnic in 1983 and obtained a Bachelor Degree, majoring in flight. He is younger brother of Mr. Ben Fan and Mr. Fan Pong Yang.

Mr. Lin Po Ying (林伯英)

Mr. Lin, aged 50, joined the Group in 2011 and is head of US Marketing Unit and Director of Global DIY Business. Mr. Lin graduated from the University of California, Los Angeles (UCLA) and obtained a Master Degree. He had been living in California of United States for 22 years and returned to China in 2000.

Mr. Chang Chih Tai (張知泰)

Mr. Zhang, aged 44, joined the Group in 2010 and is currently the vice president of US Market. He graduated from the Taiwan National Dong Hwa University and obtained a Master Degree in International Enterprise. Since 2004, he worked in various Taiwan-listed LED lighting and LED production companies.

Mr. CHEN Rong Jyh (陳榮志)

Mr. Chen, aged 46, joined the Group in 2011 and is currently marketing director of Decorative Lighting Division. Mr. Chen graduated from the German National Academy of Fine Art Stuttgart University with a Master Degree, majoring in Industrial Design.

Ms. Su Eng Fen (蘇英芬)

Ms. Su, aged 56, joined the Group in 2010 and is currently the Regional Manager of Australian Business Unit and English Secretary of the Marketing Division. Ms. Su had been living in Australia for 26 years where she was granted the lifelong Justice of the Peace by the Australian Government for her highly significant contribution to the well-being of Australian Chinese Community. Ms. Su graduated from the Sydney Maquarie University with a bachelor degree. She obtained a title of professional translator from the Australian Government and owned more than 30 years of translation experience in cross-cultural environment.

Ms. LIANG Shu Huang (梁淑凰)

Ms. Liang, aged 54, joined the Group in 2011 and is currently the Deputy General Manager of the Japanese Business Unit. Ms. Liang was the former Chairman of Taiwan Office of Nissho East Valley Corporation specializing in rattan furniture production and import and export business. She was also founding member of Taiwan Rattan Furniture Association familiar with the Japanese business model and purchasing habits.

Mr. DENG Wei Min (鄧偉民)

Mr. Deng, aged 50, joined the Group in 1993 and is currently the head of Design Department. In 1993, Mr. Deng graduated from the Hong Kong Institute of Technology with a diploma of Advance Design. In 1996, Mr. Deng was granted champion of the Hong Kong Christmas Lighting Competition. He was granted two awards in 2008 in Guangzhou Star Lighting Booth Design, and Exhibition Design. In 2011, he was granted award in the Fifth Hong Kong Open Group Lighting Competition.

Mr. JANG Shuh Jou (張述周)

Mr. Jang, aged 47, joined the Group in 1994 and is currently the head of sales and marketing. Mr. Jang graduated from Tam Kang University in Taiwan with a Bachelor of Arts in French Language Studies in 1988 and had further pursued postgraduate study of international business in France.

Mr. LIN Chia Kuang (林家光)

Mr. Lin, aged 50, joined the Group in 2009. He is currently deputy director of decorative lighting division. Mr. Lin graduated from Soochow University (Taiwan) in 1983. Mr. Lin has more than 18 years of sales and marketing experience in lighting industries.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31st March, 2012 the Group's turnover was HK$1,083.8 million (2011: HK$1,710.5 million), representing a decrease of 36.6%. Gross loss of the Group was HK$584.6 million for 2012 (2011: gross profit HK$582.3 million), showing a decrease of 200.4%. Profit attributable to owners of the Company decreased from HK$112.2 million in 2011 to loss HK$1,431.0 million in 2012. Basic loss per share was HK cents 151.8 for 2012 (2011: earnings per share was HK cents 12.7).

Turnover

(a) By product category

(i) LED decorative lighting products

The Group's turnover from LED in decorative lighting recorded HK$554.8 million in 2012 (2011: HK$868.5 million), showing a decrease of 36.1%. With the completion of LED production factory and continued R&D efforts in new LED products, the Group continued to expand its market share in LED-based decorative lighting products and play as the market leader in the aforesaid industry.

(ii) LED general illumination lighting products

The turnover from LED in general illumination lighting amounted to HK$319.0 million in 2012 (2011: HK$377.9 million), showing a decrease of 15.6%. The market in LED general illumination lighting is enormous with non-unifying standardization. Many large corporations already voiced out their core focus in the market in the coming decades.

(iii) Incandescent decorative lighting products

The incandescent decorative lighting reached a turnover of HK$104.0 million in 2012 (2011: HK$279.2 million), showing a decrease of 62.8%. Following the announcement of impending abandonment of incandescent-based lighting products by many developed countries, the incandescent lighting products will be gradually replaced in our sales mix by the green LED decorative lighting products.

(iv) Entertainment lighting products

The entertainment lighting made a turnover of HK$85.5 million in 2012 (2011: HK$132.6 million), showing a decrease of 35.5%. With gradual replacement of LED components in entertainment lighting products, the variability and multi-featuring were largely enhanced, thus increasing the attractiveness of such entertainment lighting products.

(b) By geographical region

The turnover from France recorded HK$36.7 million for 2012 (2011: HK$74.3 million), representing a decrease of HK$37.6 million or 50.6%. The turnover from the PRC was HK$286.9 million in 2012 (2011: HK$409.8 million), showing a decrease of HK$122.9 million or 30.0%. The turnover from United States of America recorded HK$334.5 million for 2012 (2011: HK$586.6 million), representing a decrease of HK$252.1 million or 43.0%. The turnover from other countries reached HK$353.1 million in 2012 (2011: HK$507.5 million), showing a decrease of HK$154.4 million or 30.4%.

Cost of Goods Sold and Gross Profit Margin

The cost of goods sold was HK$1,668.4 million in 2012 (2011: HK$1,128.1 million), increased by HK$540.3 million or 47.9%. The increase was mainly attributable to: (i) an increase in material costs by HK$509.4 million or 71.7%, (ii) an increase in labour costs and subcontracting costs of HK$34.5 million or 22.8%, (iii) an increase in depreciation of HK$22.7 million or 19.4% resulted from additions of moulds and machinery catering for the expansion of production capacity, and (iv) allowance for inventories made during the year by HK$466.1 million (2011: HK$42.5 million). The increase in material costs was mainly due to rising raw material prices for most of the time in 2011/2012. As the cost of goods sold recorded an increase of 47.9% exceeding the decrease in sales of 36.6%, the Group's gross loss margin was having 53.9% in 2012 (2011: gross profit margin was having 34.0%).

Other Income

Other incomes were HK$7.1 million in 2012 (2011: HK$22.2 million), representing a decrease of HK$15.1 million or 68.0%, mainly due to a decrease of bank interest income, rental income and dividend income from investment in securities.

Other Gains, Losses and Expenses

Other gains, losses and expenses showed a loss of HK$157.4 million in 2012 (2011: HK$17.4 million). The decrease was mainly due to an increase in fair value of listed investments held-for-trading of HK$9.3 million in 2011 compared to a decrease in fair value of listed investments held-for-trading of HK$2.4 million in 2012, net allowance for bad and doubtful debts from HK$27.2 million in 2011 to HK$124.9 million in 2012. Loss on obligations under onerous contracts in connection with acquisition of property, plant and equipment of HK$20.7 million in 2012 (2011: nil).

Operating Expenses

The distribution and selling expenses mainly comprise staff costs, promotion and advertising, freight and transportation, agency and custom costs and rent and rates. To expand the base, overseas office was increased to 16 countries and regions. In response to the sales opportunity of the Chinese market, the Group increased its Chinese sales networks and flagship. The distribution and selling expenses decreased from HK$140.8 million in 2011 to HK$114.1 million in 2012 representing a decrease of HK$26.7 million or 19.0%.

The administrative expenses mainly comprise staff costs and directors remuneration, depreciation charge, professional and legal fee, R&D costs and business tax. Owing to the increase of 14 sets of metal organic chemical vapour depositors ("MOCVD"), the number of high technology and research personnel increased accordingly. The relocation of the factory to Vietnam also led to the increase of management personnel. The administrative expenses decreased from HK$316.2 million in 2011 to HK$252.6 million in 2012 representing a decrease of HK$63.6 million or 20.1%.

Change in Fair Value of Investment Properties

In 2012, the change in fair value of investment properties recorded an increase of HK$17.6 million (2011: HK$2.5 million). Such change was explained by (i) an increase in fair value of an investment property in Guangzhou, the PRC, in 2012 of HK$1.1 million (2011: HK$1.5 million), and (ii) an investment property in Taiwan was sold in 2012 (2011: an increase in fair value of HK$1.0 million).

Finance Costs

The finance costs were HK$17.9 million in 2012 (2011: HK$11.4 million), representing an increase of HK$6.5 million or 57.0%. The increase was mainly attributable to the increase in the amount of bank borrowings and loan interest rates.

Interest in an Associate

The Group's investments in associates at the end of the year mainly represents its 33.87% equity interest in Luminaire Holdings Inc. which was incorporated in the British Virgin Islands and acts as an investment holding company on operations for the manufacturing and distribution of LED chips. The total consideration paid is US$1,000,000 (equivalent to approximately HK$7,753,000).

Taxation

For 2012, the Group's tax credit of HK$19.7 million (2011: tax charge of HK$2.7 million) included profit tax charge of nil (2011: HK$2.3 million), deferred taxation of HK$21.9 million (2011: HK$1.0 million), offset by underprovision of PRC income tax in prior years of HK$0.1 million (2011: HK$0.9 million).

Loss Attributable to Owners of the Company

For 2012, the loss attributable to owners of the Company amounted to HK$1,431.0 million (2011: the profit attributable was HK$112.2 million). The decrease was mainly attributable to a decrease in gross profit, decrease in other income, distribution and selling expenses and administrative expenses, decrease in fair value of listed investments held-for-trading and share of losses of an associate. The overall net profit margin decreased from 6.6% in 2011 to overall net loss profit margin of 132.0% in 2012.

FINANCIAL RESOURCES AND LIQUIDITY

Cash Flows

Cash inflow from operating activities in 2012 was HK$204.4 million (2011: cash outflow HK$72.3 million). Cash inflow from investing activities in 2012 was HK$36.1 million (2011: cash outflow HK$658.6 million). Cash outflow from financing activities in 2012 was HK$336.6 million (2011: cash inflow HK$192.4 million). Cash outflow from investing activities in 2012 was mainly due to additions of property, plant and machinery of about HK$51.9 million and deposits paid on acquisition of property, plant and equipment of about HK$60.8 million. Cash inflow from financing activities was mainly due to new bank loans of HK$786.4 million raised in 2012. An overall net decrease in cash and cash equivalents in 2012 was HK$96.1 million (2011: HK$538.5 million). The Group's major financial resources derived from cash generated from financing activities.

Assets and Liabilities

As at 31st March 2012 the Group's current assets and non-current assets were HK$1,239.7 million (as at 31st March 2011: HK$2,510.2 million) and HK$1,770.7 million (as at 31st March 2011: HK$2,274.3 million) respectively. The decrease in non-current assets was mainly due to an decrease in property, plant and equipment of HK$272.1 million. As at 31st March 2012 the Group's current liabilities and long-term liabilities were HK$691.5 million (as at 31st March 2011: HK$1,170.6 million) and HK$127.9 million (as at 31st March 2011: HK$69.0 million) respectively. The decrease in current liabilities was mainly due to decrease in new bank loans raised in 2012. As at 31st March 2012 the Group's bank balance and cash was HK$283.6 million (as at 31st March 2011: HK$371.4 million). The Group's gearing ratio increased from 22.8% as at 31st March 2011 to 23.9% as at 31st March 2012 (Basis: consolidated total bank loans divided by consolidated total equity). The increase in gearing was mainly due to the fact that reduction of total equity was greater than the reduction of new bank loan raised in 2012.

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 OF ASSETS

As at 31st March 2012, the Group had pledged one of its investment properties with a fair value of nil (as at 31st March 2011: HK$52,240,000), certain of its land and buildings with an aggregate carrying value of HK$226,784,000 (as at 31st March 2011: HK$127,766,000) and also bank deposits of aggregate carrying value of HK$2,465,000 (as at 31st March 2011: HK$52,371,000) to secure bank credit facilities granted to the Group.

CAPITAL COMMITMENTS

As at 31st March 2012, 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 HK$83.8 million (as at 31st March 2011: HK$169.3 million).

CONTINGENT LIABILITIES

At the end of the reporting period, certain subsidiaries are parties to various legal claims in their ordinary course of business. In the opinion of the directors of the Company, the ultimate resolution of these claims would not have a significant impact on the Group's results and financial position.

CAPITAL STRUCTURE

As at 31st March 2012, the issued share capital of the Company was HK$94,244,069 (as at 31st March 2011: HK$94,244,069), divided into 942,440,694 (2011: 942,440,694) ordinary shares of HK$0.10 each.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

During the year, the Company purchased additional interests in a non-wholly owned subsidiary for HK$26,189,000 and invested in associates for HK$30,924,000. There was no material disposal.

BUSINESS REVIEW

The era of LED for indoor home lighting has dawned. LED gains popularity mainly because governments of many countries have gradually introduced policies to promote the usage of LED lamps (through subsidizing consumers and manufacturers) to save energy and protect the environment; 100W-incandescent lamps have been eliminated in the market due to their low luminous efficiency; and 75W-, 60W- and 40W-incandescent lamps will be banned sooner or later. Obviously, LED has clear-cut advantages over traditional lighting products in terms of energy saving and environmental protection. LED can achieve 40%-60% of energy savings as compared to fluorescent tubes and save 90% as compared to tungsten lamps. In addition, the advantages of LED products include longer usage life, better luminous efficiency, larger illumination area, adjustable light color, etc. Therefore, we see bright market prospects for the LED lighting industry.

The energy-saving and environmental protection industry was ranked the first among the seven strategic emerging industries to be developed in the country's Twelfth Five-year Plan. Among which, the semiconductor lighting industry was classified as an emerging energy-saving industry. Under such favorable environment that exists after major countries have announced their respective schedule to ban the production and usage of incandescent lamps, the LED industry will have plenty of opportunities for rapid development in 2013 to 2015. As the urbanization of China gains pace and consumers continuously seek higher standards of living, there will be greater demand for LED products which will create more opportunities for the Company. It is expected that, the China market will gradually become a major source of the Group's profits and a driving force for the sustained growth of the Group.

Our NEONEON Yingyu LED was favored by all kinds of projects and brought us a number of projects, including landscape lighting projects for large-scale exhibitions and key construction projects and facilities at key venues such as 2008 Beijing Olympics, 2010 Shanghai World Expo and 2011 Guangzhou Asian Games. In addition, the Group also secured various orders from Beijing Tiananmen Tower, Olympic Games Celebration Square, London Gatwick Airport, Japan Narita warehouse, clubs in Las Vegas, WuGuang High-Speed Railway, Qingdao Sports Centre, Shenzhen Universiade and many other projects. We also had many successful projects in Beijing, Shanghai, Guangzhou, Shenzhen, Changsha, Hengyang, Changde, Inner Mongolia, Linfen, Foshan, Zhaoqing, Meizhou, Jiangmen, Heshan and some other districts. The luxury passenger railway line, WuGuang High-Speed Railway (Changsha section), which commissioned the Group recently, also used NEONEON Yingyu LED streetlights and tunnel lighting.

The Group's LED streetlights are recognized by nations all over the world for their high luminous efficiency and perfect optical design. As such, the Group's LED streetlights also replaced traditional streetlights in Vittorio of Italy, Sweden, Canada, Peru, India and the US in an extensive manner. Furthermore, Netherlands Public Broadcasting, Scotch Whisky Heritage Centre, the inner decoration of luxury cruise in Miami of the US, Hooters (a US fast-food restaurant) and underwater lights of Fuente de la Republica in Mexico all used the Group's super high brightness LED Neonflex for decorative lighting.

Neo-Neon Holdings Limited is the only company which has successfully completed vertically integration from the upper stream, middle stream to the lower stream of enterprise supply chain in the LED industry of the world, incorporating "Chips R&D – Extending Slice Production – Chips Production – Chips Package – Product Application". With modern management technique and method, optimized production process, enhanced production efficiency and a well-established vertically integrated supply chain, the Group's core competitiveness was strengthened while achieving higher cost effectiveness and obtaining an approval granted by provincial government. Consequently, a new profit growth source was established. We are committed to the R&D and production of over ten thousand kinds of quality products, including LED chips, LED packaging and LED application lighting products, and thus developing ourselves into the global leading LED technology team and marketing our products to more than 100 countries and regions in the world.

Production Facilities and Capacity

The LED products gradually replaced incandescent-based lighting in our sales mix. We proactively reinforced the Group's continued effort at R&D, and strove towards green lighting technology in future. Following the expansion of LED packaging plant, the Group reached a production capacity of 800 million LEDs per month. Our high-power LED emitter can achieve 120 lumens per watt, attaining the highest mass-production level in the LED industry. We continued our R&D effort in replacing existing HID and halogen light bulbs by high-power LED emitter so as to increase the variety and flexibility in entertainment lighting applications. In respect of general LED-based lighting, we were the pioneer in producing a whole series of LED white-light illumination products, including LED streetlights, LED T8 tubes, LED downlights and LED bulbs.

Currently, the Company owns nineteen (19) sets of MOCVD and the related packing production line, for the production of LED wafers and chips. The monthly production capacity is 55,000 (two inches) which is expected not only satisfy the demand of our LED packaging production and shorten delivery time to end-customers under such integrated supply chain, it will also allow the external sales of chips to above 50% of the total production output, thereby enabling the Company to seize more market opportunities.

Currently, the brightness of self-produced LED chips of Neo-Neon has already exceeded 120lm/W and that of wafers and chips produced by our chip factories has risen to 2700mcd, both of which have reached the internationally advanced level. In comparison with large foreign factories, all the technical staff of chip factories of Neo-Neon graduated from higher institutions with master or bachelor degree, and all the production processes were of the highest international standard. As such, its production capacity was able to keep at a very stable level, and the LED chips produced were of high stability and consistency, so that it received a large number of orders from large domestic and foreign factories and its products were the selected products for use. Our R&D team is conducting R&D on the process of putting fluorescent powder directly on photonic crystal and vertically structural chips. It is expected to make a breakthrough in future.

To better consolidate its production capacity and cope with the ever-rising labour cost in the PRC after the implementation of new Labour Law, the Group completed the transfer of incandescent lighting and decorative lighting production lines (which involve labour-intensive process) to a 1,200-mu plant in Thai Binh Province of Vietnam in consideration of the intense competition, low technology and labour-intensive production, concessionary electricity tariff and other favourable policies there. For one thing, the Group could then employ labors at a lower wage in Vietnam to continue the production of traditional lighting devices, so that the market status of Neo-Neon can be maintained. For another, the vacated plant and spared resources in Heshan could be better utilized to set up a facility that vertically integrates the functions of R&D, production, sales of LED products as well as project design and construction, in pursuit of higher efficiency and cost-effectiveness. Currently, the Vietnam plant has employed more than 1,600 employees. The Group will develop it into the largest LED lighting production base in Asia, and further expand the production scale of Vietnam plant in the future.

Quality Control

The Group is always determined to achieve the objective of "Perfection". It enhanced the quality management through tying the reward and punishment evaluation with quality and facilitating the comprehensive quality management incessantly. The Company has its own quality standard department and has established the Lide Photoelectric Test Center (麗得光電測試中心) with the South China University of Technology. With strict quality management, the Company was granted ISO9001 Quality System Certification, and over 85% of its self-developed and self-produced products passed the international safety certifications including UL, ETL, CSA, GS, VDE, CE, IMQ, BS and SAA. In addition, it is a UL member and a silver member of International CIE. In 2009, Neo-Neon Group qualified for the certification of "LED Household Lighting" of US Energy-saving Star, which was the first lighting enterprise in Asia to be so recognized. The Group possesses good brand image and rich customer resources. The Company has long included the brand building in its strategic objectives and is committed to enhancing the Company's brand image on the principle of "focus on quality and brand promotion". Through long-term cooperation, the Company established strategic partnership with a number of DIY enterprises such as Home Depot, Lowes, Juno, B&Q, CTC and Walmart.

Sales and Distribution

The Group maintains a sales team of over 180 staff members with offices in 16 countries and regions including the PRC, Korea, Taiwan, Hong Kong, Macau, Vietnam, Malaysia, Dubai, UK, Thailand, Netherlands, Germany, Russia, USA and Brazil. The Group plans to establish flagship showrooms in Shanghai (already established), Tianjin and Chongqing. We are confident that, through our constant consolidation of market resources and utilisation of various resources by mergers within the industry, our Group is able to maintain its industry leading role in the competitive LED market and constantly enlarge its LED market share in the future!

RESEARCH AND DEVELOPMENT

The Group's R&D efforts were driven towards product design, new product development and production efficiency improvement in order to reduce the overall production cost. During the period under review, with our continuing development of upstream epitaxy products to manufacture high-efficiency and good quality upstream LED materials, the Company's LED chips (including 10 mil x 23 mil chips) and packaging technology were improved up to international standard, as an effort to secure our leading position in the LED application market. The brightness of the Company's mass-produced LED chip SMD (3528 specification) rose to an average of 2,700 mcd, which is comparable to the brightness of 2,500 mcd to 2,800 mcd achieved by the leading Taiwan backlight factories, and higher than the 2,200 mcd to 2,600 mcd by mainland China manufacturers.

The Group established Lide Huagong Photoelectric Technology Research Institute (麗得華工光電技術研究所), the first photoelectric technology research institution, in Jiangmen city. There was remarkable breakthrough in the LED illumination technology in 2010. Currently, the luminous efficiency of HCD-LED chips (High Current Driving), AC-LED chips (Alternate Current) and HV-LED chips (High-Voltage) developed by the Group have reached 120 lumens per watt. Given the LED streetlights of the Group applied the design of the third-generation optical lens (so that the light of LED streetlights can be equally distributed in streets), they can save over 60% of electricity in comparison with the traditional streetlights, which received recognition from various countries around the world. Other than the LED streetlights, other LED application lighting products also received bulk orders from customers in such regions as the PRC, Europe, America and Southeastern Asia.

Neo-Neon owns more than 1,000 authorized patents domestically and abroad, and its patented products have covered over 10,000 types of products in various technical aspects including traditional lighting, decorative lighting, commercial lighting, entertainment lighting, audio system, LED chips and LED packaging. Among them, there are over 800 domestic patents and 200 foreign patents, including 50 invention patents, more than 600 utility model patents and more than 400 exterior design patents. The LED Neonflex self-developed by the Company was granted patents from over 50 states and certificates jointly issued by six PRC ministries and commissions. With such achievements, the Company has been renowned domestically and internationally. Among 10,566 patent applications related to LED lighting technology in the PRC, the Group ranked the first with 212 relevant applications, which accounted for 2.01% of the total applications in the PRC, and other domestic and foreign enterprises were quite far behind to catch up with the Group.

TRADE RECEIVABLE MANAGEMENT

As at 31st March, 2012, the Group's receivables were HK$107.0 million (31st March, 2011: HK$389.1 million), representing a decrease of HK$282.1 million; in which the amount of receivables due within 180-360 days decreased to HK$4.7 million. The decrease was mainly due to a 36.6% decrease in turnover resulting from the rapid market expansion during the period review, the extension of credit period to 180 days for facilitating some creditworthy long-term customers' plans for business development, and the long payment periods of certain large projects at low risk (such as Yangzhou Streetlight Project) under relevant contracts.

INVENTORY MANAGEMENT

The Group operates an integrated industry chain that covers more than ninety percent of the production process in the whole business chain. During the period under review, the Group's inventory balances decreased to HK$648.1 million from HK$1,419.7 million at the beginning of the year, a decrease of approximately 54.3%, which was mainly due to a decrease in turnover by 36.6% when the management had implemented strict inventory management, control measures and obsolete inventories disposal. Looking ahead, the Group will monitor its inventory management policy so as to give quicker response to customer orders and speed up inventory turnover. A number of internal management measures were also implemented which, as per the Group's expectation, will reap the benefits in the coming fiscal year.

EMPLOYEES AND REMUNERATION POLICY

As at 31st March 2012, the Group's total number of employees was approximately 5,000 (31st March 2011: 9,200). Due to increase of 14 sets of MOCVD, the number of high technology and research personnel also increased accordingly. 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.

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

FUTURE PLANS AND PROSPECTS

"Energy-saving and carbon reduction" is a core topic in the PRC Twelfth Five-year Plan, while the use of electricity for lighting accounted for over 20% in the total electricity consumption worldwide. Under the global trend of environmental protection, the gradual replacement of traditional lighting by the LED lighting (which is more efficient in electricity-saving) has become a critical topic for discussion. Along with the rapid development of the PRC economy, the semiconductor lighting industry, being the focus of the new-round development of high-tech energy-saving industry, enjoys massive support and attention from governments at all levels. At the same time, the bright prospect of LED industry also receives high recognition and draws attention from the investment world. Last year, the value of LED output in the PRC exceeded RMB60 billion. The market will bring a myriad of business opportunities to the LED industry.

We already established four major operation centers and logistics and warehousing bases in Shanghai, Tianjin, Chongqing and Heshan of Guangdong. To satisfy the demand arising from increasing sales opportunities in the PRC market, the Group has set up 30 branches and allocated more resources for the expansion of our footholds in the mainland. In addition, we will further establish provincial operation centers in the provincial capitals in the PRC, so that we can gradually increase our presence in the Greater China market. Since the 2008 Beijing Olympic Games, the 2010 Shanghai World Expo and the 2011 Guangzhou Asian Games, the Group's LED products have won the orders of lighting applications for various major construction projects and facilities, including a number of domestic large-scale exhibitions and main arenas. Among the seven strategic emerging industries highlighted in the Twelfth Five-year Plan, energy-saving and environmental protection industry ranks top. The semiconductor lighting industry is included in the energy-saving and environmental protection industry. Furthermore, some of the world's developed countries have promulgated their timetables for ceasing production and phasing out the use of incandescent lamps. Under such a favourable macro-environment, the LED lighting industry will embrace an opportunity for rapid development in the coming years from 2013 to 2015.

At present, the technologies for manufacturing LED lighting products have become mature, however, their markets have yet to be further expanded. The main reason of unpopularity is that prices of LED lighting products are far too high. The current technologies used in manufacturing alternative LED bulbs can completely meet the technological requirements for the substitution of incandescent lamps. The major obstacles in popularizing LED lightings are high prices and insufficient sales channels. In view of this, the Group, in addition to further deepening vertical integration with an aim to reduce production cost, is continuing to develop and integrate its existing sales channels, as evidenced by the establishment of flagship showrooms in Shanghai, Tianjin, Chongqing, Jiangmen and Hong Kong. Meanwhile, the Group continues, through mergers and acquisitions, to speed up developing the market, establishing operation centers and multi-level marketing models, introducing exclusive sales of famous distributor's branded products and brand franchising as well as developing distribution channels so as to capture advantageous market resources from traditional lighting enterprises. However, this task cannot be accomplished overnight. In the past two years, we have not made much progress in market development, but this actually provided the Company with a good opportunity to make adjustments so as to consolidate its leading position in the industry, to better integrate its branches and to provide more quality before-sales and after-sales services to its existing customers. Neo-Neon will get the upper hand in the cost competition due to its competitive edges of economy of scale and integrated production model, not to mention its geographical advantage in the PRC as follows:

I. Favourable National Policies

2012 is a year full of challenges and opportunities for LED lighting enterprises. The Chinese government has rolled out a series of policies to drive the strategic development of the LED lighting industry, including but not limited to fiscal subsidies in 2012 for semiconductor lighting products (including indoor products such as LED downlights and LED PAR lights, and outdoor products such as LED streetlights and LED tunnel lighting).

II. Supportive Local Policies

On 23rd May 2012, the Guangdong provincial government issued the "Implementation Plan for Promoting the Use of LED Lighting Products in Guangdong Province" (the "Plan"). Pursuant to which, it was stressed that, with effect from the implementation date, LED lighting products shall be used in all lighting projects for roads, public places, governmental buildings and state-owned enterprises in Guangdong province, as well as in newly planned development regions including Nansha, Qianhai and Hengqin. Non-LED lighting products currently in use shall be replaced by LED lighting products in various stages within a period of three years ending December 2014.

According to the Plan, the use of LED lighting products for public illumination shall be completed by the end of 2013 in the Pearl River Delta region, and by the end of 2014 in the eastern, western and northern regions, thereby popularizing the use of LED lighting for the whole society. As a result, the Plan will translate into an energy saving of over 50% for the whole province, and the LED lighting industry will be boosted to have an annual production value of over RMB500 billion by the end of the "Twelfth Five-year Plan" period. At the same time, the provincial government and various local governments at county or above levels signed the letter of undertaking for promoting the application of LED lighting products in Guangdong province. With the six urban regions in Guangzhou as pilot places, Guangzhou municipal government will enter into the Energy Management Contracting, by the end of June 2012 and it is expected to be implemented in July 2012.

III. The Market is Maturing Gradually

In the first half of this year, demand in the international market was generally depressed as a result of tight cash flow. Due to insufficient distribution channels to reach end-users in the domestic market, the market remained stagnant. Due to excessive investment and fierce market competition, the LED lighting industry experienced large-scale consolidation, and some LED lighting enterprises were forced to suspend production or to close down. The situation of over-supply is expected to continue and product applications have to be promoted and expanded. As the distribution channels for traditional lighting products are not compatible with LED lighting distribution channels, certain traditional lighting enterprises cannot sustain their transformation in terms of distribution channels due to their deficiency in core LED technologies and insufficient orders, therefore adjustment and uncertainty in the industry are expected to continue.

Looking into the entire industry and judging by the current situation, Neo-Neon, with over 30 years of experience in the industry and the well-known brands it has already established and its core competitiveness in technology research and development, has indeed become the focal point of the industry. Many famous brands in the industry, including CREE and GCL Solar, have expressed their intentions to enter into strategic cooperation with Neo-Neon, with an aim to integrate their technologies, markets, capital, brands and government resources with those of Neo-Neon, thereby forming strong business alliance to make breakthroughs in the industry.

IV. Response to the Chinese Market

To meet future growth in the market, the Group made some strategic adjustment during the year. Its sales and marketing platforms have been relocated to Guangzhou and Shanghai, and two major marketing and service centres were established. In addition, the Group established a number of showrooms, which are unprecedented in scale, in Beijing, Tianjin, Shenyang, Shanghai, Yangzhou and Guangzhou respectively. Among which, our presence in Guangzhou is primarily based in Guangzhou Guanggu. By leveraging on favourable government policies and the purchasing platform located in Guangzhou Guanggu, the Group realized direct sales with its end-users. As such, Neo-Neon is now displaying its new image in front of the public.

Measures to facilitate market expansion in the PRC:

1. To be in line with national sustainable development strategies for the LED lighting industry, the Company will collaborate with local governments to promote local economic development in an energy-saving way, such projects include streetlights modification projects for the mountainous regions in Northern Guangdong as well as for Jiangmen and Jilin;

2. To implement a marketing strategy for controlled companies which is different from others and give more decision-making power to regional-owned brands;

3. To understand the regional economic background specific to the provincial markets and make use of our technological and manufacturing advantages to engage in construction projects of certain provinces;

4. To strengthen the reserve and tracking of engineering project resources, especially for large-scale projects, and to set up a specific department for large-scale projects which aims to proactively support business development in terms of technology and the influence of projects;

5. To prepare for the coming “honeymoon period” for pricing of LED lighting products, our distribution channels will put more efforts in pricing and brand marketing by reducing the selling price of LED lighting products to a level similar to that of traditional lighting products so as to stimulate consumer demand;

6. To enhance our reserve of talents, particularly during the adjustment period of the industry. Neo-Neon will absorb all kinds of talents from upstream to downstream of the LED lighting industrial chain, so as to prepare for the future boom in the LED lighting market;

7. To increase strategic cooperation with multinational companies such as CREE and Phillips in an open manner in respect of technology and patents; and

8. To proactively participate in academic exchange, and pay more attention to the meetings held by the International Commission on Illumination (CIE) and activities organized by Top Designer Alliance, thereby presenting the LED technological and R&D achievements made by Neo-Neon to the world.

The Directors are pleased to present their annual report and the audited financial statements for the year ended 31st March 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 44 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year end 31st March 2012 are set out in the Consolidated Statement of Comprehensive Income on page 42. No dividend will be paid for the year ended 31st March, 2012 (2011: final dividends of HK$0.032 per share paid).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on 10th August, 2012 (the "AGM"), the register of members of the Company will be closed from Wednesday, 8th August, 2012 to Friday, 10th August, 2012, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrars in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7th August, 2012.

PROPERTY, PLANT AND EQUIPMENT

Movements during the year in the Group's property, plant and equipment are set out in note 19 to the consolidated financial statements.

Movements during the year in the Group's investment properties are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 35 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors

Mr. Ben FAN *(Chairman)*
Ms. Michelle WONG
Mr. FAN Pong Yang

Independent non-executive Directors

Mr. WU Tak Lung	(resigned on 28th November 2011)
Mr. WONG Kon Man, Jason	(appointed on 28th November 2011)
Mr. ZHAO Shan Xiang	
Mr. WENG Shih Yuan	
Ms. LIU Sheng Ping	(appointed on 16th January 2012)

In accordance with Article 87(1) of the Company's articles of association (the "Articles"), Ms. Michelle WONG and Mr. FAN Pong Yang shall retire by rotation at the AGM and pursuant to Article 86(3) of the Articles. Mr. WONG Kon Man, Jason and Ms. LIU Sheng Ping will retire at the AGM and, being eligible, will offer themselves for re-election.

Besides, pursuant to the letter of appointment entered into between Mr. ZHAO Shan Xiang and the Company, Mr. Zhao will retire at the AGM and, being eligible, will offer himself for re-election.

Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are set out in the circular of the Company, sent to shareholders of the Company (the "Shareholders") together with the 2012 Annual Report relating to, inter alia, re-election of Directors.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ben FAN, Ms. Michelle WONG and Mr. FAN Pong Yang has entered into a service contract with the Company for an initial term of three years commencing from the date (the "Commencement Date") on which dealings in the shares of the Company (the "Shares") commences on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Such contracts will continue thereafter provided that either the Company or the relevant executive Director may, after one year of the Commencement Date, terminate the appointment of the relevant executive Director by giving to the other party not less than three months' written notice of termination or by payment in lieu of such notice.

Each of Mr. WONG Kon Man, Jason and Ms. LIU Sheng Ping entered into a letter of appointment with the Company for a term of three years commencing from 28th November 2011 and 16th January 2012 respectively and may be terminated by either party by giving two months' written notice.

Mr. ZHAO Shan Xiang entered into a letter of appointment with the Company. Under the appointment letter with the Company, Mr. ZHAO's appointment will automatically terminate when he reaches his 65th birthday. Mr. ZHAO will retire at the AGM and being eligible, will offer himself for re-election of one year contract of service with the Company.

Mr. WENG Shih Yuan has not entered into any service contract with the Company and has no fixed proposed service term.

Save as disclosed above, none of the Directors has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

The remuneration of senior management of the Company is aimed at attracting, motivating and retaining high-calibre individuals in a competitive market. The emoluments of the Directors are determined in accordance with this policy.

Every year, the Company received from each of the independent non-executive Directors a confirmation of his independence and the Company considers all of them to be independent.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement whose object are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than under the share option scheme of the Company. As at 31st March 2012, the number of outstanding option shares granted by the Company under the share option scheme to Directors to subscribe for Shares of the Company, as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), is set out in the section headed "Share Option Scheme" of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors hold any interests in any competing business against the Company or any of its jointly controlled entities and subsidiaries for the year ended 31st March 2012.

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

As at 31st March 2012, the interests and short positions of the Directors and chief executives in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in Shares and underlying Shares of the Company

Name of Director	Class of Shares	Number of Shares held Personal Interests (Note 1)	Family Interests	Corporate Interests	Other Interests	Number of Underlying Shares Held under Equity Derivatives	Total	Percentage of Total Issued Share Capital of the Company as at 31st March 2012
Mr. Ben FAN[2]	Ordinary	600,000	26,366,000	336,400,000	–	–	363,366,000	38.556%
Ms. Michelle WONG[2]	Ordinary	10,668,000	337,000,000	15,698,000	–	–	363,366,000	38.556%
Mr. FAN Pong Yang[3]	Ordinary	1,462,000	–	15,698,000	–	760,000[4]	17,920,000	1.901%
Mr. WENG Shih Yuan	Ordinary	246,500	–	–	–	200,000[4]	446,500	0.047%
Mr. ZHAO Shan Xiang	Ordinary	–	–	–	–	250,000[4]	250,000	0.027%

Notes:

(1) This represents interests held by the relevant Director as beneficial owner.

(2) Each of Mr. Ben FAN and Ms. Michelle WONG was taken to be interested in an aggregate of 363,366,000 Shares of the Company held by Mr. Ben FAN (600,000 Shares), Ms. Michelle WONG (10,668,000 Shares), Rightmass Agents Limited ("Rightmass") (336,400,000 Shares) and Charm Light International Limited ("Charm Light") (15,698,000 Shares), respectively as follows:

(a) 336,400,000 Shares of the Company were held by Rightmass which was wholly-owned by Mr. Ben FAN. Mr. Ben FAN was taken to be interested in 336,400,000 Shares of the Company that Rightmass was interested;

(b) 15,698,000 Shares of the Company were held by Charm Light which was owned as to 35% by Ms. Michelle WONG. Ms. Michelle WONG was taken to be interested in 15,698,000 Shares of the Company that Charm Light was interested;

(c) Ms. Michelle WONG is the spouse of Mr. Ben FAN. Ms. Michelle WONG was deemed to be interested in 600,000 Shares of the Company held by Mr. Ben FAN and 336,400,000 shares of the Company held by Rightmass; and

(d) Mr. Ben FAN is the spouse of Ms. Michelle WONG. Mr. Ben FAN was deemed to be interested in 10,668,000 Shares of the Company held by Ms. Michelle WONG and 15,698,000 shares of the Company held by Charm Light.

(3) 15,698,000 Shares of the Company were held by Charm Light which was owned as to 35% by Mr. FAN Pong Yang. Mr. FAN Pong Yang was taken to be interested in 15,698,000 Shares of the Company that Charm Light was interested.

(4) This represents interests in options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying Shares in respect of the option shares granted by the Company under the share option scheme, details of which are set out in the section headed "Share Options Scheme" in this report.

Save as mentioned above, as at 31st March 2012, none of the Directors and chief executives had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its Associated Corporations which had been entered in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31st March 2012, the interests and short positions of those persons (other than the Directors and chief executives) in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in Shares of the Company

Name	Capacity in which Shares were Held	Number of Ordinary Shares Held	Percentage of Total Issued Share Capital of the Company as at 31st March 2012
Rightmass[1]	Beneficial owner	336,400,000	**35.695%**
China Environment Fund III, L.P.	Beneficial owner	96,731,000	**10.264%**

Note:

(1) The interests in ordinary shares held by Rightmass were included in the interests of Mr. Ben FAN and Ms. Michelle WONG in the Company as disclosed under the section headed "Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".

Save as mentioned above, as at 31st March 2012, the Company had not been notified of any interests and short positions in the Shares and underlying Shares of the Company which had been entered in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year, no connected or continuing connected transactions subsisted or have been entered into by the Group.

SHARE OPTION SCHEME

A share option scheme was adopted by the Company pursuant to the Shareholders' resolutions passed on 20 November 2006 (the "Scheme") for the primary purpose of providing incentives to Directors and eligible employees. The Scheme became effective on 15 December 2006 and the options issued pursuant to the Scheme will expire no later than 10 years from the date of grant of the option. Under the 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 total number of Shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the Shares of the Company on 15 December 2006 (representing 76,000,000 Shares of the Company) without prior approval from the Company's Shareholders.

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

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

The option period is 8 years whereas the vesting period is 5 years. Details of movement of these options are as below:

Category of participants	Date of grant	Exercise price (HK$)	Exercisable period	Balance as at 01.04.2011	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding as at 31.3.2012
Directors								
Mr. WU Tak Lung	01.02.2008	5.03	01.02.2008 – 31.01.2016	50,000	–	(50,000)	–	–
	22.01.2010	6.75	22.01.2010 – 21.01.2018	200,000	–	(200,000)	–	–
Mr. ZHAO Shan Xiang	01.02.2008	5.03	01.02.2008 – 31.01.2016	50,000	–	–	–	50,000
	22.01.2010	6.75	22.01.2010 – 21.01.2018	200,000	–	–	–	200,000
Mr. WENG Shih Yuan	22.01.2010	6.75	22.01.2010 – 21.01.2018	200,000	–	–	–	200,000
Mr. FAN Pong Yang	22.01.2010	6.75	22.01.2010 – 21.01.2018	760,000	–	–	–	760,000
Employees								
Employees, in aggregate	15.02.2007	8.72	15.02.2007 – 14.02.2015	7,288,500	–	(620,000)	–	6,668,500
	01.02.2008	5.03	01.02.2008 – 31.01.2016	2,706,000	–	(972,500)	–	1,733,500
	29.02.2008	5.90	28.02.2008 – 28.02.2016	2,257,500	–	(825,000)	–	1,432,500
	13.07.2009	2.19	13.07.2009 – 12.07.2017	9,356,000	–	(655,000)	–	8,701,000
	22.01.2010	6.75	22.01.2010 – 21.01.2018	10,452,500	–	(1,555,000)	–	8,897,500
	23.07.2010	4.51	23.07.2010 – 22.07.2018	6,050,000	–	(3,900,000)	–	2,150,000
	19.08.2011	1.95	19.08.2011 – 18.08.2015	–	17,000,000	(2,340,000)	–	14,660,000
				39,570,500	17,000,000	(11,117,500)	–	45,453,000

The closing price of shares immediately before 15th February 2007, 1st February 2008, 29th February 2008,13th July 2009, 22nd January 2010, 23rd July 2010 and 19th August 2011, the dates on which the share options were granted, were HK$8.50, HK$5.03, HK$5.89, HK$2.15, HK$6.75, HK$4.51 and HK$1.86 respectively.

The weighted average exercise price of options granted during the year, options granted in August 2010, forfeited during the year and outstanding at the balance sheet date is HK$1.95 (2011: HK$6.69 and HK$4.51), respectively.

During the year, options were granted in August 2011 with an estimated fair value of HK$37,503,000 (2011: HK$50,103,000).

These fair values were calculated using the binomial option pricing model. The inputs into the model were as follows:

	2012	2011	
Number of share options	**17,000,000**	6,850,000	15,000,000
Vesting period	**Based on the terms stipulated in the Scheme**	Based on the terms stipulated in the Scheme	Based on the terms stipulated in the Scheme
Grant date share price per share	**1.86**	4.51	6.69
Exercise price per share	**1.95**	4.51	6.75
Expected volatility	**67.75%**	53.32%	54.07%
Risk-free interest rate	**0.45%**	1.95%	2.55%
Expected dividend yield	**2.57%**	1.36%	3.81%
Suboptimal exercise factor	**2.31**	2.00	1.64

As the Company was newly listed since December 2006, there are no sufficient trading records to take reference of its share price volatility. Based on the historical volatility of the comparable companies in similar industries over the past 5 years, a volatility of 67.75%, 53.32% and 54.07% were assumed.

During the year, the Group recognised the net expense of HK$15,475,000,000 (for the period from 1st January, 2010 to 31st March, 2011: HK$26,892,000) in relation to share options granted after taking into consideration the effect of revision of estimates due to forfeiture of unvested share options.

The options vest in 3 installments: (i) 33.33% from the date of grant; (ii) 33.33% after one year from the date of grant; (iii) 33.34% after two years from the date of grant.

Notes:

(1) Each of the option holders has to remain employed throughout each of the vesting period before the relevant options granted to each of them can be exercised during the relevant exercisable period.

(2) Mr. Wu Tak Lung resigned as independent non-executive Director of the Company on 28th November 2011.

Save as disclosed above and in note 36 to the consolidated financial statements, during the year, no right has been granted to, or exercised by, the following persons, to subscribe for shares in or debentures of the Company under the Scheme and no option granted to such persons under the Scheme has been cancelled or lapsed:

(i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;

(ii) any participant under the Scheme with options granted in excess of the individual limit;

(iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;

(iv) any supplier of goods or services; and

(v) any other participants under the Scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31st March 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued Shares as required under the Listing Rules.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the largest supplier accounted for 5.3% of the Group's purchases and the five largest suppliers accounted for 15.0% of the Group's total purchases. The largest customer accounted for 3.1% of the Group's turnover and the five largest customers accounted for 10.4% of the Group's total turnover.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

EMPLOYEES

The total number of employees of the Group was approximately 5,000 as at 31st March 2012. The remuneration of each employee of the Group is determined on the basis of his or her performance and responsibility. The Group provides education allowances to all the employees.

CORPORATE GOVERNANCE

Details of corporate governance are set out in the section headed "Corporate Governance Report" on pages 33 to 39 of this annual report.

POST BALANCE SHEET EVENTS

There are no material subsequent events after the balance sheet date.

AUDITOR

Deloitte Touche Tohmatsu ("Deloitte") will retire and will seek for re-election at the AGM.

On behalf of the Board

Ben FAN
Chairman

Hong Kong, 25 June 2012

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed in maintaining high standards of corporate governance ("CG"). The Board believes that commitment in CG practices will definitely add value to the Company's Shareholders in long term. For the year ended 31st March 2012 ("FY2012"), the Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("CCGP") as set out in Appendix 14 to the Listing Rules in force at that time, except for derivation from code provisions A.2.1 and A.4.1 which are explained in the following relevant paragraphs.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors of the Company. Following specific enquiry by the Company, all the Directors have confirmed in writing that they have complied with the required standard as set out in the code of conduct during FY2012.

THE BOARD

Board Composition

As at the date of this report, the Board has three executive Directors ("ED") and four independent non-executive Directors ("INED"), as shown on page 2 of this annual report. Biographies of the Company's Directors are shown on pages 7 to 8 of this annual report.

INEDs ensure the Board accounts for the interest of all shareholders and subject matters are considered objectively. The Board has received from each INED an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers all of the INEDs to be independent. INEDs has accounted for more than 50% of the full Board.

The Board focuses on the overall strategic development of the Group, also monitoring the financial performance and the internal controls of the Group. With a wide range of expertise and a balance of skills, the INEDs bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and committee work.

To the best knowledge of the Directors, there is no financial, business and family relationship among members of the Board except that Ms. Michelle WONG is the spouse of Mr. Ben FAN and Mr. FAN Pong Yang is the younger brother of Mr. Ben FAN.

Chairman and the CEO

Mr. Ben FAN is the Chairman. On 12th July, 2010, Mr. Tseng Jinsui resigned as the CEO of the Company due to Mr. Tseng's capabilities in research and development, production and sales, corporate management and years of experience in Yangzhou to serve as chairman in Yangzhou subsidiary of the Group. In respect to the rapid strategic development of LED lighting market, Mr. Ben FAN, the Chairman has been appointed as CEO and Mr. Ben FAN took the role of the Chairman of the Board and the CEO because Mr. FAN has the vision on the LED industry, technology and market development which is necessary for the Group to maximize the edge solutions for the upstream, middle steam and downstream industrial chain integration from LED wafers & chip production packaging and the LED lighting applications.

The Chairman has to (i) provide leadership to the Board to ensure that the Board acts in the best interests of the Company, (ii) oversee effective functioning of the Board and application of good CG practices and procedures, (iii) ensure that all Directors are properly briefed on issues arising at board meetings, (iv) encourage the Directors to make full and active contributions to the Board's affairs, and (v) ensure that all Directors have unrestricted access to the documents or information kept by the Group and professional advice when necessary.

The Board, led by the Chairman, sets the overall direction, strategy and policies of the Company. Under the leadership of the CEO, management is responsible for executing the Board's strategy and implementing its policies through the day-to-day management and operations of the Company.

Role and Responsibilities of the Board

The Board delegates appropriate aspects of its management and administration functions to management. It also gives clear Directions as to the powers of management, in particular, with respect to the matters that management must report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Board determines on regular basis which functions are reserved to the Board and which are delegated to management.

The Board exercises a number of authorities which include:

– Formulation of the Group's long-term strategy
– Approving major acquisitions, disposals and capital investment
– Reviewing operational and financial performance
– Approving financial results and public announcements
– Reviewing the effectiveness of internal control
– Authorizing material borrowings
– Setting dividend policy
– Any issue or repurchase of the Company's securities under general mandate
– Approving appointment to the Board and senior management
– Setting the Group's remuneration policy

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

Appointment and Re-election

The Directors are also responsible for the appointment of Directors. The Chairman in consultation with other Directors nominates for a new appointment as the Company's Director(s). The Board expects that the new Director(s) possesses some attributes or expertise, capable of contributing the Company.

Under the Company's Articles, all Directors are subject to the general requirement of retirement by rotation of one-third of the Directors at each annual general meeting of the Company, provided that every Director shall be subject to retirement at least once every three (3) years.

A Director appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Mr. WENG Shih Yuan has not entered into service contract with the Company and has no fixed proposed service term. Mr. Weng shall be subject to retirement by rotation and re-election by shareholders at the annual general meeting at least once every three years in accordance with the Articles which in the opinion of the Board meets the objective of the code provision A.4.1.

Service term of Mr. ZHAO Shan Xiang has been automatically terminated at his 65th birthday subject to the letter of appointment he entered into with the Company, provided that he is eligible for re-election and enter into another service contract for one year with the Company. Mr. WU Tak Lung resigned his position as independent non-executive Director of the Company on 28th November 2011. Mr. WONG Kon Man, Jason and Ms. LIU Sheng Ping was appointed as independent non-executive Directors of the Company on 28th November 2011 and 16th January 2012 respectively.

Each of Mr. WONG Kon Man, Jason and Ms. LIU Sheng Ping entered into a letter of appointment with the Company for a term of three years commencing from 28th November 2011 and 16th January 2012 respectively and may be terminated by either party by giving two months' written notice.

All executive Directors have service contracts with the Company for a term of three (3) years. The executive Directors may, after first year of service, terminate the service contract by giving three-month written termination notice to the other or by payment in lieu of such notice. The Company has given INEDs letters of appointment. Each INED is eligible for emoluments, participation in share option scheme and expenses reimbursement relevant for their carrying out of duties.

Board Processes

All Directors are regularly updated on governance and regulatory matters. There is an established procedure for Directors to obtain independent professional advice at the expense of the Company in the furtherance of their duties. The Company has also arranged appropriate director and officer liability insurance cover in respect of any potential legal actions that might be taken against its Directors.

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

Minutes of board meetings and meetings of board committees are kept by the Company Secretary. All Directors have free access to board papers and related materials, and are provided with adequate information in a timely manner, enabling the Board to make informed decision on matters placed before it. In FY2012, six (6) board meetings were held with attendance details shown in the followings:

Directors	Board Meetings attended/held in FY2012
Mr. Ben FAN	4/6
Ms. Michelle WONG	6/6
Mr. FAN Pong Yang	5/6
Mr. ZHAO Shan Xiang	6/6
Mr. WU Tak Lung (resigned on 28th November 2011)	4/6
Mr. WENG Shih Yuan	6/6
Mr. WONG Kon Man, Jason (appointed on 28th November 2011)	2/6
Ms. LIU Sheng Ping (appointed on 16th January 2012)	1/6

BOARD'S COMMITTEES

The Board has established three committees, namely audit committee, remuneration committee and nomination committee. Each of them has specific terms of reference to consider matters relating to specific areas and to advise the Board on such matters. INEDs play a significant role in these committees to ensure that independent and objective views are taken.

(a) Audit Committee

All audit committee ("AC") members are INEDs as set out in page 2 of this annual report. The Board considers that each AC member has optimal mix of commercial and managerial experience. The composition and members of the Audit Committee satisfies the requirements under Rule 3.21 of the Listing Rules which requires (i) a minimum of three members, and (ii) at least one of the INEDs has professional accounting qualifications or related financial management expertise.

The AC reviewed with the senior management and external auditors of the Group's significant internal controls and financial matters as set out in the AC's terms of reference, including:

– The Group's interim and annual financial statements with recommendation to the Board for approval
– The Group's compliance of the regulatory and statutory requirements
– The Group's internal control and risk management
– Significant accounting and audit issues
– Connected transactions
– Managing and overseeing with external auditors

The AC has the power to conduct investigations into any matter within the scope of responsibility of the AC and is authorized to obtain independent professional advice if it deems necessary in discharging its responsibilities.

The AC has been satisfied with the review of the audit scope, process and effectiveness, independence of Deloitte and thus recommended the Board for the approval of the 2012 financial statements.

In FY2012, AC held two meetings with 100% attendance by all AC members.

(b) Remuneration Committee

The remuneration committee ("RC") currently comprises of three INEDs and one ED, as set out in page 2 of this report. The majority of RC members are INEDs.

The RC advises the Board on the Group's overall policy and structure for the remuneration of Directors and senior management, and ensures that no Director or any of his associate is involved in deciding his/her own remuneration.

In determining the remuneration for Directors, the RC takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and the desirability of performance-based remuneration.

The RC meets to determine the policy for the remuneration of Directors and assess the performance of executive Directors and members of senior management. In FY2012, two RC meetings were held, with 100% attendance by all committee members.

Compensation policy of the Group

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

I. Basic salary

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

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

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

II. Incentive bonus

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

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

III. Employee Share Option Scheme

Prior to listing, the Company has set up an Employee Share Option Scheme. Granting of the options to employees from time to time will be at the discretion of the Board. The Employee Share Option Scheme allows the Company to retain valuable human resources and to motivate future performance of the employees.

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

IV. Other benefits

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

(c) Nomination Committee

The nomination committee ("NC") currently comprises of three INEDs and one ED, as set out in page 2 of this report. The majority of NC members are INEDs.

The NC is mainly responsible for reviewing the candidates' qualification and competence, and making recommendations to the Board on appointment of Directors, so as to ensure that all nominations are fair and reasonable.

The NC meets to discuss the procedures and criteria which should be adopted by them in nominating candidates for directorship and agreed that such criteria should include the candidates' professional background, their experiences and their past track record with other listed companies (if any). In FY2012, one NC meeting was held, with 100% attendance by all committee members.

AUDITOR'S REMUNERATION

The existing auditor, Deloitte, of the Company has provided the Group audit and tax advisory services in FY2012. The AC was satisfied that the non-audit service provided by Deloitte did not affect its independence. The remuneration charged by Deloitte in FY2012 was shown below.

Audit & Non-audit services in FY2012

	HK$
Annual Audit	3,000,000
Tax advisory	1,500,000
	4,500,000

INTERNAL CONTROLS

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

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

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the state of affairs of the Company and comply with the requirement of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. The Auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the Company's shareholders. The Independent Auditor's Report of is set out on pages 40 to 121 of this annual report.

INVESTOR AND SHAREHOLDER RELATION

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

In order to ensure effective, clear and accurate communications with the investors and analysts, all corporate communications are arranged and handled by the Chief Financial Officer of the Company.

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

The Board and management shall ensure Shareholders' right and all Shareholders are treated equitably and fairly. The Company has announced its half-year and annual results in a timely manner, which is well before the time limits set out in the Listing Rules. Separate resolutions will be proposed at the general meetings on each substantially separate issue, including the re-election of individual Directors.

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

FAMILY MEMBERS AND CLOSE PERSONAL RELATIONSHIPS

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

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF NEO-NEON HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Neo-Neon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 121, which comprise the consolidated statement of financial position as at 31st March, 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31st March, 2012 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25th June, 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2012

	Notes	1.4.2011 to 31.3.2012 HK$'000	1.1.2010 to 31.3.2011 HK$'000
Turnover	8	1,083,835	1,710,451
Cost of goods sold		(1,668,401)	(1,128,130)
Gross (loss) profit		(584,566)	582,321
Other income		7,104	22,201
Other gains, losses and expenses	9	(157,379)	(17,424)
Impairment losses recognised in respect of			
– property, plant and equipment	10	(148,451)	–
– goodwill	11	(106,055)	–
– intangible assets	11	(90,745)	–
Distribution and selling expenses		(114,137)	(140,805)
Administrative expenses		(252,619)	(316,188)
Finance costs	12	(17,895)	(11,403)
Change in fair value of investment properties		17,628	2,472
Share of losses of associates		(6,893)	(6,708)
Share of profits of a jointly controlled entity		3,325	394
(Loss) profit before taxation	13	(1,450,683)	114,860
Taxation credit (expense)	15	19,696	(2,674)
(Loss) profit for the year/period		(1,430,987)	112,186
Other comprehensive income			
– exchange differences arising on translation		105,987	103,418
Total comprehensive (expense) income for the year/period		(1,325,000)	215,604
(Loss) profit for the year/period attributable to			
– owners of the Company		(1,430,437)	116,608
– non-controlling interests		(550)	(4,422)
		(1,430,987)	112,186
Total comprehensive (expense) income for the year/period attributable to			
– owners of the Company		(1,324,844)	220,026
– non-controlling interests		(156)	(4,422)
		(1,325,000)	215,604
		HK cents	HK cents
(Loss) earnings per share	17		
– Basic		(151.8)	12.7
– Diluted		(151.8)	12.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investment properties	18	**17,380**	68,479
Property, plant and equipment	19	**1,430,840**	1,702,963
Prepaid lease payments	20	**119,182**	117,664
Goodwill	21	**741**	106,796
Intangible assets	22	**20,442**	127,344
Interests in associates	23	**38,561**	14,225
Interest in a jointly controlled entity	24	**28,253**	24,928
Deposits made on acquisition of property, plant and equipment		**115,325**	111,895
		1,770,724	2,274,294
Current assets			
Inventories	25	**648,069**	1,419,674
Trade and other receivables	26	**255,152**	545,664
Amount due from an associate	27	**36,885**	–
Investments held-for-trading	28	**13,550**	121,102
Pledged bank deposits	29	**2,465**	52,371
Bank balances and cash	29	**283,626**	371,432
		1,239,747	2,510,243
Current liabilities			
Trade and other payables	30	**255,035**	384,390
Amount due to a director	31	**13,000**	–
Taxation		**7,657**	7,667
Current portion of long-term bank loans	32	**415,760**	778,586
		691,452	1,170,643
Net current assets		**548,295**	1,339,600
Total assets less current liabilities		**2,319,019**	3,613,894
Non-current liabilities			
Long-term bank loans	32	**108,087**	28,078
Government grants	33	**10,428**	9,681
Deferred taxation	34	**9,400**	31,243
		127,915	69,002
Net assets		**2,191,104**	3,544,892

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2012 HK$'000	2011 HK$'000
Capital and reserves			
Share capital	35	**94,244**	94,244
Reserves		**2,085,036**	3,433,705
Equity attributable to owners of the Company		**2,179,280**	3,527,949
Non-controlling interests		**11,824**	16,943
Total equity		**2,191,104**	3,544,892

The consolidated financial statements on pages 42 to 121 were approved and authorised for issue by the Board of Directors on 25th June, 2012 and are signed on its behalf by:

BEN FAN
CHAIRMAN

FAN PONG YANG
EXECUTIVE DIRECTOR

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Other reserve HK$'000	Share compensation reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Retained profits (deficit) HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2010	91,333	1,578,470	53,856	–	48,100	29,910	102,122	1,325,132	3,228,923	5,694	3,234,617
Profit for the period	–	–	–	–	–	–	–	116,608	116,608	(4,422)	112,186
Exchange differences arising on translation	–	–	–	–	–	–	103,418	–	103,418	–	103,418
Total comprehensive income for the period	–	–	–	–	–	–	103,418	116,608	220,026	(4,422)	215,604
Issue of shares	2,911	109,562	–	–	–	(2,637)	–	–	109,836	–	109,836
Non-controlling interests arising on purchase of subsidiaries	–	–	–	–	–	–	–	–	–	15,514	15,514
Contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	157	157
Recognition of equity-settled share based payments	–	–	–	–	–	26,892	–	–	26,892	–	26,892
Share options lapsed during the period	–	–	–	–	–	(1,296)	–	1,296	–	–	–
Dividends paid	–	–	–	–	–	–	–	(57,728)	(57,728)	–	(57,728)
	2,911	109,562	–	–	–	22,959	–	(56,432)	79,000	15,671	94,671
At 31st March, 2011	94,244	1,688,032	53,856	–	48,100	52,869	205,540	1,385,308	3,527,949	16,943	3,544,892
Loss for the year	–	–	–	–	–	–	–	(1,430,437)	(1,430,437)	(550)	(1,430,987)
Exchange differences arising on translation	–	–	–	–	–	–	105,593	–	105,593	394	105,987
Total comprehensive expense for the year	–	–	–	–	–	–	105,593	(1,430,437)	(1,324,844)	(156)	(1,325,000)
Purchase of additional interests in a subsidiary	–	–	–	(9,142)	–	–	–	–	(9,142)	(17,047)	(26,189)
Contributions from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	12,084	12,084
Recognition of equity-settled share based payments	–	–	–	–	–	15,475	–	–	15,475	–	15,475
Share options lapsed during the year	–	–	–	–	–	(6,364)	–	6,364	–	–	–
Dividends paid	–	–	–	–	–	–	–	(30,158)	(30,158)	–	(30,158)
	–	–	–	(9,142)	–	9,111	–	(23,794)	(23,825)	(4,963)	(28,788)
At 31st March, 2012	94,244	1,688,032	53,856	(9,142)	48,100	61,980	311,133	(68,923)	2,179,280	11,824	2,191,104

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

During the year, the Group purchased additional interests in a non-wholly owned subsidiary of the Company. As a result of the acquisition, the difference of HK$9,142,000 between the consideration paid of HK$26,189,000 and the amount of non-controlling interests of HK$17,047,000 acquired was directly recognised in equity.

Share compensation reserve represents the difference of fair value of certain NNH'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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March, 2012

	1.4.2011 to 31.3.2012 HK$'000	1.1.2010 to 31.3.2011 HK$'000
Operating activities		
(Loss) profit before taxation	(1,450,683)	114,860
Adjustments for:		
Interest income	(2,961)	(5,496)
Finance costs	17,895	11,403
Share of losses of associates	6,893	6,708
Share of profits of a jointly controlled entity	(3,325)	(394)
Gain on deemed disposal of partial interest in an associate	(305)	–
Depreciation and amortisation	213,915	202,380
Operating lease rentals in respect of prepaid lease payments	2,651	2,582
Change in fair value of investment properties	(17,628)	(2,472)
Gain on disposal of property, plant and equipment	(17,891)	(2,688)
Impairment losses recognised in respect of property, plant and equipment	148,451	–
Impairment losses recognised in respect of goodwill	106,055	–
Impairment losses recognised in respect of intangible assets	90,745	–
Loss on obligation under onerous contracts	20,742	–
Amortisation of government grants	(724)	–
Gain on disposal of an asset held for sale	–	(43,188)
Allowance for inventories	466,123	42,465
Allowance for bad and doubtful debts	124,898	27,163
Equity-settled share based payments	15,475	26,892
Effect of foreign exchange rate changes	(872)	(1,760)
Operating cash flows before movements in working capital	(280,546)	378,455
Decrease (increase) in inventories	354,364	(576,537)
Decrease (increase) in trade and other receivables	222,706	(267,914)
Decrease in investments held-for-trading	107,552	270,210
(Decrease) increase in trade and other payables	(198,464)	115,757
Government grant received for research and development projects	1,079	9,681
Cash from (used in) operations	206,691	(70,348)
Taxation paid	(2,268)	(1,970)
Net cash from (used in) operating activities	204,423	(72,318)

	1.4.2011 to 31.3.2012 HK$'000	1.1.2010 to 31.3.2011 HK$'000
Investing activities		
Interest received	2,961	5,496
Proceeds from disposal of investment properties	68,946	–
Purchase of property, plant and equipment	(51,873)	(158,539)
Proceeds from disposal of property, plant and equipment	69,912	47,922
Prepaid lease payments paid	–	(46,954)
Purchase of intangible assets	(1,552)	–
Purchase of subsidiaries	–	(68,075)
Investments in associates	(30,924)	–
Advance to an associate	(36,885)	–
Deposits paid on acquisition of property, plant and equipment	(60,754)	(555,770)
Proceeds from disposal of an asset held for sale	–	105,616
Government grants received relating to acquisition of property, plant and equipment and prepaid lease payments	26,313	61,725
Release (placement) of pledged bank deposits	50,000	(50,000)
Net cash from (used in) investing activities	36,144	(658,579)
Financing activities		
Interest paid	(17,025)	(11,403)
Dividends paid	(30,158)	(57,728)
Proceeds from issue of shares	–	8,384
Purchase of additional interests in a subsidiary	(26,189)	–
Contributions from non-controlling interests of subsidiaries	12,084	157
Borrowings from a director	13,000	–
Bank loans raised	786,445	534,778
Repayment of bank loans	(1,074,783)	(281,828)
Net cash (used in) from financing activities	(336,626)	192,360
Net decrease in cash and cash equivalents	(96,059)	(538,537)
Cash and cash equivalents at the beginning of the year/period	371,432	903,968
Effect of foreign exchange rate changes	8,253	6,001
Cash and cash equivalents at the end of the year/period	283,626	371,432
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	283,626	371,432

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands and acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 44. Its shares are listed on the Main Board of the Hong Kong Stock Exchange and certain of its shares are listed as Depositary Receipts in Taiwan Stock Exchange.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

During the prior financial period, the reporting period end date of the Group and the Company was changed from 31st December to 31st March because the directors of the Company determined to take into account the seasonality factors of lighting product, in which from May to September, is usually the major lighting product peak seasons, to enable the Company to better utilise its resources and facilitate better planning and operational processes of the Company. Accordingly, the corresponding comparative amounts shown for the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a fifteen-month period from 1st January, 2010 to 31st March, 2011 whilst the consolidated financial statements for the current period cover the twelve-month year ended 31st March, 2012, therefore may not be comparable with amounts shown for the current period.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s)

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
Amendments to HK(IFRIC) – INT 14	Prepayments of a minimum funding requirement
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s) *(Continued)*

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

Amendments to HKFRS	Annual improvements to HKFRSs 2009-2011 cycle[2]
Amendments to HKFRS 7	Disclosures – Transfers of financial assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[2]
HKFRS 9	Financial instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
Amendments to HKAS 1	Presentation of items of other comprehensive income[5]
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets[4]
HKAS 19 (Revised 2011)	Employee benefits[2]
HKAS 27 (Revised 2011)	Separate financial statements[2]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[6]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1st July, 2011
2 Effective for annual periods beginning on or after 1st January, 2013
3 Effective for annual periods beginning on or after 1st January, 2015
4 Effective for annual periods beginning on or after 1st January, 2012
5 Effective for annual periods beginning on or after 1st July, 2012
6 Effective for annual periods beginning on or after 1st January, 2014

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s) *(Continued)*

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors of the Company expect that HKFRS 9 will be adopted in the Group's consolidated financial statements for the year ending 31st March, 2016. Based on the Group's financial assets and liabilities as at 31st March, 2012, the directors of the Company anticipate that the application of the new standard is not expected to have material impact on the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s) *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) – INT 12 "Consolidation – Special purpose entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures" and HK(SIC) – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1st January, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors of the Company expect that these standards will be adopted in the Group's consolidated financial statements for the year ending 31st March, 2014. The application of these five standards is unlikely to have significant impact on amounts reported in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s) *(Continued)*

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted. The directors of the Company expect that these standards will be adopted in the Group's consolidated financial statements for the year ending 31st March, 2014. Except for more extensive disclosure, the directors of the Company anticipate that the application of the new standard is unlikely to have material impact on the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1st July, 2012. The directors of the Company expect that these standards will be adopted in the Group's consolidated financial statements for the year ending 31st March, 2014. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historic cost basis except for investment properties and investments held-for-trading which are carried at fair values, as explained in the accounting policies set out below. In addition, the consolidated financial statements have been prepared in accordance with HKFRSs and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1st January, 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, contingent liabilities and contingent assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures

Jointly controlled entities

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

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

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

Investment properties

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost which includes all development expenditure and other direct costs, attributable to such projects, less any recognised impairment loss. They are not depreciated until completion of construction and the asset is ready for intended use. Cost of completed construction works is transferred to the appropriate category of property, plant and equipment.

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

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

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

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

Leasehold land and building

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

Intangible assets

Intangible assets acquired separately

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Research and development costs

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Onerous contracts

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the Group has become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Loans and receivables

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

Financial assets at FVTPL

Financial assets at FVTPL represent financial assets held-for-trading. A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

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

All financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

For loans and receivables, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Taxation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Government grants

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

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

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

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

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

Foreign currencies

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

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

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's operations are expressed in HK$ using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

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

The Group as lessee

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

Retirement benefits costs

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

5. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Estimated impairment of property, plant and equipment

When there is indication that property, plant and equipment may be impaired, the Group estimates the recoverable amount of the relevant asset or the cash-generating unit ("CGU") to which the asset belongs. The amount of the impairment loss is measured as the difference between the asset's carrying amount and its recoverable amount. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of CGU. The recoverable amount is higher of value in use and fair value less costs to sell. Value in use is the estimated future cash flows discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Where there are changes in facts and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss or reversal of impairment loss may arise. As at 31st March, 2012, the carrying amount of property, plant and equipment is HK$1,430,840,000 net of accumulated depreciation and impairment of HK$1,261,115,000 (2011: HK$1,702,963,000 net of accumulated depreciation of HK$904,735,000). Details about impairment losses provided during the year/period and basis thereon are set out in note 10.

5. KEY SOURCE OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable amount of the relevant cash-generating units to which goodwill and intangible assets have been allocated. The recoverable amount is higher of value in use and fair value less costs to sell. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where there are unfavourable changes in facts and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss may arise. For intangible assets, where there are favourable changes in value in use, reversal of impairment loss may arise. As at 31st March, 2012, the carrying amount of goodwill and intangible assets are HK$741,000 (net of accumulated impairment of HK$106,055,000) and HK$20,442,000 (net of accumulated amortisation and impairment loss of HK$123,498,000). As at 31st March, 2011, the carrying amount of goodwill and intangible assets were HK$106,796,000 and HK$127,344,000, no accumulated impairment loss on both goodwill and intangible assets were noted. Details of the recoverable amount calculation are disclosed in note 11.

Allowance for bad and doubtful debts

The policy for allowance for doubtful debts of the Group is based on the evaluation of recoverability and aging analysis of each customer individually based on management's judgement. An allowance of HK$124,898,000 (15 months ended 31st March, 2011: HK$27,163,000) for the year ended 31st March, 2012 was recognised in the profit or loss. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's trade receivables as at 31st March, 2012 are HK$107,002,000 net of bad and doubtful debts of HK$146,428,000 (2011: HK$389,054,000 net of bad and doubtful debts of HK$35,587,000).

Allowance for inventories

The management of the Group reviews an aging analysis and market demands of inventories at the end of each reporting period, and makes allowance for inventory obsolescence for items that are identified as obsolete, slow-moving and for inventories with net realisable values lower than their carrying amounts taking into account of market demands and the estimated selling prices. The allowance for inventories as at 31st March, 2012 amounted to HK$517,996,000 (2011: HK$46,070,000). The management estimates the net realisable value for goods based primarily on the latest selling prices and current market conditions. The carrying amount of the inventories of the Group as at 31st March, 2012 is HK$648,069,000 (2011: HK$1,419,674,000).

6. CAPITAL RISK MANAGEMENT

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

At the end of the reporting period, the capital structure of the Group consisted of debts and equity attributable to owners of the Company, comprising share capital and reserves.

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

7. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
FVTPL (Investments held-for-trading)	13,550	121,102
Loans and receivables (including cash and cash equivalents)	458,192	838,462
Financial liabilities		
Amortised cost	672,791	1,092,288

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from an associate, investments held-for-trading, pledged bank deposits, bank balances and cash, trade and other payables, amount due to a director and bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 49.4% (2011: 56.1%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sales, whilst almost 84.8% (2011: 62.4%) of costs are denominated in the respective group entities' functional currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, which include inter-company loans and receivables, at the reporting date are as follows:

	Assets		Liabilities	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
HK$	2,818,338	1,380,415	3,233,173	2,564,704
Renminbi ("RMB")	289,125	277,798	524,252	418,121
United States dollar ("US$")	1,450,402	1,736,040	2,332,543	2,144,446
Euro	916	3,415	–	40,868
Australian dollar ("A$")	2	35	–	–
New Taiwan dollar ("NT$")	18,705	12,361	104	655
Others	11,605	11,632	–	868

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

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in HK$, RMB and US$ against the relevant functional currencies of the group entities. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year/period end for a 5% change in foreign currency rates. The sensitivity analysis includes receivables, payables and external loans where the denomination is in a currency other than the functional currency of the relevant group entity. A negative number below indicates an increase in loss for the year ended 31st March, 2012 or a decrease in profit for the period ended 31st March, 2011 where HK$, RMB and US$ strengthen 5% against the functional currency of the respective group entities. For a 5% weakening of RMB and US$ against the functional currency of the respective group entities, there would be an equal and opposite impact on the loss for the year ended 31st March, 2012 or profit for the period ended 31st March, 2011.

	HK$ impact		RMB impact		US$ impact	
	1.4.2011 to 31.3.2012 HK$'000	1.1.2010 to 31.3.2011 HK$'000	**1.4.2011 to 31.3.2012 HK$'000**	1.1.2010 to 31.3.2011 HK$'000	**1.4.2011 to 31.3.2012 HK$'000**	1.1.2010 to 31.3.2011 HK$'000
Increase in loss for the year/decrease in profit for the period	**(20,741)**	(44,411)[(i)]	**(11,756)**	(5,262)[(ii)]	**(44,107)**	(15,315)[(iii)]

(i) This is mainly attributable to the exposure outstanding on HK$ receivables, payables and external loans at period end in the Group relative to RMB.

(ii) This is mainly attributable to the exposure outstanding on RMB receivables and payables at period end in the Group relative to HK$ and US$.

(iii) This is mainly attributable to the exposure to outstanding US$ receivables and payables at the period end in the Group relative to RMB.

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

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(ii) Interest rate risk

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

The Group's cash flow interest rate risk was mainly concentrated on the fluctuation of Hong Kong Inter-Bank Offered Rate and Taiwan bank interest rate arising from the Group's HK$ and NT$ denominated borrowings. The Group's interest risk for bank deposits was mainly concentrated on the fluctuation of bank saving interest rate offered by banks mainly in Hong Kong, PRC and Vietnam.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. At the end of the reporting period, for variable-rate bank deposits and bank loans, the analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was in deposit accounts or outstanding for the whole period. A 30 basis points (2011: 30 basis points) represent management's assessment of the reasonably possible change in interest rates.

If interest rates had been 30 basis points (2011: 30 basis points) higher and all other variables were held constant, the potential effect on loss for the year ended 31st March, 2012 and profit for the period ended 31st March, 2011 is as follows:

	1.4.2011 to 31.3.2012 HK$'000	1.1.2010 to 31.3.2011 HK$'000
Increase in loss for the year/decrease in profit for the period	**713**	1,436

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. For the year ended 31st March, 2011, the management managed this exposure by maintaining a portfolio of investments with different risks including preferred securities listed overseas, listed equity securities in Hong Kong, gold, silver and platinum contracts held-for-trading and undated deeply subordinated notes listed overseas. For the year ended 31st March, 2012, in order to minimize the Group's exposure in investment markets, the management significantly reduced the amount of investments held-for-trading. The Group only held equity securities listed in United States as at 31st March, 2012.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 10% in the current period as a result of the volatile financial market.

If the prices of the respective instruments had been 10% (2011: 10%) higher/lower, loss for the year would decrease/increase by HK$1,355,000 (2011: profit for the period would increase/decrease by HK$12,110,000) as a result of the changes in fair value of investments held-for-trading.

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

Liquidity risk management

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

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk management (Continued)

	Effective interest rate	On demand	Less than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31st March, 2012						
Non-derivative financial liabilities						
Trade and other payables	–	36,893	99,051	–	135,944	135,944
Amount due to a director	–	13,000	–	–	13,000	13,000
Bank loans	1.30	–	421,177	110,904	532,081	523,847
		49,893	520,228	110,904	681,025	672,791
At 31st March, 2011						
Non-derivative financial liabilities						
Trade and other payables	–	21,248	264,376	–	285,624	285,624
Bank loans	1.35	262,642	533,414	28,521	824,577	806,664
		283,890	797,790	28,521	1,110,201	1,092,288

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31st March, 2011, the aggregate carrying amounts of these bank loans amounted to HK$253,396,000 which would be repayable within two years while there is no such amount as at 31st March, 2012. Taking into account the Group's financial position, the directors did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. Such loans were repaid during the year ended 31st March, 2012.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

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

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

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

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

The Group has concentration of credit risk as 10.1% (2011: 7.8%) and 38.7% (2011: 27.4%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the trading of LED products business.

Fair value

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Fair value (Continued)

Fair value measurements recognised in the consolidated statement of financial position

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

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

At the end of the reporting period, all the investments held-for-trading totalling HK$13,550,000 (2011: HK$121,102,000) are fair valued at Level 1. There were no transfers among 3 levels during the current year and prior period.

8. TURNOVER AND SEGMENT INFORMATION

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

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

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

8. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

	1.4.2011 to 31.3.2012 HK$'000	1.1.2010 to 31.3.2011 HK$'000
Segment revenue		
LED decorative lighting	**554,829**	868,543
LED general illumination lighting	**319,030**	377,876
Incandescent decorative lighting	**103,992**	279,234
Entertainment lighting	**85,453**	132,648
All others	**20,531**	52,150
	1,083,835	1,710,451
Segment results		
(Loss) profit from operations		
LED decorative lighting	**(219,550)**	83,945
LED general illumination lighting	**(117,891)**	36,522
Incandescent decorative lighting	**(621,874)**	26,988
Entertainment lighting	**(429,469)**	12,820
All others	**(26,817)**	5,041
	(1,415,601)	165,316
Unallocated expenses	**(19,508)**	(17,787)
Unallocated other gains, losses and expenses	**(11,739)**	(17,424)
Finance costs	**(17,895)**	(11,403)
Change in fair value of investment properties	**17,628**	2,472
Share of losses of associates	**(6,893)**	(6,708)
Share of profits of a jointly controlled entity	**3,325**	394
(Loss) profit before taxation	**(1,450,683)**	114,860

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment (loss) profit represents the (loss) profit earned by each segment without allocation of unallocated expenses, other gains or losses and expenses, finance costs, change in fair value of investment properties, share of losses of associates and share of profits of a jointly controlled entity. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment.

8. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	2012 HK$'000	2011 HK$'000
Segment assets		
LED decorative lighting	1,472,180	2,157,581
LED general illumination lighting	846,513	854,080
Incandescent decorative lighting	275,931	851,634
Entertainment lighting	226,741	481,344
All others	54,477	211,164
Total segment assets	2,875,842	4,555,803
Unallocated assets	134,629	228,734
Consolidated assets	3,010,471	4,784,537
Segment liabilities		
LED decorative lighting	134,475	199,067
LED general illumination lighting	77,324	87,073
Incandescent decorative lighting	25,205	64,595
Entertainment lighting	20,712	28,742
All others	4,976	12,580
Total segment liabilities	262,692	392,057
Unallocated liabilities	556,675	847,588
Consolidated liabilities	819,367	1,239,645

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

- all assets are allocated to reportable and operating segments other than investment properties, interests in associates, interest in a jointly controlled entity, amount due from an associate and investments held-for-trading. Assets used jointly by reportable and operating segments are allocated on the basis of the revenues earned by individual reportable and operating segments; and

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

8. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Other segment information

	LED decorative lighting HK$'000	LED general illumination lighting HK$'000	Incandescent decorative lighting HK$'000	Entertainment lighting HK$'000	All others HK$'000	Segment-total HK$'000	Unallocated amount HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Year ended 31st March, 2012								
Capital additions	**35,633**	**20,489**	**6,679**	**5,488**	**1,319**	**69,608**	**4,442**	**74,050**
Depreciation and amortisation	**102,826**	**40,446**	**37,952**	**15,837**	**3,805**	**200,866**	**13,049**	**213,915**
Allowance for bad and doubtful debts	**63,937**	**36,764**	**11,984**	**9,847**	**2,366**	**124,898**	**–**	**124,898**
Gain on disposal of property, plant and equipment	**(11,359)**	**(6,532)**	**–**	**–**	**–**	**(17,891)**	**–**	**(17,891)**
Allowance for inventories	**30,683**	**17,643**	**254,677**	**161,984**	**1,136**	**466,123**	**–**	**466,123**
Equity-settled share based payments	**7,447**	**4,282**	**1,396**	**1,147**	**276**	**14,548**	**927**	**15,475**
Impairment of property, plant and equipment	**–**	**–**	**103,130**	**45,321**	**–**	**148,451**	**–**	**148,451**
Impairment of goodwill	**–**	**16,322**	**–**	**89,733**	**–**	**106,055**	**–**	**106,055**
Impairment of intangible asset	**–**	**3,663**	**–**	**87,082**	**–**	**90,745**	**–**	**90,745**
Period from 1st January, 2010 to 31st March, 2011								
Capital additions	409,065	190,760	120,569	66,964	26,326	813,684	49,789	863,473
Depreciation and amortisation	100,525	35,178	33,010	15,681	6,165	190,559	11,821	202,380
Allowance for bad and doubtful debts	14,774	2,355	6,576	2,663	795	27,163	–	27,163
Gain on disposal of property, plant and equipment	(358)	(233)	(651)	(264)	(79)	(1,585)	(1,103)	(2,688)
Allowance for inventories	23,096	3,681	10,281	4,164	1,243	42,465	–	42,465
Equity-settled share based payments	13,119	2,298	6,419	2,600	776	25,212	1,680	26,892

8. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Geographical information

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

	1.4.2011 to 31.3.2012 HK$'000	1.1.2010 to 31.3.2011 HK$'000
United States of America ("USA")	**334,451**	586,610
PRC	**286,861**	409,800
Netherlands	**38,219**	80,195
France	**36,721**	74,263
Russia	**34,479**	52,126
Other countries*	**353,104**	507,457
	1,083,835	1,710,451

* Countries included in this category representing their revenue from external customers is individually less than 10% of the total sales of the Group for the year ended 31st March, 2012 and for the period from 1st January, 2010 to 31st March, 2011.

Information about major customers

There are no customers who individually contribute over 10% of the total sales of the Group for the year ended 31st March, 2012 and for the period from 1st January, 2010 to 31st March, 2011.

9. OTHER GAINS, LOSSES AND EXPENSES

	1.4.2011 to 31.3.2012 HK$'000	1.1.2010 to 31.3.2011 HK$'000
Gain on disposal of property, plant and equipment	17,891	2,688
Gain on deemed disposal of partial interest in an associate	305	–
Gain on disposal of an asset held for sale*	–	43,188
Net allowance for bad and doubtful debts	(124,898)	(27,163)
Research and development costs	(18,099)	(26,163)
(Decrease) increase in fair value of investments held-for-trading	(2,374)	9,340
Net exchange loss	(10,943)	(8,902)
Loss on obligations under onerous contracts in connection with acquisition of property, plant and equipment**	(20,742)	–
Compromise and legal fee relating to a settled litigation***	–	(10,412)
Others	1,481	–
	(157,379)	(17,424)

Notes:

* On 31st December, 2009, the Group entered into a preliminary sale and purchase agreement with an independent third party to dispose of its land and building in Hong Kong with a carrying value of HK$62,428,000 for a consideration of HK$106,800,000. The disposal was completed on 30 September 2010. The gain on disposal of the property, after deducting the relevant selling expenses, was HK$43,188,000 which was recognised in profit or loss in prior period.

** The obligations under onerous contracts for acquisition of property, plant and equipment amounting to HK$20,742,000 were recognised in relation to the impairment losses in respect of capital commitments for acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements (note 38). The total contract amount for respective property, plant and equipment is HK$104,557,000.

*** In March 2009, a former employee filed a claim to USA court against Neo Neon International Limited ("NNI"), a wholly-owned subsidiary of the Company, seeking a compensation for the alleged NNI's infringement of the plaintiff's lighting product design. On 8th April, 2010, the USA court issued a final verdict and the case was settled where NNI paid to the plaintiff HK$7,376,000 for compromising the case and paid legal fee of HK$3,036,000, totalling HK$10,412,000 for final settlement of the case.

10. IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT

The impairment losses by CGUs are as follows:

	Impairment loss	
	1.4.2011 to 31.3.2012 HK$'000	1.1.2010 to 31.3.2011 HK$'000
CGU1 (note 1)	**(45,321)**	–
CGU2 (note 2)	**(103,130)**	–
Total	**(148,451)**	–

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

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

10. IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT *(Continued)*

CGU1 and CGU2

During the year ended 31st March, 2012, the gross profit margins of the products of CGU1 and CGU2 are deteriorating due to the market in which CGU1 and CGU2 were engaged is worse than what the directors expected. Also, the sales and market demand of the products of CGU1 and CGU2 have declined significantly. The directors of the Company considered these were impairment indicators. The directors of the Company have first considered the recoverable amounts of individual assets in CGU1 and CGU2 unless the assets do not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amounts are determined for the CGU to which the assets belong. An impairment assessment was conducted by the directors of the Company on CGU1 and CGU2 respectively. With reference to the valuation report issued by an independent external valuer, Jones Lang LaSalle Sallmanns Limited ("2012 Valuation Report"), there are impairment losses of HK$45,321,000 and HK$103,130,000 in respect of property, plant and equipment as at 31st March, 2012 for CGU1 and CGU2 respectively. The impairment loss was recognised for CGU1 and CGU2 for which the recoverable amount, which was based on value in use, was less than the carrying amount. The value in use calculation used cash flow forecast derived from the respective most recent financial budget approved by management based on their best estimates.

The projected period was 6 years for CGU1, which represents the average remaining useful lives of the property, plant and equipment in CGU1. The growth rate used in the forecast was 20% for the year ended 31st March, 2013, 10% for the year ended 31st March, 2014, 5% for the year ended 31st March, 2015, 3% for the year end 31st March, 2016, 31st March, 2017 and 31st March, 2018. The directors of the Company believe that the growth rates used in the forecast are justifiable to the PRC and overseas markets CGU1 engaged into. The cash flow forecast was discounted at 14.8% which reflected the return on assets and the risks specific to CGU1. Some of the key assumptions for the value in use calculations related to the estimation of budgeted sales and gross margin, such estimation was based on the expectation for the market development based on the management's estimate.

The projected period was 9 years for CGU2, which represents the average remaining useful lives of the property, plant and equipment in CGU2. The growth rate used in the forecast was 3% for the year ended 31st March, 2013 to 31st March, 2021. The directors of the Company believe that the growth rates used in the forecast are justifiable to the PRC and overseas markets CGU2 engaged into. The cash flow forecast was discounted at 14.8% which reflected the return on assets and the risks specific to CGU2. Some of the key assumptions for the value in use calculations related to the estimation of budgeted sales and gross margin, such estimation was based on the expectation for the market development based on the management's estimate.

11. IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF GOODWILL AND INTANGIBLE ASSETS

The directors of the Company allocate the assets in the CGUs based on the assets attributable directly to the respective CGUs. The carrying amounts of goodwill and intangible assets (net of accumulated impairment losses) as at 31st March 2012 allocated to these units are as follows:

	Goodwill		Intangible assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount				
CGU A (note a)	**–**	16,322	**16,498**	23,583
CGU B (note b)	**741**	741	**24**	24
CGU C (note c)	**–**	89,733	**914**	99,826
	741	106,796	**17,436**	123,433
Impairment				
CGU A	**16,322**	–	**3,663**	–
CGU C	**89,733**	–	**87,082**	–
	106,055	–	**90,745**	–

Note a: CGU A represents the group of assets owned by American Lighting, Inc. ("American Lighting") generating cash flows from trading of lighting products in the USA

Note b: CGU B represents the group of assets owned by Neo-Neon Europe GmbH ("NNEG") generating cash flows from trading of lighting products in the Europe

Note c: CGU C represents the group of assets owned by HCI Acquisition Corp. ("HCI") generating cash flows from trading of lighting products in the USA

During the year ended 31st March, 2012, the gross profit margins of the products of CGU A, CGU B and CGU C are deteriorating due to the markets in which CGU A, CGU B and CGU C were engaged are worse than what the directors expected. Also, the sales and market demand of the products of CGU A, CGU B and CGU C have declined significantly. The directors of the Company considered these were impairment indicators. The directors of the Company have first considered the recoverable amounts of individual assets in CGU A, CGU B and CGU C unless the assets do not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amounts are determined for the CGU to which the assets belong. An impairment assessment was conducted by the directors of the Company. With reference to the 2012 Valuation Report, there are impairment losses of HK$16,322,000 and HK$89,733,000 in relation to goodwill of CGU A and CGU C respectively and HK$3,663,000 and HK$87,082,000 in relation to intangible assets of CGU A and CGU C respectively were recognised in profit or loss during the year ended 31st March, 2012.

11. IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF GOODWILL AND INTANGIBLE ASSETS *(Continued)*

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Goodwill

CGU A

The recoverable amount of this unit has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year (2011: 5-year) period, and discount rate of 15.7% (2011: 15.09%). CGU A's cash flows beyond the 5-year (2011: 5-year) period are extrapolated using a steady 3% (2011: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Since the recoverable amount of the goodwill of CGU A is lower than its carrying amount, the directors considered that the carrying amount of goodwill at the end of the reporting period regarding CGU A is impaired and an impairment of HK$16,322,000 was provided for during the year.

CGU B

The recoverable amount of this unit has been determined based on its fair value less costs to sell. Since the recoverable amount of the goodwill of CGU B is higher than its carrying amount, there is no impairment loss on goodwill noted.

CGU C

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year (2011: 5-year) period, and discount rate of 16.8% (2011: 16.77%). CGU C's cash flows beyond the 5-year (2011: 5-year) period are extrapolated using a steady 3% (2011: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Since the recoverable amounts of the goodwill of CGU C is lower than its carrying amount, the directors consider that the carrying amount of goodwill at the end of the reporting period regarding CGU C is impaired and impairment of HK$89,733,000 was provided for during the year.

11. IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF GOODWILL AND INTANGIBLE ASSETS *(Continued)*

Intangible assets

The recoverable amount of the intangible assets set out in note 22 has been determined based on a value in use calculation for CGU A and CGU C, while it is based on fair value less costs to sell for CGU B. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year (2011: 5-year) period, and discount rate ranging from 15.7% and 16.8% (2011: 15.09% and 16.77%) respectively. Cash flows beyond the 5-year (2011: 5-year) period are extrapolated using growth rate of 3% (2011: 3%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

CGU A

Since the recoverable amount of the intangible assets of CGU A is lower than their carrying value, the directors considered that the carrying amount of the intangible assets at the end of the reporting period is impaired and an impairment of HK$3,663,000 was provided during the year after full impairment of goodwill.

CGU B

Since the recoverable amount of the intangible assets of CGU B is higher than their carrying value, there is no impairment on intangible assets noted.

CGU C

Since the recoverable amount of the intangible assets of CGU C is lower than their carrying amount, the directors consider that the carrying amount of the intangible assets at the end of the reporting period is impaired and an impairment of HK$87,082,000 was provided during the year after full impairment of goodwill.

12. FINANCE COSTS

	1.4.2011 to 31.3.2012 HK$'000	1.1.2010 to 31.3.2011 HK$'000
Interest on bank borrowings		
– wholly repayable within five years	**(15,756)**	(9,528)
– not wholly repayable within five years	**(1,269)**	(1,425)
	(17,025)	(10,953)
Amortisation of transaction costs in relation to long-term bank loans	**(870)**	(450)
	(17,895)	(11,403)

13. (LOSS) PROFIT BEFORE TAXATION

	1.4.2011 to 31.3.2012 HK$'000	1.1.2010 to 31.3.2011 HK$'000
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration (note 14)		
– current year/period	7,442	10,987
– waived during the year/period	(5,400)	(6,870)
	2,042	4,117
Other staff's retirement benefits scheme contributions	7,556	9,765
Other staff's equity-settled share based payments	14,885	24,661
Other staff costs	274,255	245,969
	298,738	284,512
Less: Staff costs included in research and development costs	(5,602)	(9,111)
	293,136	275,401
Depreciation of property, plant and equipment	196,392	196,334
Less: Depreciation included in research and development costs	(2,042)	(3,322)
	194,350	193,012
Auditor's remuneration		
– audit service	3,000	3,000
– non-audit services	1,500	1,500
	4,500	4,500
Amortisation of intangible assets included in distribution and selling expenses	17,523	6,046
Cost of inventories recognised as an expense including allowance for inventories of HK$466,123,000 (note 25) and cost of materials used for research and development purpose of HK$9,204,000 (2011: HK$42,465,000 and HK$12,752,000)	1,677,605	1,140,882
Operating lease rentals in respect of		
– prepaid lease payments	2,651	2,582
– rented premises	5,211	6,864
and after crediting:		
Dividend income from listed investments held-for-trading	407	6,997
Interest income	2,961	5,496
Property rental income before deduction of negligible outgoings	815	3,725

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of directors during the year/period are analysed as follows:

	1.4.2011 to 31.3.2012						1.1.2010 to 31.3.2011					
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Equity-settled share based payments	Waived during the year	Total	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Equity-settled share based payments	Waived during the period	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors												
– Mr. Ben Fan	–	4,320	–	–	(4,320)	–	–	5,400	–	–	(5,400)	–
– Ms. Michelle Wong	–	1,200	6	–	(1,080)	126	–	1,620	8	–	(1,470)	158
– Mr. Fan Pong Yang	–	864	–	384	–	1,248	–	1,080	–	1,233	–	2,313
Non-executive director												
– Mr. Leung Wai Chuen (resigned on 30th September, 2010)	–	–	–	–	–	–	–	108	–	–	–	108
Independent non-executive directors												
– Mr. Wu Tak Lung (resigned on 28th November, 2011)	–	95	–	–	–	95	–	180	–	337	–	517
– Mr. Weng Shih Yuan	–	144	–	101	–	245	–	180	–	324	–	504
– Mr. Zhao Shan Xiang	–	144	–	105	–	249	–	180	–	337	–	517
– Mr. Wong Kon Man, Jason (appointed on 28th November, 2011)	–	49	–	–	–	49	–	–	–	–	–	–
– Ms. Liu Sheng Ping (appointed on 16th January, 2012)	–	30	–	–	–	30	–	–	–	–	–	–
	–	6,846	6	590	(5,400)	2,042	–	8,748	8	2,231	(6,870)	4,117

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

The five highest paid individuals included one (2011: one) director of the Company, details of whose emoluments are set out above. The emoluments of the remaining four (2011: four) highest paid employees are as follows:

	1.4.2011 to 31.3.2012 HK$'000	1.1.2010 to 31.3.2011 HK$'000
Employees		
– basic salaries and allowances	3,397	4,934
– retirement benefits scheme contributions	6	–
– equity-settled share based payments	–	2,318
	3,403	7,252

Their emoluments were within the following bands:

	1.4.2011 to 31.3.2012	1.1.2010 to 31.3.2011
Up to HK$1,000,000	3	1
HK$1,000,001 to HK$1,500,000	1	3

During the year/period, no emoluments were paid by the Group to directors and other five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

The Chairman and another executive director both waived their emoluments totalling HK$5,400,000 for the year (2011: HK$6,870,000 for the period). No other directors have waived their emoluments during the year/period.

15. TAXATION

	1.4.2011 to 31.3.2012 HK$'000	1.1.2010 to 31.3.2011 HK$'000
The credit (charge) comprises:		
PRC Enterprise Income Tax ("EIT")	–	(2,314)
Underprovision of PRC EIT in prior years	(87)	(881)
Taxation in other overseas jurisdictions	(2,133)	(208)
	(2,220)	(3,403)
Underprovision of Hong Kong Profits Tax in prior years	–	(310)
Deferred taxation (note 34)	21,916	1,039
	19,696	(2,674)

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

The Company's PRC subsidiaries are subject to EIT at 25% for the year except that one of which was officially endorsed as a High-New Technology Enterprise till 31st December, 2013. Pursuant to the EIT Law, a High-New Technology Enterprise shall be entitled to a preferential tax rate of 15% till 31st December, 2013.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. At 31st March, 2012 and 31st March, 2011, there were no remaining retained profits earned by these PRC subsidiaries since 1st January, 2008, therefore there are no deferred tax liabilities recognised.

Dividends paid to the non-resident shareholder of a Taiwan company are generally subject to withholding tax of 20%. During the year, a Taiwan subsidiary disposed of its investment property and generated gain therefrom. Withholding tax of 20% was provided on the undistributed earnings of this Taiwan subsidiary.

Profits arising from a subsidiary in Macau are exempted from income tax.

Pursuant to the relevant laws and regulations in Vietnam, a subsidiary in Vietnam was entitled to exemption from Vietnam income tax for four years commencing from its first profit-making year in 2010, followed by a 50% reduction from 2014 to 2022.

15. TAXATION *(Continued)*

Taxation for the year/period is reconciled to (loss) profit before taxation as follows:

	1.4.2011 to 31.3.2012 HK$'000	%	1.1.2010 to 31.3.2011 HK$'000	%
(Loss) profit before taxation	**(1,450,683)**		114,860	
Tax at the applicable income tax rate	**362,671**	**25.0**	(28,715)	(25.0)
Tax effect of share of results of associates	**(1,723)**	**(0.1)**	(1,677)	(1.5)
Tax effect of share of results of a jointly controlled entity	**831**	**0.1**	99	0.1
Tax effect of expenses not deductible for tax purposes	**(4,036)**	**(0.3)**	(6,910)	(6.0)
Tax effect of income not taxable for tax purposes	**1,396**	**0.1**	27,199	23.7
Tax effect of tax losses and temporary differences not recognised	**(334,013)**	**(23.0)**	(15,982)	(13.9)
Taiwan withholding tax on undistributed earnings	**3,298**	**0.2**	–	–
Effect of tax exemptions granted to subsidiaries	**–**	**–**	25,451	22.1
Effect of different tax rates on subsidiaries operating in other jurisdictions	**(8,934)**	**(0.6)**	(1,309)	(1.1)
Underprovision in prior years	**(87)**	**(0.1)**	(881)	(0.8)
Others	**293**	**0.1**	51	0.1
Tax effect and effective tax rate for the year/period	**19,696**	**1.4**	(2,674)	(2.3)

16. DIVIDENDS

	1.4.2011 to 31.3.2012 HK$'000	1.1.2010 to 31.3.2011 HK$'000
Dividends		
– interim dividends of nil Hong Kong cents (2011: 2.8 Hong Kong cents) per share paid	**–**	25,682
– final dividends of 3.2 Hong Kong cents (2009: 3.5 Hong Kong cents) per share paid	**30,158**	32,046
	30,158	57,728
– proposed final dividends of nil Hong Kong cents (2011: 3.2 Hong Kong cents) per share	**–**	30,158

17. (LOSS) EARNINGS PER SHARE

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

	1.4.2011 to 31.3.2012 HK$'000	1.1.2010 to 31.3.2011 HK$'000
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	(1,430,437)	116,608

	Number of shares	
	1.4.2011 to 31.3.2012 '000	1.1.2010 to 31.3.2011 '000
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	942,441	919,032
Effect of dilutive potential ordinary shares – share options	–	1,617
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	942,441	920,649

The computation of diluted (loss) earnings per share for the year ended 31st March, 2012 does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

18. INVESTMENT PROPERTIES

	HK$'000
At 1st January, 2010	61,736
Currency realignment	4,271
Increase in fair value recognised in profit or loss	2,472
At 31st March, 2011	68,479
Currency realignment	219
Increase in fair value recognised in profit or loss	17,628
Disposals	(68,946)
At 31st March, 2012	17,380

	2012 HK$'000	2011 HK$'000
The carrying value of investment properties comprises:		
Properties held under medium-term leases in the PRC	**17,380**	16,239
Freehold properties in Taiwan	**–**	52,240
	17,380	68,479

The fair value of the Group's investment properties at the end of the reporting period has been arrived at by the directors on the basis of a valuation carried out on that date by Jones Lang LaSalle Sallmanns Limited, independent qualified professional valuers not connected with the Group. The valuation was made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests. The valuation was determined based on direct comparison approach by reference to recent market prices for similar properties in the similar locations and conditions.

19. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Plant and machinery HK$'000	Yacht HK$'000	Construction in progress HK$'000	Total HK$'000
COST									
At 1st January, 2010	469,382	59,404	262,922	23,608	102,268	693,838	2,603	295,945	1,909,970
Currency realignment	14,508	864	11,435	87	3,077	26,722	–	6,035	62,728
Additions	99,090	13,061	58,057	2,640	20,073	475,062	–	62,654	730,637
Government grants received (note 33)	–	–	–	–	–	(46,900)	–	–	(46,900)
Acquired on acquisition of subsidiaries	–	2,545	1,855	–	–	–	–	–	4,400
Disposals	(43,173)	(501)	(41)	(907)	(3,726)	(4,789)	–	–	(53,137)
Transfers	106,533	–	3,473	–	–	–	–	(110,006)	–
At 31st March, 2011	646,340	75,373	337,701	25,428	121,692	1,143,933	2,603	254,628	2,607,698
Currency realignment	20,445	1,300	13,027	205	3,681	43,662	–	6,071	88,391
Additions	–	2,698	23,517	1,417	3,163	34,332	–	33,684	98,811
Government grants received (note 33)	–	–	–	–	–	(26,313)	–	–	(26,313)
Disposals	(35,931)	(1,196)	(4,773)	(4,635)	–	(30,097)	–	–	(76,632)
Transfers	67,671	–	–	–	–	–	–	(67,671)	–
At 31st March, 2012	**698,525**	**78,175**	**369,472**	**22,415**	**128,536**	**1,165,517**	**2,603**	**226,712**	**2,691,955**
DEPRECIATION AND IMPAIRMENT									
At 1st January, 2010	142,268	40,727	142,403	18,240	62,749	277,609	1,997	–	685,993
Currency realignment	6,676	369	7,927	78	2,038	13,223	–	–	30,311
Provided for the period	25,036	10,530	56,123	3,530	19,979	81,136	–	–	196,334
Eliminated on disposals	(1,620)	(199)	(8)	(906)	(3,539)	(1,631)	–	–	(7,903)
At 31st March, 2011	172,360	51,427	206,445	20,942	81,227	370,337	1,997	–	904,735
Currency realignment	6,767	719	8,847	131	2,345	17,339	–	–	36,148
Provided for the year	22,598	7,939	51,432	2,214	16,078	96,131	–	–	196,392
Impairment losses recognised in profit or loss	46,706	1,650	13,511	286	4,475	76,108	–	5,715	148,451
Eliminated on disposals	(2,246)	(596)	(801)	(4,500)	(4)	(16,464)	–	–	(24,611)
At 31st March, 2012	**246,185**	**61,139**	**279,434**	**19,073**	**104,121**	**543,451**	**1,997**	**5,715**	**1,261,115**
CARRYING VALUES									
At 31st March, 2012	**452,340**	**17,036**	**90,038**	**3,342**	**24,415**	**622,066**	**606**	**220,997**	**1,430,840**
At 31st March, 2011	473,980	23,946	131,256	4,486	40,465	773,596	606	254,628	1,702,963

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	2012 HK$'000	2011 HK$'000
The carrying value of property interests which are held under medium-term leases comprises:		
Land and buildings in Hong Kong	**125,145**	127,766
Buildings in the PRC	**305,402**	323,946
Land and buildings in Dubai	**3,250**	3,340
Land and buildings in United Kingdom	**18,543**	18,928
	452,340	473,980
Properties included in construction in progress held under medium-term prepaid lease payments in the PRC	**220,997**	254,628
	673,337	728,608

The Group has pledged certain of its buildings and machineries with aggregate carrying values of HK$226,784,000 (2011: HK$127,766,000) and HK$85,500,000 (2011: HK$115,219,000) respectively at the end of the reporting period to secure the credit facilities granted to the Group.

20. PREPAID LEASE PAYMENTS

	2012 HK$'000	2011 HK$'000
CARRYING VALUE		
At the beginning of the year/period	**117,664**	86,160
Currency realignment	**4,169**	1,957
Additions	**–**	32,129
Released to profit or loss for the year/period	**(2,651)**	(2,582)
At the end of the year/period	**119,182**	117,664
The carrying value of medium-term prepaid lease payments are situated in		
– the PRC	**109,487**	107,732
– Vietnam	**9,695**	9,932
	119,182	117,664

20. PREPAID LEASE PAYMENTS *(Continued)*

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

The Group has pledged certain of its prepaid lease payments with aggregate carrying values of HK$52,752,000 (2011: Nil) at the end of the reporting period to secure the credit facilities granted to the Group.

21. GOODWILL

The goodwill acquired in business combination was allocated to each individual subsidiary which management considers represent separate CGUs. At the end of the reporting period, the carrying value goodwill had arisen from the acquisition of the following subsidiaries:

	2012 HK$'000	2011 HK$'000
American Lighting	**–**	16,322
NNEG	**741**	741
HCI	**–**	89,733
	741	106,796
CARRYING VALUES BEFORE IMPAIRMENT		
At 31st March		
– American Lighting	**16,322**	16,322
– NNEG	**741**	741
– HCI	**89,733**	89,733
	106,796	106,796
IMPAIRMENT		
Impairment loss recognised during the year/period and balance at 31st March		
– American Lighting	**(16,322)**	–
– HCI	**(89,733)**	–
	(106,055)	–
CARRYING VALUES AFTER IMPAIRMENT		
At 31st March		
– American Lighting	**–**	16,322
– NNEG	**741**	741
– HCI	**–**	89,733
	741	106,796

Particulars regarding impairment on goodwill are disclosed in note 11.

22. INTANGIBLE ASSETS

	Contracts in progress HK$'000	Customer relationship HK$'000	Licenses, patent and trademarks HK$'000	Non-compete agreements HK$'000	Total HK$'000
COST					
At 1st January, 2010	–	–	16,382	–	16,382
Currency realignment	–	–	75	–	75
Acquired on acquisition of subsidiaries	6,391	22,659	92,154	5,199	126,403
At 31st March, 2011	6,391	22,659	108,611	5,199	142,860
Currency realignment	(30)	(105)	(313)	(24)	(472)
Additions	–	–	1,552	–	1,552
At 31st March, 2012	**6,361**	**22,554**	**109,850**	**5,175**	**143,940**
AMORTISATION AND IMPAIRMENT					
At 1st January, 2010	–	–	9,414	–	9,414
Currency realignment	–	–	56	–	56
Amortisation for the period	1,065	578	4,061	342	6,046
At 31st March, 2011	1,065	578	13,531	342	15,516
Currency realignment	(21)	(61)	(193)	(11)	(286)
Amortisation for the year	5,317	3,099	7,680	1,427	17,523
Impairment recognised during the year	–	16,536	72,603	1,606	90,745
At 31st March, 2012	**6,361**	**20,152**	**93,621**	**3,364**	**123,498**
CARRYING VALUES					
At 31st March, 2012	**–**	**2,402**	**16,229**	**1,811**	**20,442**
At 31st March, 2011	5,326	22,081	95,080	4,857	127,344

22. INTANGIBLE ASSETS *(Continued)*

The above intangible assets other than trademarks have definite useful lives. Such intangible assets are amortised on a straight line basis over the following periods:

Contracts in progress	1 year
Customer relationship	5 – 8 years
Licenses and patent	3 – 8 years
Non-compete agreements	3 – 8 years

The trademarks, of carrying values HK$11,001,000 as at 31st March, 2012 (2011: HK$69,587,000), have legal lives of 3 to 8 years but are renewable every 3 to 8 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademarks continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

The trademarks are considered by the management of the Group as having an indefinite useful life. The trademarks will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. During the year, the Group recognised an impairment loss of HK$58,586,000 in relation to the trademark of CGU A and CGU C.

Particulars regarding impairment on intangible assets are disclosed in note 11.

23. INTERESTS IN ASSOCIATES AND DEPOSIT MADE ON ACQUISITION OF AN ASSOCIATE

	2012 **HK$'000**	2011 HK$'000
Unlisted investments, at cost	**38,677**	7,753
Gain on deemed disposal of interest in an associate	**13,491**	13,186
Share of post-acquisition losses	**(13,607)**	(6,714)
	38,561	14,225

23. INTERESTS IN ASSOCIATES AND DEPOSIT MADE ON ACQUISITION OF AN ASSOCIATE *(Continued)*

The Group's investments in principal associates at the end of the reporting period represents its 33.87% (2011: 34.57%) equity interest in Luminaire Holdings Inc. which was incorporated in the British Virgin Islands and acts as an investment holding company on operations for the manufacture and distribution of LED chips.

Summarised financial information in respect of the assets and liabilities and post-acquisition results of the Group's associates are set out below:

	2012 HK$'000	2011 HK$'000
Total assets	107,897	50,652
Total liabilities	(42,195)	(9,503)
Net assets	65,702	41,149
Group's share of net assets of associates	38,561	14,225
Loss for the year/period	(20,324)	(19,404)
Group's share of losses of associates for the year ended 31st March, 2012/period from 1st January, 2010 to 31st March, 2011	(6,893)	(6,708)

24. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	15,600	15,600
Currency realignment	1,017	1,017
Share of post-acquisition profits, net of dividends received	11,636	8,311
	28,253	24,928

The Group's investment in jointly controlled entity at the end of the reporting period represents its 50% (2011: 50%) equity interest in Tivoli, LLC which was incorporated in the United States of America and engaged in the trading of lighting products.

25. INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials	**161,548**	259,246
Work in progress	**353,460**	901,268
Finished goods	**133,061**	259,160
	648,069	1,419,674

Movement in the allowance for inventories

	1.4.2011 to 31.3.2012 HK$'000	1.1.2010 to 31.3.2011 HK$'000
At beginning of the year/period	**46,070**	3,605
Currency realignment	**5,803**	–
Allowances made during the year/period	**466,123**	42,465
At the end of the year/period	**517,996**	46,070

26. TRADE AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade receivables		
– jointly controlled entity	**–**	1,014
– others	**240,193**	367,263
Bills receivables	**13,237**	56,364
Less: Allowance for bad and doubtful debts	**(146,428)**	(35,587)
	107,002	389,054
Deposits paid to suppliers	**39,878**	39,952
Value added tax refundable on export sales	**54,402**	77,211
Value added tax recoverable	**25,656**	13,842
Other receivables	**28,214**	25,605
	255,152	545,664

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable from 60 days to 90 days of issuance, except for certain well established customers in which the credit terms are up to 180 days. The following is an aged analysis of trade and bills receivables presented based on the invoice date at the end of the reporting period:

	2012 HK$'000	2011 HK$'000
Age		
0 to 60 days	60,294	194,315
61 to 90 days	9,463	33,087
91 to 180 days	32,563	78,769
181 to 360 days	4,682	73,958
Over 1 year	–	8,925
	107,002	389,054

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$4,682,000 (2011: HK$82,883,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on payment pattern of the customers of the Group, trade receivables past due but not impaired are generally collectible. The Group does not hold any collateral over these balances. The average age of these receivables ranges from 181 days to 360 days.

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

Movement in the allowance for bad and doubtful debts

	1.4.2011 to 31.3.2012 HK$'000	1.1.2010 to 31.3.2011 HK$'000
Balance at the beginning of the year/period	35,587	38,483
Allowance recognised on receivables	124,898	27,163
Amounts written off as uncollectible	(14,057)	(30,059)
Balance at the end of the year/period	146,428	35,587

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$146,428,000 (2011: HK$35,587,000) which have been overdue for a long time and the directors of the Company consider the recoverability of these debts are low based on historical experience. Thus the amount are impaired. The Group does not hold any collateral over these balances.

27. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is unsecured, interest-free and is repayable on demand.

28. INVESTMENTS HELD-FOR-TRADING

	2012 HK$'000	2011 HK$'000
Equity securities listed in United States	13,550	–
Equity securities listed in Hong Kong	–	39,948
Gold, silver and platinum contracts held-for-trading	–	39,720
Undated deeply subordinated notes listed overseas	–	33,542
US dollar step-up callable perpetual preferred securities listed overseas	–	7,892
	13,550	121,102

29. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

At the end of the reporting period, the pledged bank deposits are carrying at the prevailing market interest rate.

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

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. At the end of the reporting period, the bank deposits carry interest at the prevailing market interest rate ranged from 0.01% to 0.40% (2011: 0.01% to 0.45%) per annum.

30. TRADE AND OTHER PAYABLES

	2012 HK$'000	2011 HK$'000
Trade payables		
– jointly-controlled entity	242	631
– others	99,096	197,826
Bills payables	3,511	40,321
	102,849	238,778
Customers' deposits	47,018	38,911
Payroll and welfare payables	13,717	26,908
Payables for acquisition of property, plant and equipment	6,870	20,870
Other tax payables	16,255	11,444
Obligation under onerous contract in connection with acquisition of property, plant and equipment	20,742	–
Other payables	47,584	47,479
	255,035	384,390

30. TRADE AND OTHER PAYABLES *(Continued)*

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

	2012 HK$'000	2011 HK$'000
Age		
0 to 30 days	**44,380**	121,304
31 to 60 days	**15,290**	25,646
61 to 90 days	**6,286**	32,152
91 to 120 days	**15,507**	38,428
121 to 360 days	**6,034**	21,248
Over 1 year	**15,352**	–
	102,849	238,778

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

31. AMOUNT DUE TO A DIRECTOR

The amount due to a director of the Company, Ms. Michelle Wong, is unsecured, interest-free and is repayable on demand. Ms. Michelle Wong is the spouse of Mr. Ben Fan who is a substantial shareholder of the Company.

32. BANK LOANS

	2012 HK$'000	2011 HK$'000
Bank loans		
– secured	441,685	528,263
– unsecured	82,162	278,401
	523,847	806,664
Secured bank loans are repayable* as follows:		
Within one year	415,760	525,190
Between one to two years	13,275	187,922
Between two to five years	21,227	49,895
After five years	73,585	44,527
Less: Unamortised transaction costs	–	(870)
	523,847	806,664
Less: Amounts due within one year shown under current liabilities	415,760	525,190
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause shown under current liabilities	–	253,396
	415,760	778,586
Amounts shown under non-current liabilities	108,087	28,078

* The amounts due are based on scheduled repayment dates set out in the respective loan agreements.

The bank loans carry interest rates at Hong Kong Inter-Bank Offered Rate plus 1.25% per annum.

The effective interest rates on the Group's bank loans ranged from 0.93% to 3.36% (2011: 1.2% to 7.55%) per annum.

33. GOVERNMENT GRANTS

During the period ended 31st March, 2011, the Group received government grants of HK$9,681,000 in aggregate from various PRC government authorities for the recognition of investments in various economic development zones in PRC for LED chips technology development. During the year, HK$724,000 (2011: Nil for the period) of the grants have been released to profit or loss and the remaining are deferred as the Group has not fulfilled the conditions attaching to the government grants.

During the period ended 31st March, 2011, the Group received government grants of HK$14,825,000 from the Management Committee of Yangzhou Economic Technology Development Zone for the investment in the economic development zones located in Yangzhou city. It was granted as an incentive for acquiring prepaid lease payments amounting to HK$20,934,000 by the Group for constructing LED chips production facilities in the economic development zone. The amount received has been deducted from the carrying amount of the relevant assets and is in the form of reduced amortization charges over the useful lives of the relevant assets.

During the period ended 31st March, 2011, the Group also received government grants of HK$46,900,000 from various PRC government authorities for the recognition of investment in various economic development zones located in PRC for LED chips technology development. They were granted as an incentive for acquiring machineries totaling HK$194,544,000 during the period ended 31st March, 2011 by the Group for producing LED chips lighting products in the economic development zones. The amount received has been deducted from the carrying amount of the relevant assets and is in the form of reduced depreciation charges over the useful lives of the relevant assets.

During the year ended 31st March, 2012, the Group further received government grants of HK$1,079,000 in aggregate from various PRC government authorities for the recognition of investments in the economic development zones in PRC for LED chips technology development. These government grants have been deferred as the Group has not fulfilled the conditions attaching to these government grants.

Also, during the year ended 31st March, 2012, the Group received government grants of HK$26,313,000 in aggregate from other PRC government authorities for the recognition of investments in the various economic development zones in PRC. They were granted as an incentive for acquiring machineries totalling HK$194,544,000 during the period ended 31st March 2011 by the Group for producing LED chips lighting products in the economic development zones. The amount received has been deducted from the carrying amount of the relevant assets and is in the form of reduced depreciation charges over the useful lives of the relevant assets.

34. DEFERRED TAXATION

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

	Taiwan withholding tax on undistributed earnings HK$'000	Intangible assets HK$'000	Total HK$'000
At 1st January, 2010	–	–	–
Acquisition of subsidiaries	–	32,282	32,282
Credited to profit or loss for the period	–	(1,039)	(1,039)
At 31st March, 2011	–	31,243	31,243
Currency realignment	–	73	73
Charged (credited) to profit or loss for the year	3,298	(25,214)	(21,916)
At 31st March, 2012	**3,298**	**6,102**	**9,400**

35. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each				
– at 1st January, 2010	5,000,000	500,000	913,328,500	91,333
– issue of shares as a consideration for acquisition of a subsidiary	–	–	25,174,194	2,517
– exercise of share options	–	–	3,938,000	394
– at 31st March, 2011 and 31st March, 2012	5,000,000	500,000	942,440,694	94,244

36. SHARE OPTION SCHEME

Equity-settled share option scheme

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

At the end of the reporting period, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 45,453,000 (2011: 39,570,500), representing 4.8% (2011: 4.1%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the relevant time of grant, without prior approval from the Company's shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under this Scheme shall not in aggregate exceed 20% of the shares in issue from time to time. No option may be granted under this Scheme and any other share option scheme of the Company if such limit is exceeded. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share in issue or with an aggregate value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

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

36. SHARE OPTION SCHEME *(Continued)*

Equity-settled share option scheme *(Continued)*

Details of the movements of share options are as follows:

					Number of share options							
Type of participants	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Outstanding at 1.1.2010	Granted during the period	Exercised during the period	Forfeited/ lapsed during the period	Outstanding at 31.3.2011	Granted during the year	Forfeited/ lapsed during the year	Outstanding at 31.3.2012
Executive director	22.1.2010	Nil	22.1.2010 – 21.1.2018	6.75	–	152,000	–	–	152,000	–	–	152,000
	22.1.2010	22.1.2010 – 21.1.2011	22.1.2011 – 21.1.2018	6.75	–	152,000	–	–	152,000	–	–	152,000
	22.1.2010	22.1.2011 – 21.1.2012	22.1.2012 – 21.1.2018	6.75	–	152,000	–	–	152,000	–	–	152,000
	22.1.2010	22.1.2012 – 21.1.2013	22.1.2013 – 21.1.2018	6.75	–	152,000	–	–	152,000	–	–	152,000
	22.1.2010	22.1.2013 – 21.1.2014	22.1.2014 – 21.1.2018	6.75	–	152,000	–	–	152,000	–	–	152,000
Independent non-executive directors	1.2.2008	Nil	1.2.2008 – 31.1.2016	5.03	20,000	–	–	–	20,000	–	(10,000)	10,000
	1.2.2008	1.2.2008 – 31.1.2009	1.2.2009 – 31.1.2016	5.03	20,000	–	–	–	20,000	–	(10,000)	10,000
	1.2.2008	1.2.2009 – 31.1.2010	1.2.2010 – 31.1.2016	5.03	20,000	–	–	–	20,000	–	(10,000)	10,000
	1.2.2008	1.2.2010 – 31.1.2011	1.2.2011 – 31.1.2016	5.03	20,000	–	–	–	20,000	–	(10,000)	10,000
	1.2.2008	1.2.2011 – 31.1.2012	1.2.2012 – 31.1.2016	5.03	20,000	–	–	–	20,000	–	(10,000)	10,000
	22.1.2010	Nil	22.1.2010 – 21.1.2018	6.75	–	160,000	–	(40,000)	120,000	–	(40,000)	80,000
	22.1.2010	22.1.2010 – 21.1.2011	22.1.2011 – 21.1.2018	6.75	–	160,000	–	(40,000)	120,000	–	(40,000)	80,000
	22.1.2010	22.1.2011 – 21.1.2012	22.1.2012 – 21.1.2018	6.75	–	160,000	–	(40,000)	120,000	–	(40,000)	80,000
	22.1.2010	22.1.2012 – 21.1.2013	22.1.2013 – 21.1.2018	6.75	–	160,000	–	(40,000)	120,000	–	(40,000)	80,000
	22.1.2010	22.1.2013 – 21.1.2014	22.1.2014 – 21.1.2018	6.75	–	160,000	–	(40,000)	120,000	–	(40,000)	80,000
Employees	15.2.2007	Nil	15.2.2007 – 14.2.2015	8.72	1,346,000	–	–	(133,100)	1,212,900	–	(124,000)	1,088,900
	15.2.2007	15.2.2007 – 14.2.2008	15.2.2008 – 14.2.2015	8.72	1,987,000	–	–	(133,100)	1,853,900	–	(124,000)	1,729,900
	15.2.2007	15.2.2008 – 14.2.2009	15.2.2009 – 14.2.2015	8.72	1,540,333	–	–	(133,100)	1,407,233	–	(124,000)	1,283,233
	15.2.2007	15.2.2009 – 14.2.2010	15.2.2010 – 14.2.2015	8.72	1,540,333	–	–	(133,100)	1,407,233	–	(124,000)	1,283,233
	15.2.2007	15.2.2010 – 14.2.2011	15.2.2011 – 14.2.2015	8.72	1,540,334	–	–	(133,100)	1,407,234	–	(124,000)	1,283,234
	1.2.2008	Nil	1.2.2008 – 31.1.2016	5.03	842,000	–	(4,800)	(24,500)	812,700	–	(194,500)	618,200
	1.2.2008	1.2.2008 – 31.1.2009	1.2.2009 – 31.1.2016	5.03	502,625	–	(4,800)	(24,500)	473,325	–	(194,500)	278,825
	1.2.2008	1.2.2009 – 31.1.2010	1.2.2010 – 31.1.2016	5.03	502,625	–	(4,800)	(24,500)	473,325	–	(194,500)	278,825
	1.2.2008	1.2.2010 – 31.1.2011	1.2.2011 – 31.1.2016	5.03	502,625	–	(4,800)	(24,500)	473,325	–	(194,500)	278,825
	1.2.2008	1.2.2011 – 31.1.2012	1.2.2012 – 31.1.2016	5.03	502,625	–	(4,800)	(24,500)	473,325	–	(194,500)	278,825

36. SHARE OPTION SCHEME *(Continued)*

Equity-settled share option scheme *(Continued)*

					Number of share options							
Type of participants	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Outstanding at 1.1.2010	Granted during the period	Exercised during the period	Forfeited/ lapsed during the period	Outstanding at 31.3.2011	Granted during the year	Forfeited/ lapsed during the year	Outstanding at 31.3.2012
Employees	29.2.2008	Nil	28.2.2008 – 28.2.2016	5.90	462,500	–	–	(6,000)	456,500	–	(165,000)	291,500
	29.2.2008	28.2.2008 – 28.2.2009	28.2.2009 – 28.2.2016	5.90	456,250	–	–	(6,000)	450,250	–	(165,000)	285,250
	29.2.2008	28.2.2009 – 28.2.2010	28.2.2010 – 28.2.2016	5.90	456,250	–	–	(6,000)	450,250	–	(165,000)	285,250
	29.2.2008	28.2.2010 – 28.2.2011	28.2.2011 – 28.2.2016	5.90	456,250	–	–	(6,000)	450,250	–	(165,000)	285,250
	29.2.2008	28.2.2011 – 28.2.2012	28.2.2012 – 28.2.2016	5.90	456,250	–	–	(6,000)	450,250	–	(165,000)	285,250
	13.7.2009	Nil	13.7.2009 – 12.7.2017	2.19	2,793,500	–	(447,700)	(474,600)	1,871,200	–	(131,000)	1,740,200
	13.7.2009	13.7.2009 – 12.7.2010	13.7.2010 – 12.7.2017	2.19	2,793,500	–	(447,700)	(474,600)	1,871,200	–	(131,000)	1,740,200
	13.7.2009	13.7.2010 – 12.7.2011	13.7.2011 – 12.7.2017	2.19	2,793,500	–	(447,700)	(474,600)	1,871,200	–	(131,000)	1,740,200
	13.7.2009	13.7.2011 – 12.7.2012	13.7.2012 – 12.7.2017	2.19	2,793,500	–	(447,700)	(474,600)	1,871,200	–	(131,000)	1,740,200
	13.7.2009	13.7.2012 – 12.7.2013	13.7.2013 – 12.7.2017	2.19	2,793,500	–	(447,700)	(474,600)	1,871,200	–	(131,000)	1,740,200
	22.1.2010	Nil	22.1.2010 – 21.1.2018	6.75	–	2,688,000	–	(597,500)	2,090,500	–	(311,000)	1,779,500
	22.1.2010	22.1.2010 – 21.1.2011	22.1.2011 – 21.1.2018	6.75	–	2,688,000	–	(597,500)	2,090,500	–	(311,000)	1,779,500
	22.1.2010	22.1.2011 – 21.1.2012	22.1.2012 – 21.1.2018	6.75	–	2,688,000	–	(597,500)	2,090,500	–	(311,000)	1,779,500
	22.1.2010	22.1.2012 – 21.1.2013	22.1.2013 – 21.1.2018	6.75	–	2,688,000	–	(597,500)	2,090,500	–	(311,000)	1,779,500
	22.1.2010	22.1.2013 – 21.1.2014	22.1.2014 – 21.1.2018	6.75	–	2,688,000	–	(597,500)	2,090,500	–	(311,000)	1,779,500
	23.7.2010	Nil	23.7.2010 – 22.7.2018	4.51	–	1,370,000	–	(160,000)	1,210,000	–	(780,000)	430,000
	23.7.2010	23.7.2010 – 22.7.2011	23.7.2011 – 22.7.2018	4.51	–	1,370,000	–	(160,000)	1,210,000	–	(780,000)	430,000
	23.7.2010	23.7.2011 – 22.7.2012	23.7.2012 – 22.7.2018	4.51	–	1,370,000	–	(160,000)	1,210,000	–	(780,000)	430,000
	23.7.2010	23.7.2012 – 22.7.2013	23.7.2013 – 22.7.2018	4.51	–	1,370,000	–	(160,000)	1,210,000	–	(780,000)	430,000
	23.7.2010	23.7.2013 – 22.7.2014	23.7.2014 – 22.7.2018	4.51	–	1,370,000	–	(160,000)	1,210,000	–	(780,000)	430,000
	19.8.2011	Nil	19.8.2011 – 18.8.2015	1.95	–	–	–	–	–	5,666,667	(780,000)	4,886,667
	19.8.2011	19.8.2011 – 18.8.2012	19.8.2012 – 18.8.2015	1.95	–	–	–	–	–	5,666,667	(780,000)	4,886,667
	19.8.2011	19.8.2012 – 18.8.2013	19.8.2013 – 18.8.2015	1.95	–	–	–	–	–	5,666,666	(780,000)	4,886,666
					27,161,500	21,850,000	(2,262,500)	(7,178,500)	39,570,500	17,000,000	(11,117,500)	45,453,000

36. SHARE OPTION SCHEME *(Continued)*

Equity-settled share option scheme *(Continued)*

The weighted average exercise price of options granted during the year/period, forfeited during the year/period and outstanding at the end of the reporting period is HK$1.95 (2011: HK$6.05), HK$4.57 (2011: HK$6.12) and HK$4.42 (2011: HK$5.49), respectively.

During the year ended 31st March, 2012, options were granted on 19th August, 2011 with an aggregate estimated fair value of HK$13,104,000.

During the period ended 31st March, 2011, options were granted on 22nd January, 2010 and 23rd July, 2010 with an aggregate estimated fair value of HK$37,503,000 and HK$12,600,000 respectively.

These fair values were calculated using the binomial option pricing model. The inputs into the model were as follows:

	1.4.2011 to 31.3.2012	1.1.2010 to 31.3.2011	
Number of share options	**17,000,000**	6,850,000	15,000,000
Vesting period	**Based on the terms stipulated in the Scheme**	Based on the terms stipulated in the Scheme	Based on the terms stipulated in the Scheme
Grant date share price per share	**1.86**	4.51	6.69
Exercise price per share	**1.95**	4.51	6.75
Expected volatility	**67.75%**	53.32%	54.07%
Risk-free interest rate	**0.45%**	1.95%	2.55%
Expected dividend yield	**2.57%**	1.36%	3.81%
Suboptimal exercise factor	**2.31**	2.00	1.64

As the Company was newly listed since December 2006, there are no sufficient trading records to take reference of its share price volatility. Based on the historical volatility of comparable companies in similar industries over the past 8 years, a volatility of 67.75%, 53.32% and 54.07% were assumed respectively.

During the year, the Group recognised the net expense of HK$15,475,000 (for the period from 1st January, 2010 to 31st March, 2011: HK$26,892,000) in relation to share options granted after taking into consideration the effect of revision of estimates due to forfeiture of unvested share options.

37. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	2012 HK$'000	2011 HK$'000
Within one year	1,507	2,115
In the second to fifth year inclusive	81	663
	1,588	2,778

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

The Group as lessor

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

	2012 HK$'000	2011 HK$'000
Within one year	845	2,050
In the second to fifth year inclusive	1,304	2,708
	2,149	4,758

38. CAPITAL COMMITMENTS

	2012 HK$'000	2011 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**83,815**	169,321

A provision of onerous contracts for the capital expenditure contracted for but not provided amounting to HK$20,742,000 as at 31st March, 2012 (2011: Nil) is included in trade and other payables in respect of the acquisition of property, plant and equipment. The amount of HK$83,815,000 (2010: HK$169,321,000) presented above represents capital expenditure contracted net of provision for onerous contract and deposits paid.

39. CONTINGENT LIABILITIES

At the end of the reporting period, certain subsidiaries are parties to various legal claims in their ordinary course of business. In the opinion of the directors of the Company, the ultimate resolution of these claims would not have a significant impact on the Group's results and financial position.

40. RETIREMENT BENEFITS SCHEME

The Group's qualifying employees in Hong Kong participate in the Mandatory Provident Fund (the "MPF") in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustee. The Group and each of the employees make monthly mandatory contributions to the MPF schemes.

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

41. RELATED PARTY TRANSACTIONS

During the year/period, the Group sold goods totalling HK$3,045,000 (2011: HK$2,569,000) to a jointly controlled entity.

The Company's directors represented the Group's key management and their emoluments for the year/period are set out in note 14.

At the end of the reporting period, there is an amount due to a director amounting HK$13,000,000 (2011: Nil) which is set out in note 31.

At the end of the reporting period, there is an amount due from an associate amounting HK$36,885,000 (2011: Nil).

42. PURCHASE OF SUBSIDIARIES

(a) In December 2010, the Group acquired 60% equity interest of American Lighting, for a consideration of US$5,040,000. This acquisition had been accounted for using the acquisition method. American Lighting was engaged in the design, manufacture, and distribution of quality LED products. The acquisition was made to expand the LED operation and support the growth strategies of the Group.

Consideration transferred

	US$'000	Shown as HK$'000
Cash	5,040	39,284

Acquisition-related costs amounting to HK$198,000 had been excluded from the consideration transferred and had been recognised as an expense in the current year, within the administrative expenses line item in the profit or loss.

Assets acquired and liabilities recognised at the date of acquisition were as follows:

	US$'000	Shown as HK$'000
Property, plant and equipment	335	2,611
Intangible assets – customer relationship	467	3,640
Intangible assets – trademarks	1,667	12,993
Intangible assets – patents	521	4,061
Intangible assets – non-compete agreement	480	3,741
Inventories	1,904	14,841
Trade and other receivables	1,720	13,407
Bank balances and cash	135	1,052
Trade and other payables	(1,242)	(9,681)
Deferred taxation	(1,077)	(8,395)
	4,910	38,270

42. PURCHASE OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

The fair value of trade and other receivables at the date of acquisition amounted to HK$13,407,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$13,407,000 at the date of acquisition. None of the contractual cash flows were not expected to be collected at acquisition date.

Goodwill arising on acquisition:

	US$'000	Shown as HK$'000
Consideration transferred	5,040	39,284
Plus: Non-controlling interests (40% in American Lighting)	1,964	15,308
Less: Net assets acquired	(4,910)	(38,270)
Goodwill arising on acquisition	2,094	16,322

The goodwill was attributable to the anticipated profitability arising from the distribution of the Group's products in the new markets and the future operating synergies from the combination.

None of the goodwill arising on this acquisition was expected to be deductible for tax purposes.

Net cash outflow on acquisition of American Lighting:

	US$'000	Shown as HK$'000
Cash consideration paid	5,040	39,284
Less: Cash and cash equivalent balances acquired	(135)	(1,052)
	4,905	38,232

American Lighting contributed a revenue of HK$36,110,000 and a loss of HK$1,153,000 for the period from the date of acquisition to 31st March, 2011.

42. PURCHASE OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

If the acquisition had been completed on 1st January, 2010, total group revenue for the period from 1st January, 2010 to 31st March, 2011 would have been HK$1,805,027,000 and profit for the period would have been HK$123,839,000. The proforma information was for illustrative purposes only and was not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2010, nor was it intended to be a projection of future results.

(b) Also, in December 2010, the Group acquired 92.3% equity interest of NNEG for a consideration of Euro 300,000. This acquisition had been accounted for using the acquisition method. NNEG was engaged in the design, manufacture, and distribution of quality LED products. The acquisition was made to expand the LED operation and support the growth strategies of the Group.

Consideration transferred

	Euro'000	Shown as HK$'000
Cash	300	3,209

Acquisition-related costs amounting to HK$16,000 had been excluded from the consideration transferred and had been recognised as an expense in the current year, within the administrative expenses line item in the profit or loss.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Euro'000	Shown as HK$'000
Property, plant and equipment	4	43
Inventories	117	1,251
Trade and other receivables	83	888
Bank balances and cash	180	1,925
Trade and other payables	(134)	(1,433)
	250	2,674

42. PURCHASE OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

The fair value of trade and other receivables at the date of acquisition amounted to HK$888,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$888,000 at the date of acquisition. None of the contractual cash flows were not expected to be collected at acquisition date.

Goodwill arising on acquisition:

	Euro'000	Shown as HK$'000
Consideration transferred	300	3,209
Plus: Non-controlling interests (7.7% in NNEG)	19	206
Less: Net assets acquired	(250)	(2,674)
Goodwill arising on acquisition	69	741

The goodwill was attributable to the anticipated profitability arising from the distribution of the Group's products in the new markets and the future operating synergies from the combination.

None of the goodwill arising on this acquisition was expected to be deductible for tax purposes.

Net cash outflow on acquisition of NNEG:

	Euro'000	Shown as HK$'000
Cash consideration paid	300	3,209
Less: Cash and cash equivalent balances acquired	(180)	(1,925)
	120	1,284

NNEG contributed a revenue of HK$1,858,000 and a loss of HK$857,000 for the period from the date of acquisition to 31st March, 2011.

If the acquisition had been completed on 1st January, 2010, based on the unaudited management accounts of the subsidiary, the impact on the Group's revenue and profit for the period from 1st January, 2010 to 31st March, 2011 would have been insignificant.

42. PURCHASE OF SUBSIDIARIES *(Continued)*

(c) In February 2011, the Group acquired 100% equity interest of HCI for a consideration of US$17,000,000. This acquisition had been accounted for using the acquisition method. HCI was engaged in the design, manufacture, and distribution of quality LED products. The acquisition was made to expand the LED operation and support the growth strategies of the Group.

Consideration transferred

	US$'000	Shown as HK$'000
Cash	4,000	31,178
Shares issued	13,000	101,452
Total	17,000	132,630

Acquisition-related costs amounting to HK$669,000 have been excluded from the consideration transferred and had been recognised as an expense in the current year, within the administrative expenses line item in the profit or loss.

As part of the consideration for the acquisition of HCI, 25,174,194 ordinary shares of the Company with par value of HK$0.1 each were issued. The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition, amounted to HK$4.03.

Assets acquired and liabilities recognised at the date of acquisition were as follows:

	US$'000	Shown as HK$'000
Property, plant and equipment	224	1,746
Intangible assets – contracts in progress	820	6,391
Intangible assets – customer relationship	2,440	19,019
Intangible assets – patent and license	3,981	31,030
Intangible assets – trademark	5,654	44,070
Intangible assets – non-compete agreement	187	1,458
Inventories	1,724	13,438
Trade and other receivables	1,524	11,879
Bank balances and cash	336	2,619
Trade and other payables	(8,322)	(64,866)
Deferred taxation	(3,065)	(23,887)
	5,503	42,897

42. PURCHASE OF SUBSIDIARIES *(Continued)*

(c) *(Continued)*

The fair value of trade and other receivables at the date of acquisition amounted to HK$11,879,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$11,879,000 at the date of acquisition. None of the contractual cash flows were not expected to be collected at acquisition date.

Goodwill arising on acquisition:

	US$'000	Shown as HK$'000
Consideration transferred	17,000	132,630
Less: Net assets acquired	(5,503)	(42,897)
Goodwill arising on acquisition	11,497	89,733

The goodwill was attributable to the anticipated profitability arising from the distribution of the Group's products in the new markets and the future operating synergies from the combination.

None of the goodwill arising on this acquisition was expected to be deductible for tax purposes.

Net cash outflow on acquisition of HCI:

	US$'000	Shown as HK$'000
Cash consideration paid	4,000	31,178
Less: Cash and cash equivalent balances acquired	(336)	(2,619)
	3,664	28,559

HCI contributed a revenue of HK$2,823,000 and a loss of HK$2,774,000 for the period from the date of acquisition to 31st March, 2011.

If the acquisition had been completed on 1st January, 2010, total group revenue for the period from 1st January, 2010 to 31st March, 2011 would have been HK$1,716,257,000 and profit for the period would have been HK$117,342,000. The proforma information was for illustrative purposes only and was not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2010, nor was it intended to be a projection of future results.

43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2012 HK$'000	2011 HK$'000
Unlisted investment in a subsidiary	**1,009,022**	1,009,022
Amounts due from group companies	**163,368**	276,938
Bank balances	**409**	158
Other payables	**(6,021)**	(6,438)
Amounts due to group companies	**(10,887)**	(10,007)
Net assets	**1,155,891**	1,269,673
Share capital (note 35)	**94,244**	94,244
Reserves	**1,061,647**	1,175,429
Total equity	**1,155,891**	1,269,673

44. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are indirectly wholly-owned by the Company, at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
Billion Choice Trading Limited	British Virgin Islands	Share – US$1	Investment holding
Cashware Technology Limited	British Virgin Islands/PRC	Share – US$1	Provision of research and development services
HCI	USA	Shares – US$10	Trading of lighting products
Mitcham Profits Limited	British Virgin Islands/PRC	Share – US$1	Provision of marketing services
Neo-Neon Enterprises Limited	Hong Kong	Ordinary shares – HK$10,000	Trading of lighting products
Neo-Neon LED Lighting International Limited	Samoa/PRC	Shares – US$10,000	Trading of lighting products
Star Bright International (Macao Commercial Offshore) Limited	Macau	Registered capital – MOP100,000	Trading of lighting products
鶴山麗得電子實業有限公司 (Heshan Lide Electronic Enterprise Limited)	PRC as a wholly foreign owned enterprise for a term of 11 years commencing 9th May, 2003	Registered capital – US$288,450,566	Manufacture and sales of lighting products
鶴山市銀雨照明有限公司 (Heshan Yingyu Illumination Co., Ltd.)	PRC as a limited liability company for a term of 44 years commencing 2nd September, 2005	Registered capital – RMB50,000,000	Manufacture and sales of lighting products

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

None of the subsidiaries had any debt securities outstanding at the end of the year/period or at any time during the year/period.

FINANCIAL SUMMARY

	Year ended 31st December,			For the period from 1st January, 2010 to 31st March,	**Year ended 31st March,**
	2007	2008	2009	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	1,572,126	1,617,732	1,111,460	1,710,451	**1,083,835**
Profit (loss) before taxation	346,525	137,267	154,596	114,860	**(1,450,683)**
Taxation credit (expense)	(14,844)	357	2,351	(2,674)	**19,696**
Profit (loss) for the year/period	331,681	137,624	156,947	112,186	**(1,430,987)**
Attributable to					
– owners of the Company	334,029	138,676	157,989	116,608	**(1,430,437)**
– non-controlling interests	(2,348)	(1,052)	(1,042)	(4,422)	**(550)**
	331,681	137,624	156,947	112,186	**(1,430,987)**

	As at 31st December,			**As at 31st March,**	
	2007	2008	2009	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	2,716,788	3,124,584	3,962,637	4,784,537	**3,010,471**
Total liabilities	(335,059)	(611,340)	(728,020)	(1,239,645)	**(819,367)**
Net assets	2,381,729	2,513,244	3,234,617	3,544,892	**2,191,104**
Equity attributable to owners of the Company	2,373,941	2,506,508	3,228,923	3,527,949	**2,179,280**
Non-controlling interests	7,788	6,736	5,694	16,943	**11,824**
Total equity	2,381,729	2,513,244	3,234,617	3,544,892	**2,191,104**