

# Neo-Neon™

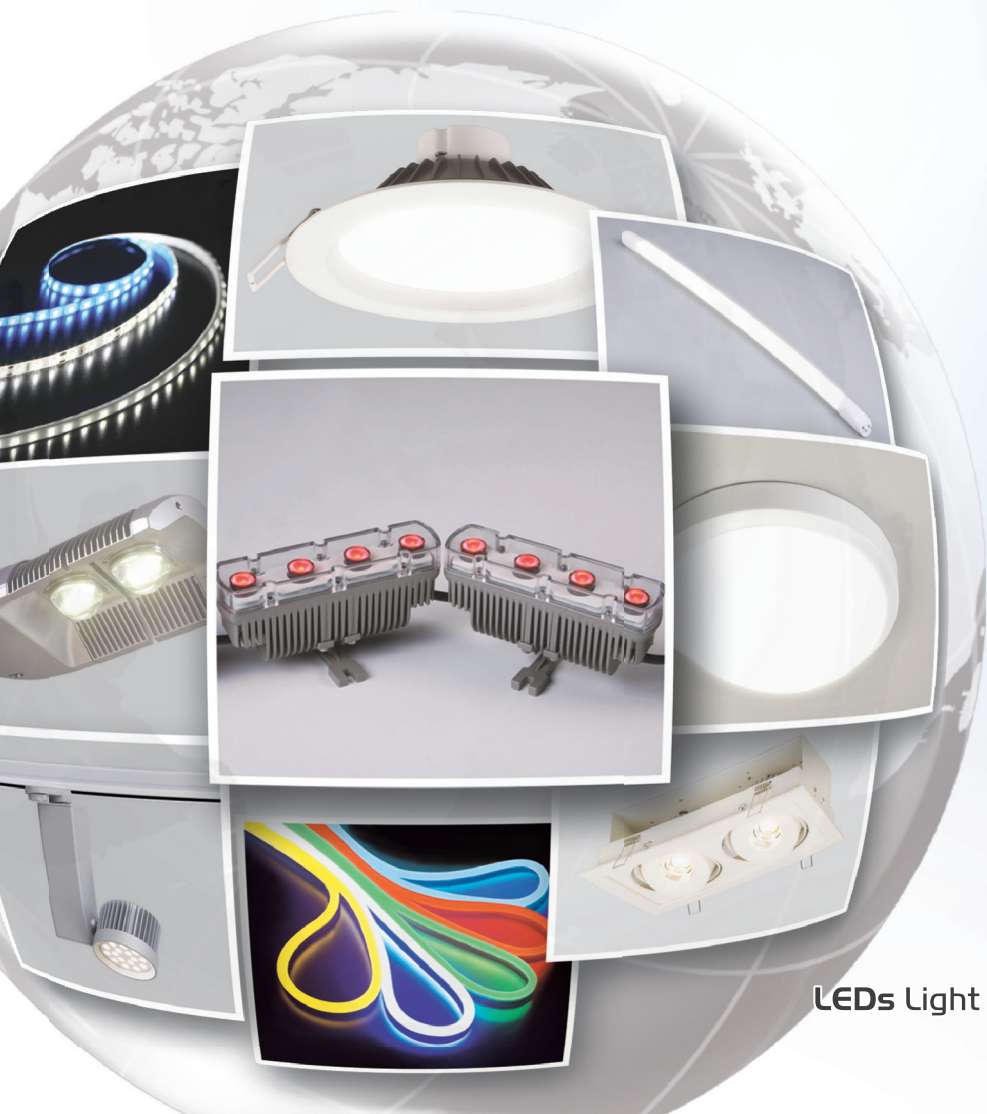
**NEO-NEON HOLDINGS LIMITED**

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

# 2012

## INTERIM REPORT

Professional LED product research,  
development and production.



LEDs Light It

## CONTENTS

	<i>Page(s)</i>
Corporate Information	2
Management Discussion and Analysis	4
Condensed Consolidated Income Statement	28
Condensed Consolidated Statement of Financial Position	29
Condensed Consolidated Statement of Changes in Equity	31
Condensed Consolidated Cash Flow Statement	34
Notes to the Condensed Consolidated Financial Statements	35

## CORPORATE INFORMATION

### Board of Directors

#### **Executive Directors**

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

#### **Independent Non-Executive Directors**

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

#### **Company Secretary**

Mr. CHAN Cheung

#### **Authorised Representatives**

Ms. Michelle WONG  
Mr. CHAN Cheung

#### **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*)  
Mr. WENG Shih Yuan  
Ms. Michelle WONG  
Mr. WONG Kon Man, Jason

**CORPORATE INFORMATION** *(Continued)*

<b><i>Principal Share Registrar</i></b>	Butterfield Fund Services (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 705 George Town Grand Cayman Cayman Islands British West Indies
<b><i>Hong Kong Branch Share Registrar</i></b>	Tricor Investor Services Limited 26/F., Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
<b><i>Auditors</i></b>	Deloitte Touche Tohmatsu
<b><i>Principal Bankers</i></b>	Bank of China Limited The Shanghai Commercial & Savings Bank Ltd. Taishin International Bank
<b><i>Registered Office</i></b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b><i>Principal Place of Business in Hong Kong</i></b>	G/F & Basement Level 1 of New East Ocean Centre 9 Science Museum Road Tsim Sha Tsui East Kowloon Hong Kong
<b><i>Company Website</i></b>	<a href="http://www.neo-neon.com">www.neo-neon.com</a>
<b><i>Stock Code</i></b>	1868

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Turnover

During the Review Period, the Group has recorded a turnover of approximately HK\$531.5 million, representing a decrease of 32.6% as compared to approximately HK\$788.0 million in the corresponding period in the September 2011. The decrease mainly because of (i) European debt crisis, customer orders were more conservative resulting in a reduction of sales order; and (ii) a decrease of market price, as a result of intense competition.

#### Cost of Goods Sold

The Group's costs of goods sold were HK\$403.5 million, representing a decrease of 40.7% from HK\$679.9 million as compared to the same period in the September 2011.

#### Gross Profit and Gross Profit Margin

The gross profit and gross profit margin increased from HK\$108.1 million (13.7%) in the September 2011 to HK\$128.0 million (24.1%). The increase mainly because of (i) bulk raw materials such as copper wire price was lower than that in the same period of 2011, resulting in decrease of raw material costs; and (ii) reduce in the number of labour led to the decline in labour costs.

#### Other Income

Other income was HK\$2.7 million during the Review Period (September 2011: HK\$8.4 million) representing a decrease of HK\$5.7 million or 67.9%, mainly due to a decrease of interest income, rental income and dividend income from investment in securities.

#### Other Gains, Losses and Expenses

Other gains, losses and expenses showed a gain of HK\$10.3 million during the six months ended 30th September, 2012 (September 2011: HK\$1.1 million). The gain was mainly due to (i) investment income from trading of securities and gold contracts of HK\$5.8 million for the period, while an investment loss from trading of securities and gold contracts of HK\$4.1 million for the same period in 2011; (ii) Net written-back for bad and doubtful debts was HK\$12.5 million, while a net allowance for bad and doubtful debts was HK\$14.5 million for the same period in 2011.

## FINANCIAL REVIEW *(Continued)*

### **Administrative, Distribution and Selling Expenses**

For the six months ended 30th September, 2012, the Group's administrative, distribution and selling expenses were HK\$132.3 million, a decrease of HK\$77.5 million or 36.9% from HK\$209.8 million in the same period in 2011. The decrease was mainly attributable to: (i) administrative, distribution and selling expenses and intangible goodwill amortization of overseas subsidiaries (Holiday Creations, Inc., American Lighting) during the Review Period were HK\$22.8 million, a decrease of HK\$22.4 million or 49.6% from HK\$45.2 million in the same period in 2011; (ii) a decrease of HK\$14.0 million or 38.8% in depreciation during the period; and (iii) a decrease of HK\$25.6 million or 48.9% in salary during the period, due to about twenty percent decrease in sales and administrative personnel.

### **Financing Costs**

The finance costs of the Group in the six months ended 30th September, 2012 was HK\$5.4 million, a decrease of 21.7% from HK\$6.9 million in the corresponding period of September 2011. The decrease was mainly attributable to the decrease in the amount of bank borrowings.

### **Net Profit**

For the six months ended 30th September, 2012, the Group's net profit was HK\$5.5 million, an increase of 105.4% compared with the Group's net loss of HK\$102.2 million in the corresponding period of September 2011. The net profit margin for the period was 1.0% compared with net loss margin of 13.0% in the corresponding period of September 2011. The main reasons were: (i) European debt crisis, customer orders were more conservative resulting in a reduction of sales order; (ii) bulk raw materials such as copper wire price was lower than that in the same period of 2011, resulting in decrease of raw material costs; (iii) reduce in about thirty percent of labour led to the decline in labour costs; (iv) about twenty percent decrease in sales and administrative personnel led to the decrease in salary; (v) strict control over the distribution and administrative expenses; and (vi) bad debts written back. The Board will improve the allocative efficiency of the Company's resources to make the Group more competitive. The Board will improve the efficiency of resource allocation by the Company so as to strengthen the Group's competitiveness. The Group will efficiently reallocate its resources to create a rational organisation structure and achieve strategic growth by becoming more cost-effective, simplified in structure, effective in performance management and better-positioned to implement employee-oriented long-term incentive schemes.

## FINANCIAL REVIEW *(Continued)*

### Financial Resources and Liquidity

The Group maintained a stable financial position. As at 30th September, 2012, the Group had bank balances and cash of HK\$272.2 million (at 31st March, 2012: HK\$283.6 million) and short-term bank loans of HK\$405.2 million (at 31st March, 2012: 415.8 million). All short-term bank loans were denominated in Hong Kong dollars and at prevailing market interest. The gearing ratio representing the ratio of short-term bank loans to total equity of the Group was 23.7% as at 30th September, 2012 (at 31st March, 2012: 23.9%).

### Assets and Liabilities

As of 30th September, 2012, the Group's total assets were HK\$3,046.4 million, an increase of HK\$35.9 million compared with HK\$3,010.5 million as of 31st March, 2012 representing an increase of 1.2%. The Group's total liabilities as of 30th September, 2012 were increased by 5.4%, comparing to that as of 31st March, 2012, from HK\$819.4 million to HK\$863.6 million.

The Group's shareholders' equity as of 30th September, 2012 was HK\$2,172.2 million, representing a decrease of 0.3% when compared with HK\$2,179.3 million as of 31st March, 2012.

### Taxation

Taxation of the Group for the six months ended 30th September, 2012 was HK\$0.5 million (September 2011: HK\$0.6 million). The effective tax rate was 9.0% for the six months ended 30th September, 2012, which was credit 0.6% for the September 2011. The Group's PRC production plants entitled to preferential Enterprise Income Tax of 15% in the capacity of High-New Technology Enterprise. Thus, Enterprise Income Tax is payable at a rate which is 10 percentage points lower than that applicable to those general decorative lighting manufacturers. The Group takes a further competitive advantage in terms of its tax charges.

### 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, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

During the period, there is no significant changes in capital commitments and contingent liabilities.

## MARKET OVERVIEW

Light Emitting Diode (“LED”) is a forward bias diode with P-N junction made of semiconductor materials, when a forward electric current is injected in both ends of the P-N junction, the electrons will emit light when dispersing, and such an emitting process is mainly the self-emitting process of light, which is different from traditional light sources. As a whole new light source, LED is increasingly blending into our daily lives.

The TIME once conducted a survey of the three greatest inventions for the 20th century, and the winners were integrated circuit, flat-panel TV and LED light. In the history of lighting, the use of fire and Thomas Edison’s tungsten filament light-bulb were considered the first and second lighting revolution, respectively, now LED is regarded as the third lighting revolution of Man. Currently, the prices of LED lighting products remain lofty due to the high costs, and its popularity depends on our joint efforts.

Nowadays, illumination accounts for 20% of the total electricity consumption of Man, as LED reduces the electricity consumption by 90% and 50% respectively, as compared with the tungsten filament light-bulbs and the energy-saving lights, it is an important way to save energy. LED is a “green” lighting approach, which is more efficient, reliable, safer and more durable. It has many outstanding features that traditional light bulbs can not provide and its benefits have been constantly expanding. For instance, vegetables that take three months to ripe may shorten their time of growth by 65% if LED lighting energy is employed. It is a valuable technology in the time of wide-spread food shortage. Moreover, a LED light does not have any hazardous material and is an environment-friendly technology as compared with the fluorescent light which carries mercury and will contaminate the environment.

## BUSINESS REVIEW

During the Review Period, while the orders from the domestic customers increased, customers in the Europe remained prudent in placing orders due to the European debt crisis, which resulted in a significant decrease in our sales results. In general, illumination is a basic need of Man, and represents the level of economic activities. In recent years, with the development of the global economy and continuous urbanization, which led to an increase in general structures and plants construction in the manufacturing industry and hence the fast growth in lighting demand and energy consumption. Compared to the traditional lighting sources (e.g. fluorescent and incandescent lights), LED has a lighting efficiency 5-20 times higher than the traditional lighting sources when reaching the theoretical conversion efficiency, the edge is even greater if its directivity is taken into account. Based on a different light emitting theory, LED lights have a much longer lifespan than traditional lighting sources. In addition, as LED has a number of advantages i.e. healthiness and environment-friendliness, it is considered the next generation of most agreeable lighting source.



## BUSINESS REVIEW *(Continued)*

Currently, 70%-80% of LED's power is converted into heat, therefore heat dissipation is one of the key considerations in the application area. LED is a solid semi-conductor component, the basic structure of which is a chip placed on a stand with a down-lead encapsulated with epoxy resin to protect its internal circuit, for which LED has an outstanding shock-resistance feature. It is a new light source which turns electricity directly into light.

The key of popularity of new energy-saving light source lies on the improvement of its light emitting efficiency and performance-price ratio up to and over the level of the existing light source. The LED encapsulation and chip design has taken into account light, heat, electricity and structure, and modularize the LED light source, i.e. integrating the LED light source, heat-dissipation component and electric driver in one chip, which provides reasonable light allocation, diversification of colour presentation and colour temperature with improved heat dissipation of its electric power circuit. This is the trend of LED lighting systems in the future.

As we may expect, the reserves of resources on earth are limited. We have seen the skyrocketing of oil prices, and that of coal products, the reserve of which is considered plenty. Under the pressure of global warming and high energy costs, the demands for new energies are increasing significantly. However, new technologies such as power generation with solar energy, wind, sea waves, terrestrial heat and hydrogen are all facing commercial difficulties of conversion efficiency and it may take 10 to 20 years for them to actually become popular. Even a nuclear power plant will take nearly 10 years to go from planning to full-scale operation. Therefore, the development of new energy-saving technologies has become the latest concern of governments and enterprises all over the world.

On the existing lighting market, the incandescent lights which wastes 70% of the energy during its light-emitting process account for 75% of the market share, with the rest 25% taken by the energy-saving lights. To save energy and reduce carbon discharge, governments have been issuing policies on prohibition of manufacturing and sales of incandescent lights. LED may save energy up to 90% and 50% respectively, as compared with the tungsten filament light-bulbs and the energy-saving lights. If the traditional light sources were all replaced with LED, the whole world will save 120 billion Euros and reduce carbon discharge by 630 million tonnes, which equals to 1.8 billion barrels of oil saved each year.

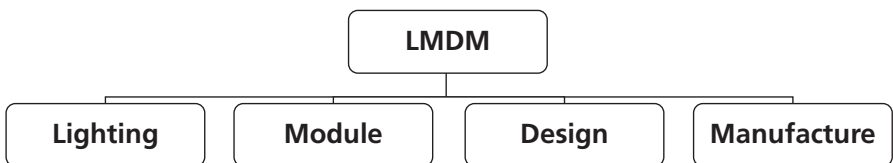
Energy crisis, rising of sea level and the changing climates and global warming are surely affecting our daily lives. As a member of the earth village confronted with a deteriorating ecological environment and increasing shortage of energy, we have only one option, that is to replace the traditional incandescent lights and energy-saving lights with LED light bulbs featuring high lighting efficiency and no pollution so as to alleviate the energy and environmental crisis.

## BUSINESS REVIEW *(Continued)*

Incandescent lights may be subdivided into common lights, high-pressure and low-pressure lights, halogen lamps and ultra-red lights, etc. Incandescent lights are not able to serve the purpose as lighting equipment for large rooms and large areas. Most of the indoor lighting in the world now is provided by fluorescent lights. Compared with incandescent lights, fluorescent lights have several advantages, e.g. higher lighting efficiency, bigger lighting coverage, capability of adjusted into different colours. Notwithstanding its advantages, the biggest drawback of fluorescent light is the high consumption of electric power. Moreover, the mercury in the fluorescent light tube may contaminate the environment. Therefore, the white light LED is deemed to have a wide-spread application in illumination and will be the morning twilight of the 21st century.

The opening application on the lighting market is outdoor wide-angle illumination e.g. road lamps and billboard lights. For indoor illumination, the first targets will be the long-life application, including the tunnels, supermarkets, factories, shopping malls and office buildings. For household illumination, the high-end customers will be the first on the list, i.e. luxury residence buildings such as apartments, villas and hotels. LED lighting market has a huge potential. With the improvement of LED lighting efficiency and the increasing concern of the governments on energy saving and environment protection as well as their subsidies and incentive policies on LED industry, the demand for LED lighting is sure to increase.

The Neo-Neon Group now has over 1,000 dealers and tens of subsidiaries and employs fully automatic production facilities to meet the demands of its dealers and subsidiaries, which has significantly improved the productivity and reduced the costs. Furthermore, large-scale production involves large-scale sourcing of raw materials from the suppliers at the lowest costs possible. As a vertically integrated LED manufacturer, the Neo-Neon Group pioneered on the LMDM service plan:



## BUSINESS REVIEW *(Continued)*

We will focus on resolving the four key issues of light, heat, electricity and mechanics across the chain of raw materials and during the development stage to provide our customers with highly reliable products with high performance-price ratio. We will strive to reduce the costs of our products by all means and offer products with high performance-price ratio so as to accelerate the popularity of LED lighting and make our own contributions to the faster and better development of LED lighting.

The main drivers of our growth for the following year will be:

### LED replacing traditional lights for common illumination purpose

As we are the industry leader in terms of product research and development, we are able to provide quality products at reasonable prices. Currently LED is some distance from becoming a household application. Only when the prices drop to a reasonable level, will the demand increase and the market expand. There are three key elements of cost reduction: first, bigger chip, so that the unit cost can drop. Second, improvement on the quality of the products, as well as the pass rate, to eventually reduce the costs. Third, scale economy, including that of the customers, design of the factory and the number of furnaces. In view of the above, we estimate that the expansion of the sector will accelerate from 2013 onward.

As the world has reached a consensus on the technical indicators for LED lighting products, and provisions on power factor compensation, it is time to restore a clean power network for the society. Therefore, LED lighting products for indoor use will all use the Power Supply Unit Regulating (“PSR”), constant current-driven chip with simple circuit and power factor compensation.

The Neo-Neon Group has taken advantage of its technical strength in promoting LED lighting, providing its customers with 1USD-3W LED light bulbs to replace the 25W incandescent light bulbs. The following is the comparison of 3W LED light bulb with traditional light bulbs.

Lighting Products	No.	Power (W)	Unit Price (RMB)	Luminous Flux (lm)	Lifespan (h)	
Neo-Neon 3W LED light bulbs	1	3	6.5	250	25000	
Traditional incandescent lights	General brands	2	25	1.5	200	1000
	Reputed brands	3	25	4	250	1500
Energy-saving lights	General brands	4	5	10	200	3000
	Reputed brands	5	5	15	250	6000

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

### **LED replacing traditional lights for common illumination purpose** *(Continued)*

With comparable brightness, the lifespan of a Neo-Neon 3W LED light bulb approximates to that of 20 incandescent lights or 8 energy-saving lights.

It will be a dream coming true for LED lighting products to enter the lighting market. Currently, the gap between the price of LED lights and that of traditional energy-saving lights is narrowing, for instance: a 5W 480lm LED light bulb can emit as much light as a 30W incandescent light while its cost will drop below RMB15 and the sales price may drop to RMB20-25 each. That is to say the price of an LED light bulb is only 20-30% higher than that of a fluorescent energy-saving light, while the lifespan is 10 times of the latter. It is now a lighting device that any household can afford. With this, LED lighting products will enter the common households as well as the chain stores of a lighting product market and supermarkets, or even the groceries.

The costs of LED chip will continue to drop as new production process for larger chip is employed with the development of craftsmanship and quality, there has been a 20% reduction each year during the recent years. If the improvement of lighting efficiency is taken into account in the calculation, the customers now have better choices at the same price. The main cost of LED lighting products lies in the chip, once the price of chip drops, the unit price of LED light will drop to a level similar to that of the energy-saving lights at current stage, and LED will certainly be prosperous in the indoor illumination sector.

### **LED road lamps replacing traditional road lamps**

The unit price of LED road lamps is dropping each year. For instance, a 100W LED road lamp may replace a 250W high-pressure sodium lamp, which is priced at RMB1,000 per unit with a lifespan of 3,000 hours. If the lamp is on for 10 hours each day, it will consume 2.5 kilowatt-hours each day and 912.5 kilowatt-hours each year. If 1 kilowatt-hour is charged at RMB1.0, the costs of electricity for the whole year will be RMB912.5. After four years, the electricity costs saved will be enough to make up for the purchase of the LED road lamp.

## BUSINESS REVIEW *(Continued)*

### LED road lamps replacing traditional road lamps *(Continued)*

As a matter of fact, LED road lamp will not only save electricity costs, but also the costs of cable and labour costs for laying cable. Let us take this as an example, 666 unit road lamps are needed to cover 10 kilometres of road, the cost of cable is RMB360 per meter for copper cable with cross section of 400mm<sup>2</sup>, the cost for cable will be RMB3.6 million and that for laying work will be RMB600,000, that for transformer and relevant facilities will be RMB3.0 million, the cost for inspection chamber is RMB300/unit, which add up to RMB11,110 per unit. Cable for LED road lamp is copper cable with a cross section of 42mm<sup>2</sup>, with a unit price of RMB60 per meter, the cable laying cost is RMB100,000 and cost for transformer and relevant facilities is RMB500 thousand. With all the above added up, the costs of a traditional road lamp has by far surpassed the original investment of an LED road lamp, therefore the saved electricity costs will be the net gains.

Generally the designer of road lamp considers that it needs to work for 10 hours each night. However, in most cases, it is not necessary to light up the lamps for 10 hours each night: after midnight, few people and vehicles pass by, it is completely reasonable for the road lamps to work at a reduced power, and with LED, the changing of power and brightness is an easy thing to achieve.

### Production Facilities and Capacity

Under the vertical integration strategy, the range of our products includes the most upstream clips, package and modules and the most downstream lighting products and applications. This has made LED lighting industry more professional and the manufacturing of LED lighting products more streamlined. The upstream LED manufacturers and packaging plants need to employ electronic system engineers in LED lighting, better understand applications of their LED lighting and be fully familiar with the constant current drive power. The downstream LED lighting product factories are required to assemble lighting products directly. The above can be described as bundling sale of "LED lighting plus drive power". As compared with regular low-pressure LED clips of low voltage and high electric current, high-pressure LED clips of high voltage and low electric current have advantages in generating less heat and in line with downstream applications. There is also high pressure and linear constant current which doesn't need any transformer or electrolytic capacitor. A specific constant current drive power will be chosen based on its need. The pending problem in connection with short life of LED drive powers and electrolytic capacitors now has been easily solved.

## BUSINESS REVIEW *(Continued)*

### Production Facilities and Capacity *(Continued)*

We proactively reinforce our sustainable research and development (“R&D”) capacity, and endeavour to grasp the future green lighting technology. Our high-power LED emitter can achieve 160 lumens per watt, representing the highest mass-production level in the LED industry. We have total nineteen (19) sets of MOCVD for production of high-brightness blue and green LED wafers with monthly capacity of 55,000 pieces (two inches). The lighting efficiency of self-produced LED chips has already exceed 160lm/W, and the brightness of wafers has reached 2,700mcd, catching up the advanced international standard. Our R&D team has been making efforts to study the process of putting fluorescent powder directly on photonic crystal and vertically structural chips, which is expected to achieve a breakthrough in 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 the 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. It has stood for 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.

We have reduced the input in non-standard products and increased overall production of regular standard LED products, including white-light illumination products such as LED streetlights, LED downlights, LED T8 tubes and LED bulbs. We have maximized the capacity and power for these products, expecting to achieve the largest capacity, highest quality, lowest price, quickest delivery and best service. Product parts of same types are especially required to share components, thus reducing costs and further enhancing the price advantage. We have achieved the quick delivery which means we can deliver goods the day after receiving orders from our customers. Such a quick speed has surpassed that of many of our competitors, while we can ensure product quality consistency at the same time.

## BUSINESS REVIEW *(Continued)*

### Sales and Distribution

The Group maintained a sales team of over 180 staff members with offices in 16 countries and regions including the People's Republic of China ("PRC"), Korea, Taiwan, Hong Kong, Macau, Vietnam, Malaysia, Dubai, United Kingdom ("UK"), Thailand, Netherlands, Germany, Russia, United States of America ("USA") and Brazil. The Group planned to establish flagship showrooms in Shanghai (already established), Tianjin and Chongqing. We are confident that, through our constant consolidation of market resources and the best use of various resources by mergers within the industry, can keep its industry leading role in the competitive LED market and constantly enlarge its LED market share in the future!

Neo-Neon's products have been used in many projects in the world. Some of these projects are located in China, such as the 2008 Olympic Celebration Square, Beijing Tiananmen Square, the Oriental Pearl Radio & TV Tower in Shanghai, Qingdao Sports Center, over 10 theme pavilions including that of USA and Spain in Shanghai's EXPO Culture Center and the 2011 Asian Games venues. Thousands of projects from abroad have been specified to use Neo-Neon's lighting products, among of which are Radio Netherlands Worldwide, London Heathrow Airport, first LED tunnel lighting in Brazil, projects in Florida in the USA, Italy and Whisky Heritage Centre in Scotch, projects in Jonkoping of Sweden, Narita of Japan, Santa Monica of the USA and business center in Belgrade, capital of Yugoslavia. In addition, our LED streetlights are also widely used in hundreds of streetlight projects in the world.

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 20 branch companies 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 cover the whole Greater China market down the road. 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.

## BUSINESS REVIEW *(Continued)*

### Research and Development

The Group's R&D efforts were driven towards product design, new product development and production efficiency improvement in order to reduce the overall production cost. During the Review Period, we have created an environment in which an innovator can have his/her rewards, adhered to the core value of "creativity", and made relevant policies for it. We believe an enterprise must master its own core technology to realize its business upgrade. Only by this way can it maintain its spirit and this is also one of the secrets for an enterprise to sustain its success. Furthermore, this can stimulate an enterprise to revolutionize its operating model, so as to enhance the industrial competitiveness.

Although European, USA and Japanese companies have mastered most of the core LED technologies, Neo-Neon has already gained some technological advantages for LED developments. Guangdong Intellectual Property Office and Department of Information Industry of Guangdong Province have jointly prepared Report on LED Industry Patents Situation Analysis. Due to its strong capacity for patents, Heshan Lide Electronic Enterprise Limited under our Neo-Neon Yinyu, a brand name of LED products, decorative lights, stage lights, etc, has been referred to many times in this most prevalent and comprehensive report on LED Intellectual property. On the other hands, this demonstrates Neo-Neon Yinyu's strong R&D capacity on LED.

Generally, traditional **LED fluorescent tubes** adopt middle-small power mounting (TOP) packages, which are characterized with low lighting efficiency, higher packaging and application costs and complicated manufacturing process. LED fluorescent tubes have become an indoor lighting trend in 21st century and the mainstream of lighting industry. In order to break the limits of traditional package and assembly, Neo-Neon has released T5 or T8 fluorescent tubes, with lighting efficiency up to 160lm/W and general lighting efficiency up to 135lm/W. In addition, new COB structure avoids costs of materials including bracket, PCB and soldering tin, cost of reflow oven, chip-mounting and soldering process. As a result, total cost of a lamp decreases by around 40%.



## BUSINESS REVIEW *(Continued)*

### Research and Development *(Continued)*



The illustration of assembly of LED fluorescent tube

### Trade Receivable Management

As at 30th September, 2012, the Group's receivable were HK\$204.5 million (31st March, 2012: HK\$107.0 million), representing an increase of HK\$97.5 million; in which the amount of receivables due within 180-360 days decrease by HK\$0.9 million. The decrease was mainly due to the extension of credit period to 90 day or 180 days for facilitating some creditworthy long-term clients' plans for business development, and the long payment periods of certain large projects at low risk under relevant contracts.

### Inventory Management

The Group operated an integrated industry chain that covered more than ninety percent of the production process in the whole business chain. During the Review Period, the Group's inventory balances increased to HK\$676.3 million from HK\$648.1 million as at the month ended 31st March, 2012, representing an increase of approximately 4.4%, which was mainly due to: in order to control the rising material prices, the group placed one-time bulk purchase with a special offer price for major material, the increase in the material cost had been controlled within a controllable range. 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.

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

### **Employees and Remuneration Policy**

As at 30th September, 2012, the Group's total number of employees was approximately 5,000 (31st March, 2012: 5,000). 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 will also improve overall management quality and business professionalism through on-the-job as well as formal training programmes. This will help develop team spirit and reinforce a sense of unity and belonging between management and staff. The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees. Most members of senior management have been working for the Group for more than 10 years.

### **Future Plans and Prospects**

As the market of LED lighting industry is very huge, it is divided into upstream, middle stream and downstream industries. Upstream participants are required to invest substantial capital. Such participants are more concentrated and comparable. Middle stream and downstream industry participants are more numerous and dispersed. Although it is difficult to obtain market share statistics which can be used for comparison among such participants, the Group is known to have secured a leading position in the LED packaging and end-user applications. In terms of integration of upstream to downstream operations, the Group is reputed as a leading player in the industry.

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

### **Future Plans and Prospects** *(Continued)*

The LED market is a vast market of up to US\$120 billion. LED is energy-saving, environmentally-friendly and durable. While resources in the world are running out, the use of LED sees great development opportunities and rosy prospects. Neo-Neon has achieved breakthroughs in the research and development of LED chips and has developed a number of manufacturing technologies of LED chips, including half-cut chips, maskless technique, fluorescent powder in droplets and was granted relevant invention patent certificates from the State. With the combination of existing research and development and production capacities of LED related products, the Group achieved vertical integration from key components to the product application of LED of supply chain and has become the first LED manufacturer in the world which has a complete industrial chain integrating from upstream epitaxy to finished product applications.

The technologies for manufacturing LED lighting products have become mature, however, their markets have yet to be further expanded. The main reasons are that costs and prices of LED lighting products are far too high, which are the problems restricting the popularity of LED. In addition, the markets and the prices vary a great deal. The current technologies used in manufacturing alternative LED bulbs can completely meet the technological requirements for the substitution of incandescent lamps. The major reasons why LED lightings still not become popular are high prices and insufficient sales channels. The Group has long put effort in reducing the costs and prices of LED lighting. To better consolidate its production capacity and labour cost, the Group completed vertical integration of the supply chains. Besides, the Group relocated labour-intensive production process to Vietnam.

“Energy-saving and carbon reduction” is a core topic in the PRC Twelfth Five-year Plan and we must realize that 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 LED lighting (which is more efficient in electricity-saving) has become a highly concerned issue. 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 surely present a myriad of business opportunities to the LED industry.

### **Interim Dividend**

No dividend will be paid for the six months ended 30th September, 2012 (September, 2011: Nil).

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

As at 30th September, 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 Securities and Futures Ordinance (the "SFO") (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### Long positions in shares and underlying shares of the Company

Name of Director	Number of ordinary shares held				Number of underlying shares held under equity derivatives	Total	Percentage of total issued share capital of the Company as at 30th September, 2012
	Personal interests <sup>(1)</sup>	Family interests	Corporate interests	Other interests			
Mr. Ben FAN <sup>(2)</sup>	600,000	26,366,000	336,400,000	–	–	363,366,000	38.556%
Ms. Michelle WONG <sup>(2)</sup>	10,668,000	337,000,000	15,698,000	–	–	363,366,000	38.556%
Mr. FAN Pong Yang <sup>(3)</sup>	1,462,000	–	15,698,000	–	760,000 <sup>(4)</sup>	17,920,000	1.901%
Mr. WENG Shih Yuan	246,500	–	–	–	200,000 <sup>(4)</sup>	446,500	0.047%
Mr. ZHAO Shan Xiang	–	–	–	–	250,000 <sup>(4)</sup>	250,000	0.027%

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

### Long positions in shares and underlying shares of the Company *(Continued)*

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 the 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. Thus, Mr. Ben FAN was taken to be interested in 336,400,000 shares of the Company;
  - (b) 15,698,000 shares of the Company were held by Charm Light which was owned as to 35% by Ms. Michelle WONG. Thus, Ms. Michelle WONG was taken to be interested in 15,698,000 shares of the Company;
  - (c) Ms. Michelle WONG is the spouse of Mr. Ben FAN. By virtue of the SFO, Ms. Michelle WONG was deemed to be interested in 600,000 shares of the Company held by Mr. Ben FAN and 336,400,000 shares of the Company held by Rightmass; and
  - (d) Mr. Ben FAN is the spouse of Ms. Michelle WONG. By virtue of the SFO, Mr. Ben FAN was deemed to be interested in 10,668,000 shares of the Company held by Ms. Michelle WONG and 15,698,000 share of the Company held by Charm Light.
- (3) 15,698,000 shares of the Company were held by Charm Light which was owned as to 35% by Mr. FAN Pong Yang. Thus, Mr. FAN Pong Yang was taken to be interested in 15,698,000 shares of the Company.
- (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 Option Scheme" in this report.

Save as mentioned above, as at 30th September, 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 SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30th September, 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 30th September, 2012
Rightmass <sup>(1)</sup>	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 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 30th September, 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.

## SHARE OPTION SCHEME

A share option scheme was adopted by the Company pursuant to the shareholders' resolutions passed on 20th November, 2006 (the "Scheme") for the primary purpose of providing incentives to Directors and eligible employees. The Scheme became effective on 15th December, 2006 and the options 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 of Directors may grant options to any employees of the Company or any of its subsidiaries to subscribe for shares of the Company.

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

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

**SHARE OPTION SCHEME** (Continued)

The option period is 8 years whereas the vesting period is 5 years. Details of movements of the share options during the six months ended 30th September, 2012 are as below:

Type of participants	Date of grant	Exercisable period <sup>(1)</sup>	Exercise price per share (HK\$)	Number of share options				Outstanding at 30th September, 2012
				Outstanding at 1st April, 2012	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	
<b>Directors</b>								
Mr. ZHAO Shan Xiang	01.02.2008	01.02.2008 – 31.01.2016	5.03	50,000	-	-	-	50,000
	22.01.2010	22.01.2010 – 21.01.2018	6.75	200,000	-	-	-	200,000
Mr. WENG Shih Yuan	22.01.2010	22.01.2010 – 21.01.2018	6.75	200,000	-	-	-	200,000
Mr. FAN Pong Yang	22.01.2010	22.01.2010 – 21.01.2018	6.75	760,000	-	-	-	760,000
<b>Employees</b>								
In aggregate	15.02.2007	15.02.2007 – 14.02.2015	8.72	6,668,500	-	-	526,500	6,142,000
	01.02.2008	01.02.2008 – 31.01.2016	5.03	1,733,500	-	-	77,500	1,656,000
	29.02.2008	29.02.2008 – 28.02.2016	5.90	1,432,500	-	-	12,500	1,420,000
	13.07.2009	13.07.2009 – 12.07.2016	2.19	8,701,000	-	-	188,500	8,512,500
	22.01.2010	22.01.2010 – 21.01.2018	6.75	8,897,500	-	-	210,000	8,687,500
	23.07.2010	23.07.2010 – 22.07.2018	4.51	2,150,000	-	-	1,050,000	1,100,000
	19.08.2011	19.08.2011 – 18.08.2015	1.95	14,660,000	-	-	2,020,000	12,640,000
				45,453,000	-	-	4,085,000	41,368,000



## SHARE OPTION SCHEME *(Continued)*

The closing prices per share 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 when the share options were granted were HK\$8.5, HK\$5.03, HK\$5.89, HK\$2.15, HK\$6.75, HK\$4.51 and HK\$1.86 per share respectively.

Note:

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

## CORPORATE GOVERNANCE PRACTICES

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

The Corporate Governance Code (effective from 1st April, 2012) (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) stipulates the principles of good corporate governance and two levels of recommendations: (1) Code Provisions; and (2) Recommended Best Practices. As disclosed in the Corporate Governance Report contained in the Company’s 2011/12 annual report, the Company has applied the principles under the Code on Corporate Governance Practices (effective until 31st March, 2012) (the “Former Code”). Throughout the Review Period, the Company has been in full compliance with all the Code Provisions and certain Recommended Best Practices as set out in the CG Code except for Code Provision A.2.1.

Under Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by same individual. Mr. Ben FAN is the Chairman. On 12th July, 2010, Mr. Tseng Jinsui resigned as the Chief Executive Officer (“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, was appointed as CEO. 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 and downstream industrial chain integration from LED wafers & chip production packaging and the LED lighting applications.

## MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Group has adopted the Model Code as set out in Appendix 10 to the Listing Rules for securities transactions by Directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the six months ended 30th September, 2012. The Model Code also applies to other specified senior management of the Group.

## AUDIT COMMITTEE

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

Mr. WONG Kon Man, Jason (*Chairman*)

Mr. WENG Shih Yuan

Mr. ZHAO Shan Xiang

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

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

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

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the financial statements for the six months ended 30th September, 2012. At the meeting held on 28th November, 2012, the Audit Committee reviewed the unaudited financial statements for the six months ended 30th September, 2012 together with the interim results announcement, with a recommendation to the Board of Directors for approval.

## REMUNERATION COMMITTEE

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

Mr. WENG Shih Yuan (*Chairman*)

Ms. Michelle WONG

Mr. WONG Kon Man, Jason

Mr. ZHAO Shan Xiang

The majority of the Remuneration Committee members are Independent Non-Executive Directors. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of Directors and senior management. The Remuneration Committee ensures that no Director or any of his associate is involved in deciding his own remuneration.

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

## NOMINATION COMMITTEE

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

Mr. ZHAO Shan Xiang (*Chairman*)

Mr. WENG Shih Yuan

Ms. Michelle WONG

Mr. WONG Kon Man, Jason

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

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

## CONTINGENT LIABILITY AND CHARGE OF GROUP ASSETS

As at 30th September, 2012, the Group did not have any significant contingent liabilities. As at 30th September, 2012, the Group has pledged certain of its land and buildings with an aggregate carrying value of HK\$273,659,000 (September 2011: HK\$127,766,000), certain of its plant and machinery with an aggregate carrying value of HK\$79,369,000 (September 2011: nil) and also bank deposits of aggregate carrying value of HK\$2,445,000 (September 2011: HK\$52,440,000) to secure bank credit facilities granted to the Group.

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

During the six months ended 30th September, 2012, the Company repurchased a total of 3,121,000 shares of HK\$0.10 each in the capital of the Company on the Stock Exchange, details of which are as follows:

Repurchase month	No. of ordinary shares with par value of HK\$0.10 each repurchased	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
September, 2012	3,121,000	1.72	1.57	5,217

The issued share capital of the Company was reduced by the nominal value of the repurchased shares which will be cancelled. The premium paid for the repurchase of the shares and related expenses totalling HK\$4,905,000 were charged to the reserves.

The repurchases of shares were effected by the Directors pursuant to the general mandate approved by the shareholders at the annual general meeting of the Company held on 10th August, 2012, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30th September, 2012.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2012

	Notes	Six months ended 1.4.2012 to 30.9.2012 HK\$'000 (unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (unaudited)
Turnover	4	531,518	788,005
Cost of goods sold		(403,539)	(679,873)
Gross profit		127,979	108,132
Other income		2,650	8,396
Other gains, losses and expenses	5	10,274	1,081
Distribution and selling expenses		(39,601)	(59,771)
Administrative expenses		(92,714)	(150,030)
Finance costs		(5,372)	(6,896)
Share of gains/(losses) of an associate		26	(3,967)
Share of results of a jointly controlled entity		2,762	1,391
Profit/(Loss) before taxation	6	6,004	(101,664)
Taxation	7	(543)	(568)
Profit/(Loss) for the period attributable to owners of the Company		5,461	(102,232)
Other comprehensive income			
– exchange differences arising on translation		(16,230)	89,681
Total comprehensive income for the period attributable to owners of the Company		(10,769)	(12,551)
Attributable to			
– equity holders of the Company		4,231	(104,184)
– non-controlling interests		1,230	1,952
		5,461	(102,232)
Proposed interim dividend	8	–	–
Earnings/(Loss) per share	9		
– Basic		HK\$0.005	HK\$(0.111)
– Diluted		HK\$0.005	HK\$(0.111)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2012

	Notes	<b>30.9.2012</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2012 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Investment properties		<b>17,380</b>	17,380
Property, plant and equipment	10	<b>1,345,603</b>	1,430,840
Prepaid lease payments		<b>117,154</b>	119,182
Goodwill		<b>741</b>	741
Intangible assets		<b>19,798</b>	20,442
Interest in an associate		<b>38,334</b>	38,561
Interest in a jointly controlled entity		<b>31,014</b>	28,253
Deposits made on acquisition of property, plant and equipment		<b>112,621</b>	115,325
		<b>1,682,645</b>	1,770,724
<b>Current assets</b>			
Inventories		<b>676,278</b>	648,069
Trade and other receivables	11	<b>337,233</b>	255,152
Amount due from an associate		<b>48,598</b>	36,885
Investments held-for-trading		<b>27,045</b>	13,550
Pledged bank deposits		<b>2,445</b>	2,465
Bank balances and cash		<b>272,178</b>	283,626
		<b>1,363,777</b>	1,239,747

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

At 30th September, 2012

	Notes	<b>30.9.2012</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2012 HK\$'000 (audited)
Current liabilities			
Trade and other payables	12	<b>318,270</b>	255,035
Amount due to a director		–	13,000
Taxation		<b>9,201</b>	7,657
Current portion of long-term bank loans		<b>405,162</b>	415,760
		<b>732,633</b>	691,452
Net current assets		<b>631,144</b>	548,295
Total assets less current liabilities		<b>2,313,789</b>	2,319,019
Non-current liabilities			
Long-term bank loans		<b>111,304</b>	108,087
Government grants		<b>10,296</b>	10,428
Deferred taxation		<b>9,400</b>	9,400
		<b>131,000</b>	127,915
Net assets		<b>2,182,789</b>	2,191,104
Capital and reserves			
Share capital	13	<b>93,932</b>	94,244
Share premium		<b>1,688,032</b>	1,688,032
Other reserves		<b>452,467</b>	465,928
Retained profits		<b>(62,236)</b>	(68,924)
Equity attributable to equity holders of the Company		<b>2,172,195</b>	2,179,280
Non-controlling interests		<b>10,594</b>	11,824
Total equity		<b>2,182,789</b>	2,191,104

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2012

	Share capital	Share premium	Special reserve	Other reserve	Share compensation reserve	Share options reserve	Translation reserve	Retained profits	Attributable to equity holders of the Company	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2011 (audited)	94,244	1,688,032	53,856	-	48,100	52,869	205,540	1,385,308	3,527,949	16,943	3,544,892
Exchange differences arising on translation of foreign operations and net investments	-	-	-	-	-	-	89,681	-	89,681	-	89,681
Net income recognised directly in equity	94,244	1,688,032	53,856	-	48,100	52,869	295,221	1,385,308	3,617,630	16,943	3,634,573
Profit for the period	-	-	-	-	-	-	-	(104,184)	(104,184)	1,952	(102,232)
Total recognised income for the period	94,244	1,688,032	53,856	-	48,100	52,869	295,221	1,281,124	3,513,446	18,895	3,532,341
Recognition of equity-settled share-based payments	-	-	-	-	-	8,191	-	-	8,191	-	8,191
Exercise of share options	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(30,158)	(30,158)	-	(30,158)
<b>At 30th September, 2011 (unaudited)</b>	<b>94,244</b>	<b>1,688,032</b>	<b>53,856</b>	<b>-</b>	<b>48,100</b>	<b>61,060</b>	<b>295,221</b>	<b>1,250,966</b>	<b>3,491,479</b>	<b>18,895</b>	<b>3,510,374</b>



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

For the six months ended 30th September, 2012

	Share capital	Share premium	Special reserve	Other reserve	Share compensation reserve	Share options reserve	Translation reserve	Retained profits	Attributable to equity holders of the Company	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2012 (audited)	94,244	1,688,032	53,856	(9,142)	48,100	61,980	311,133	(68,926)	2,179,280	11,824	2,191,104
Exchange differences arising on translation of foreign operations and net investments	-	-	-	-	-	-	(16,269)	-	(16,269)	39	(16,230)
Net income recognised directly in equity	94,244	1,688,032	53,856	(9,142)	48,100	61,980	294,864	(68,926)	2,163,008	11,863	2,174,871
Profit for the period	-	-	-	-	-	-	-	6,690	6,690	(1,269)	5,421
Total recognised income for the period	94,244	1,688,032	53,856	(9,142)	48,100	61,980	294,864	(62,236)	2,169,698	10,594	2,180,292
Recognition of equity-settled share-based payments	-	-	-	-	-	7,714	-	-	7,714	-	7,714
Repurchase of shares	(312)	-	-	(4,905)	-	-	-	-	(5,217)	-	(5,217)
Dividends	-	-	-	-	-	-	-	-	-	-	-
<b>At 30th September, 2012 (unaudited)</b>	<b>93,932</b>	<b>1,688,032</b>	<b>53,856</b>	<b>(14,047)</b>	<b>48,100</b>	<b>69,694</b>	<b>294,864</b>	<b>(62,236)</b>	<b>2,172,195</b>	<b>10,594</b>	<b>2,182,789</b>

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.

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

For the six months ended 30th September, 2012

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.

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

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2012

	<b>Six months ended</b>	
	<b>1.4.2012 to 30.9.2012</b>	1.4.2011 to 30.9.2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash used in operating activities	<b>48,364</b>	158,022
Investing activities		
Interest received	<b>1,503</b>	1,384
Proceeds from disposal of investment properties	–	52,239
Proceeds from disposal of property, plant and equipment	–	11,029
Purchase of property, plant and equipment	<b>(9,044)</b>	(14,564)
Purchase of intangible assets	<b>(416)</b>	–
Investment of an associate	<b>254</b>	(31,229)
Advance to an associate	<b>(11,713)</b>	–
Deposits paid for acquisition of property, plant and equipment	<b>(5,490)</b>	(41,447)
Government grants received	<b>(132)</b>	–
Other investing cash flows	–	(284)
Net cash used in investing activities	<b>(25,038)</b>	(22,872)
Financing activities		
Interest paid	<b>(5,372)</b>	(6,896)
Dividends paid	–	(30,158)
Repurchase of shares	<b>(5,217)</b>	–
Bank loans raised	<b>(774,067)</b>	149,149
Repayment of bank loans	<b>764,331</b>	(223,548)
Repayment of amount due to a director	<b>(13,000)</b>	–
Net cash from (used in) financing activities	<b>(33,325)</b>	(111,453)
Net (decrease) increase in cash and cash equivalents	<b>(9,999)</b>	23,697
Cash and cash equivalents at the beginning of period	<b>283,626</b>	371,432
Effect of foreign exchange rate changes	<b>(1,449)</b>	4,115
Cash and cash equivalents at the end of the period	<b>272,178</b>	399,244

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September, 2012

### 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. 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 interim report.

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2012 have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

### 3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012.

In the period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretation issued by the HKICPA which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2012.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the new and revised standards, amendments and interpretation in the period has had no material effect on the results and financial positions of the Group.

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

For the six months ended 30th September, 2012

### 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle <sup>2</sup>
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date and Transition Disclosures <sup>4</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>1</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

The directors of the Company anticipate that the application of these new or revised standards, amendments and interpretation will have no material impact on the results and financial position of the Group.

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

For the six months ended 30th September, 2012

### 4. TURNOVER AND SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. Specifically, the Group's reportable 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 period.

#### Segment Information

##### *Business segment*

	<b>Six months ended</b>	
	<b>1.4.2012</b>	1.4.2011
	<b>to 30.9.2012</b>	to 30.9.2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Turnover		
LED Decorative Lighting	<b>303,362</b>	415,613
LED General Illumination Lighting	<b>153,045</b>	200,689
Incandescent Decorative Lighting	<b>51,819</b>	92,151
Entertainment Lighting	<b>20,195</b>	62,645
Others	<b>3,097</b>	16,907
	<b>531,518</b>	788,005
Gross Profit		
LED Decorative Lighting	<b>72,807</b>	62,762
LED General Illumination Lighting	<b>41,432</b>	29,843
Incandescent Decorative Lighting	<b>9,559</b>	8,135
Entertainment Lighting	<b>3,797</b>	5,702
Others	<b>384</b>	1,690
	<b>127,979</b>	108,132

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

For the six months ended 30th September, 2012

### 4. TURNOVER AND SEGMENT INFORMATION *(Continued)*

#### Segment Information *(Continued)*

#### *Business segment (Continued)*

	<b>Six months ended</b>	
	<b>1.4.2012</b>	1.4.2011
	<b>to 30.9.2012</b>	to 30.9.2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Results</b>		
Profit/(Loss) from operations		
LED Decorative Lighting	<b>28,017</b>	(20,153)
LED General Illumination Lighting	<b>15,943</b>	(11,180)
Incandescent Decorative Lighting	<b>3,678</b>	(8,134)
Entertainment Lighting	<b>1,461</b>	(3,490)
Others	<b>148</b>	(941)
	<b>49,247</b>	(43,898)
Unallocated other income	<b>9,425</b>	8,396
Unallocated other gains, losses and expenses	<b>10,274</b>	1,081
Unallocated expenses	<b>(60,357)</b>	(57,771)
Finance costs	<b>(5,373)</b>	(6,896)
Share of profit/(loss) of a jointly controlled entity	<b>2,788</b>	(2,576)
Profit/(Loss) before taxation	<b>6,004</b>	(101,664)
Taxation	<b>(543)</b>	(568)
Profit/(Loss) for the period	<b>5,461</b>	(102,232)

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

For the six months ended 30th September, 2012

### 4. TURNOVER AND SEGMENT INFORMATION *(Continued)*

#### Segment Information *(Continued)*

##### *Geographical segment*

	<b>Six months ended</b>	
	<b>1.4.2012 to 30.9.2012 HK\$'000 (unaudited)</b>	1.4.2011 to 30.9.2011 HK\$'000 (unaudited)
<b>Turnover</b>		
America	<b>232,468</b>	330,050
Europe	<b>102,618</b>	184,487
The PRC	<b>96,989</b>	140,494
Russia	<b>19,329</b>	26,120
Asia Pacific and Middle East (excluding PRC)	<b>78,820</b>	105,152
Others	<b>1,294</b>	1,702
	<b>531,518</b>	788,005
<b>Gross Profit</b>		
America	<b>60,442</b>	48,636
Europe	<b>25,654</b>	25,757
The PRC	<b>16,653</b>	12,054
Russia	<b>4,832</b>	4,095
Asia Pacific and Middle East (excluding PRC)	<b>20,086</b>	17,337
Others	<b>312</b>	253
	<b>127,979</b>	108,132



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

For the six months ended 30th September, 2012

### 4. TURNOVER AND SEGMENT INFORMATION *(Continued)*

#### Segment Information *(Continued)*

#### Geographical segment *(Continued)*

	Six months ended	
	1.4.2012 to 30.9.2012 HK\$'000 (unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (unaudited)
<b>Results</b>		
Profit/(Loss) from operations		
– America	12,625	(34,271)
– Europe	13,023	(5,838)
– The PRC	9,383	(1,354)
– Asia Pacific and Middle East (excluding PRC)	14,041	(2,407)
– Others	175	(28)
	<b>49,247</b>	<b>(43,898)</b>
Unallocated other income	9,425	8,396
Unallocated other gains, losses and expenses	10,274	1,081
Unallocated expenses	(60,357)	(57,771)
Finance costs	(5,373)	(6,896)
Share of profit/(loss) of a jointly controlled entity	2,788	(2,576)
	<b>6,004</b>	<b>(101,664)</b>
Profit/(Loss) before taxation	<b>6,004</b>	<b>(101,664)</b>
Taxation	(543)	(568)
	<b>5,461</b>	<b>(102,232)</b>
Profit/(Loss) for the period	<b>5,461</b>	<b>(102,232)</b>

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

For the six months ended 30th September, 2012

### 5. OTHER GAINS, LOSSES AND EXPENSES

	Six months ended	
	1.4.2012 to 30.9.2012 HK\$'000 (unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (unaudited)
Gain on disposal of property, plant and equipment	578	35,688
Net written back/(Net allowance) for bad and doubtful debts	12,496	(14,459)
Research and development costs	(8,993)	(9,960)
Increase (Decrease) in fair value of investments held-for-trading	5,771	(4,050)
Government grants	31	–
Net exchange gain (loss)	391	(6,138)
	<b>10,274</b>	<b>1,081</b>

### 6. PROFIT BEFORE TAXATION

	Six months ended	
	1.4.2012 to 30.9.2012 HK\$'000 (unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	88,672	98,801
Less: Depreciation included in research and development costs	(954)	(1,085)
	<b>87,718</b>	<b>97,716</b>
Amortisation of intangible assets	1,059	3,099
Research and developments costs	1,263	5,620
Operating lease rentals in respect of		
– prepaid lease payments	1,101	1,328
– rented premises	187	3,176
and after crediting:		
Dividend income from listed investments held-for-trading	–	407
Interest income	1,503	1,384
Property rental income before deduction of negligible outgoings	603	1,167

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

For the six months ended 30th September, 2012

### 7. TAXATION

	<b>Six months ended</b>	
	<b>1.4.2012</b>	1.4.2011
	<b>to 30.9.2012</b>	to 30.9.2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
The charge comprises:		
PRC Enterprise Income Tax ("EIT")	<b>(543)</b>	(482)
Taxation in other overseas jurisdictions	–	(86)
	<b>(543)</b>	(568)

The PRC Enterprise Income Tax and overseas taxation are calculated at the rates prevailing in the respective jurisdictions while Hong Kong Profits Tax is calculated at 16.5% (HY2011: 16.5%) on the estimated assessable profit for the period.

### 8. DIVIDEND

No dividend will be paid for the six months ended 30th September 2012 (September 2011: Nil).

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

For the six months ended 30th September, 2012

### 9. EARNINGS / (LOSS) PER SHARE

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

	<b>Six months ended</b>	
	<b>1.4.2012 to 30.9.2012</b>	1.4.2011 to 30.9.2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Earnings/(Loss)</b>		
Profit/(Loss) attributable to equity holders of the Company	<b>4,231</b>	(104,184)
Weighted average number of ordinary shares in issue	<b>939,319,694</b>	942,440,694
Basic earning/(loss) per share	<b>HK\$0.005</b>	HK\$(0.111)
Weighted average number of ordinary shares for diluted earning per share	<b>939,319,694</b>	942,440,694
Diluted earning/(loss) per share	<b>HK\$0.005</b>	HK\$(0.111)

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

For the six months ended 30th September, 2012

### 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK\$17,200,000 (30th September, 2011: HK\$54,300,000) on additions to property, plant and equipment to expand and upgrade its manufacturing capabilities, of which buildings nil (30th September, 2011: nil), leasehold improvement HK\$4,700,000 (30th September, 2011: HK\$16,600,000), furniture, fixture and equipment HK\$400,000 (30th September, 2011: HK\$1,400,000), motor vehicles nil (30th September, 2011: HK\$1,400,000), plant and machinery HK\$4,500,000 (30th September, 2011: HK\$7,200,000), mould HK\$2,200,000 (30th September, 2011: HK\$2,300,000), construction in progress HK\$5,400,000 (30th September, 2011: HK\$25,400,000), land use right nil (30th September, 2011: nil).

### 11. TRADE AND OTHER RECEIVABLES

	<b>30.9.2012</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.3.2012 <i>HK\$'000</i> (audited)
Trade receivables	<b>280,913</b>	240,193
Bills receivables	<b>32,405</b>	13,237
Less: Allowance for bad and doubtful debts	<b>(108,785)</b>	(146,428)
	<b>204,533</b>	107,002
Deposits paid to suppliers	<b>48,347</b>	39,878
Value added tax refundable on export sales	<b>61,439</b>	54,402
Value added tax recoverable	<b>16,982</b>	25,656
Other receivables	<b>5,932</b>	28,214
	<b>337,233</b>	255,152

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

For the six months ended 30th September, 2012

### 11. 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:

	<b>30.9.2012</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2012 <i>HK\$'000</i> <i>(audited)</i>
Age		
0 to 60 days	<b>116,514</b>	60,294
61 to 90 days	<b>36,526</b>	9,463
91 to 180 days	<b>47,665</b>	32,563
181 to 360 days	<b>3,828</b>	4,682
	<b>204,533</b>	107,002

### 12. TRADE AND OTHER PAYABLES

	<b>30.9.2012</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2012 <i>HK\$'000</i> <i>(audited)</i>
Trade payables		
– Trade receivables	<b>220</b>	242
– others	<b>110,021</b>	99,096
Bills payables	<b>3,969</b>	3,511
	<b>114,210</b>	102,849
Customers' deposits	<b>70,223</b>	47,018
Payroll and welfare payables	<b>22,986</b>	13,717
Payables for acquisition of property, plant and equipment	<b>3,615</b>	6,870
Other tax payables	<b>12,071</b>	16,255
Obligation under onerous contract in connection with acquisition of property, plant and equipment	<b>20,742</b>	20,742
Other payables	<b>74,423</b>	47,584
	<b>318,270</b>	255,035

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

For the six months ended 30th September, 2012

### 12. 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:

	<b>30.9.2012</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2012 <i>HK\$'000</i> <i>(audited)</i>
Age		
0 to 30 days	<b>27,573</b>	44,380
31 to 60 days	<b>21,929</b>	15,290
61 to 90 days	<b>24,108</b>	6,286
91 to 120 days	<b>20,497</b>	15,507
121 to 360 days	<b>8,811</b>	6,034
Over 1 year	<b>11,292</b>	15,352
	<b>114,210</b>	102,849

### 13. SHARE CAPITAL

	Number of Shares		Share capital	
	30.9.2012	31.3.2012	30.9.2012 <i>HK\$'000</i> <i>(unaudited)</i>	31.3.2012 <i>HK\$'000</i> <i>(audited)</i>
Ordinary Shares of HK\$0.10 each				
Authorised	<b>5,000,000,000</b>	5,000,000,000	<b>500,000</b>	500,000
At beginning of the period/year	<b>942,440,694</b>	942,440,694	<b>94,244</b>	94,244
Exercise of share options (see Note 14)	-	-	-	-
Shares repurchased	<b>(3,121,000)</b>	-	<b>(312)</b>	-
At end of the period/year	<b>939,319,694</b>	942,440,694	<b>93,932</b>	94,244

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

For the six months ended 30th September, 2012

### 13. SHARE CAPITAL *(Continued)*

Up to 30th September, 2012, the Company had repurchased but not yet cancelled 3,121,000 ordinary shares in the Company at an average price of HK\$1.67 per share from open market with net cash outflow of HK\$5,217,000, including transaction costs.

During the period, the Company repurchased its own shares through the Stock Exchange as follows:

Repurchase month	No. of ordinary shares with par value of HK\$0.10 each repurchased	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
September, 2012	3,121,000	1.72	1.57	5,217

The above shares will be cancelled upon repurchase.

### 14. SHARE OPTIONS

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

	Number of share options	
	30.9.2012 (unaudited)	31.3.2012 (audited)
Outstanding at the beginning	45,453,000	39,570,500
Granted during the period/year	–	17,000,000
Exercised during the period/year	–	–
Forfeited during the period/year	(4,085,000)	(11,117,500)
	<b>41,368,000</b>	<b>45,453,000</b>



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

For the six months ended 30th September, 2012

### 14. SHARE OPTIONS *(Continued)*

The share options granted in 2011 have an exercise price of HK\$1.95 with various vesting periods between August 2011 and August 2015.

The share options granted in 2010 have an exercise price of HK\$6.75 and HK\$4.51 with various vesting periods between January 2010 and July 2014.

The closing price of the Company's shares immediately before 22nd January, 2010, 23rd July, 2010 and 19th August, 2011, the dates when the share options were granted was HK\$6.75, 4.51 and 1.90 per share respectively.

The options granted on 19th August, 2011, 22nd January, 2010 and 23rd July, 2010 with an aggregate estimated fair values of HK\$13,104,000, HK\$37,503,000 and HK\$12,600,000 respectively. These fair values were calculated using the Binomial option pricing model.

### 15. CAPITAL COMMITMENTS

	<b>30.9.2012</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2012 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<b>89,142</b>	83,815

### 16. RELATED PARTY TRANSACTIONS

During the period, the Group sold goods totalling HK\$1,949,000 (September, 2011: HK\$1,869,000) to its associates and jointly controlled entity.

The emoluments to the Company's directors, who are the Group's key management, are HK\$783,000 (September, 2011: HK\$711,000). During the period, the Chairman and another executive director have waived their emoluments of HK\$2,160,000 and HK\$540,000 in relation to their services respectively.