Neo-Neon™

LEDs Light It

NEO-NEON HOLDINGS LIMITED

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

2012/13
ANNUAL REPORT



Professional LED product research, development and production.



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

Bank of China Limited
The Shanghai Commercial & Savings Bank Ltd.
Taishin International Bank

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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9 Science Museum Road
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Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR

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

COMPANY WEBSITE ADDRESS

www.neo-neon.com

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 2013.

BUSINESS REVIEW

2012 is a year of challenges coexisting with opportunities for the LED lighting industry. The debt crisis in Europe and the U.S. has led to a bleak and recessionary global market while excessive investment and fierce market competition resulted in an inside-out reshuffling of the LED industry with oversupply remaining. However, with the LED technology making continuous breakthroughs, the industrialization process of LED industry has accelerated. In addition, the governments of the leading countries have issued a series of strategic policies aiming at advancing the LED lighting industry. From the perspective of market demand, with the gradual penetration of large-size LED backlit source as well as the warming-up of lighting market represented by LED street lights, the sectors such as landscape lighting, interior lighting, LED display, automotive applications, large-size backlit source and LED lights will maintain a rapid pace of development, and the LED lighting market will continue to grow in the coming years.

The Group's turnover for the year ended 31st March, 2013 decreased by 23.7%. Due to the effect of inflation, the Group's operating costs continued to rise. As a result of shortage in skilled technicians, labour costs were also increased in order to retain and attract talent. Due to the effective control of production costs and a prudent manner in order taking, our gross profit ratio increased to 11.9% as compared to a gross loss ratio of 53.9% for the previous year, with the loss for the year attributable to owners of the Company of HK$0.62 billion, representing a decrease of 56.9% over the previous year. The loss for year attributable to owners of the Company was mainly contributed by the lingering European debt crisis, which caused the European and U.S. customers to be more conservative in placing orders. As for the Chinese market, due to the shortage in liquidity, sales appeared to have slowed down. In addition, this year we still made provision for assets, which resulted in a substantial loss. The Group has taken effective measures to improve the overall effectiveness of operation in order to achieve satisfactory results.

As the leader of LED lighting, the major countries in Europe and the U.S. still faced significant risks of economic recession, dragging the global economy into a period of fluctuations and slow moving. Meanwhile, competition in the Chinese market appeared to heat up. Accordingly, the Group took responsive measures in seven aspects: 1) seizing the chance and made strategic adjustments through constantly integrating technology, markets, capital and brand while taking full advantage of our outstanding delivery efficiency, variety of product chain and superior experience and expertise in the LED lighting industry, so as to exert our strengths in technology and manufacturing; 2) strengthening resource reservation and tracking, and especially establishing a dedicated department for major projects, so as to support business development with technology and project influence; 3) strengthening strategic planning and strategic guidance on the business divisions, strengthening strategic management and control, ensuring implementation of the strategies; 4) based on the Company's general resources, each division implementing competition tactics according to their actual circumstances; 5) continuing to advance the construction of internal control system and streamlining key processes to improve overall anti-risk capacity; 6) introducing Lean Manufacturing Management and Lean Manufacturing Techniques, strengthening collection and control efforts for accounts receivable; 7) strengthening planning for brand building and cultivation of our quick response capacity. With all the above efforts, we targeted to well-position ourselves before the established big companies of the lighting industry complete their restructuring, so that we can take the leading role in future competition to break the impasse and carry out different marketing strategies.

PROSPECT

We all know that LED lights have been identified as the most important energy-saving products in the 21st century. Neo-Neon started development and manufacture of LED lights in 1998, and has accumulated over 10 years of experience. Currently, we are the only company in the world that has completed the upstream, midstream and downstream vertical integration, i.e. from chip manufacturing to channel operation. LED lights have now outperformed the majority of traditional lamps, in terms of energy saving and will replace more than 90% of the traditional lamp in the next decade. This is a huge market, but yet the most competitive of all industries.

So far, Neo-Neon has extended its presence to more than 100 countries and regions, including Southeast Asia, Europe and America. The Group has set up showrooms in Shanghai, Tianjin, Chongqing, Heshan (Guangdong) and Hong Kong, established and improved the management system of overseas operations, enriched the business and management functions of overseas subsidiaries and accelerated the construction of information system for our overseas business. Also, we refined our overseas network planning and sped up the establishment of overseas base. We have increased investment in key markets and key regions and efforts were made to strengthen and broaden the sales channels, so as to lay down a solid foundation in our major markets around the world, and provide our existing customers with better services.

We believe that there are no failed enterprises, but only failed enterprisers. In such an era of knowledge economy, it has become increasingly difficult to snatch great profits by relying only on government support and low cost. Therefore, to obtain sustainable competitive advantage, enterprisers need to creatively integrate their knowledge resources at all levels, be able to assess the situation wisely and make full use of external resources or look for running-in opportunities to achieve strategic goals. The Group will continue to develop and integrate resources and reduce LED product prices, so as to meet consumer demands with prices comparable to that of the traditional lighting products, in anticipation of the coming explosion in market demand.

APPRECIATION

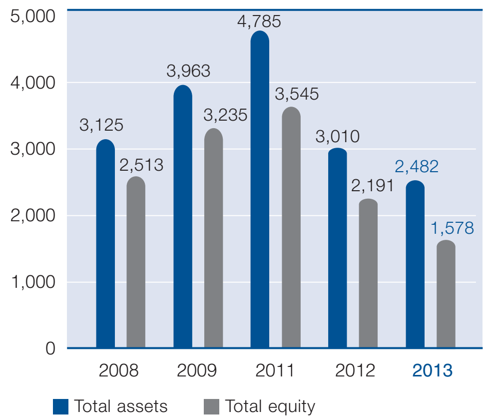
On behalf of the board (the "Board") of the directors of the Company (the "Directors"), I would like to thank all our staff for their efforts and contributions in achieving the Group's objective of striving for excellence. We would also express our heartfelt gratitude to our shareholders, customers, suppliers, government bodies and business partners for their precious support and advices. We will make the most of our advantages and opportunities, and with our professional management having been vigilant and strategically thinking, I am confident that the Group will recover faster than its competitors when the global economy revives, and continue to contribute to the third lighting revolution of mankind, while maximizing the return to our shareholders!

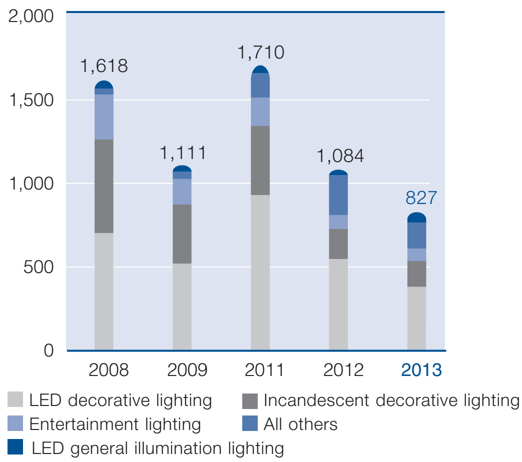
Ben Fan
Chairman

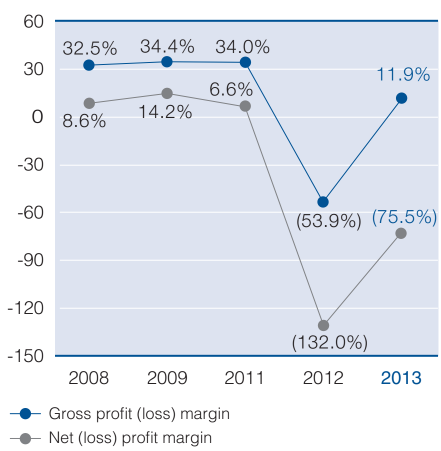
Hong Kong, 27th June 2013

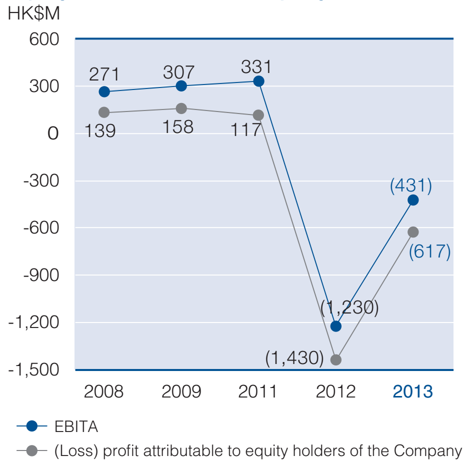
FINANCIAL HIGHLIGHTS

Expressed in HK$ million	2008	2009	Year 2011*	2012	**2013**
Turnover	1,618	1,111	1,710	1,084	**827**
Gross profit (loss)	526	382	582	(585)	**98**
(Loss) profit attributable to owners of the Company	139	158	117	(1,430)	**(617)**
EBITA	271	307	331	(1,230)	**(431)**
Total assets	3,125	3,963	4,785	3,010	**2,482**
Total equity	2,513	3,235	3,545	2,191	**1,578**
Gross profit (loss) margin	32.5%	34.4%	34.0%	(53.9%)	**11.9%**
Net (loss) profit margin	8.6%	14.2%	6.6%	(132.0%)	**(75.5%)**
(Loss) EPS – basic (HK cents)	18.2	19.5	12.7	(151.8)	**(65.7)**









* *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 59, is the founder, substantial shareholder of the Company 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 30 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 49, substantial shareholder of the Company and 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 24 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 57, 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 49, 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 68, 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 58, 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 56, 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 25, 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. JANG Jann Huan (張震寰)

Mr. Jang, aged 58, joined the Group in 2000 and is currently the investor relationship director of the Group. Mr. Jang oversees the Group's US sales and marketing activities and is responsible for the strategic planning and development of the sales and marketing activities of the Group. Mr. Jang graduated from the Department of Business of the Texas Tech. University where he obtained a Doctor of Philosophy degree in Business Administration. Mr. Jang resigned as an executive Director and CEO in August 2009.

Mr. LIU Ying Chieh (劉英傑)

Mr. Liu, aged 50, joined the Group in September 2009 and is currently CEO of LED packaging division. Mr. Liu has more than 21 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 57, joined the Group as the chief financial officer and the company secretary of the Company (the "Company Secretary") 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 29 years of experience in financial, taxation and general management with both international banking and manufacturing organisations in various fields and industries.

Mr. JIEH Wen-Jih, Austin (介文治)

Mr. Jieh, aged 63, is the Chief Operating Officer of the Group. He joined the Company in December 2012 and is responsible for the efficiencies of operation and business development of the Group. Mr. Jieh had more than 20 years working experience with Philips, Wickes, Joseph Magnin, Interpac and Acer in the management and financial capacities in USA and Asia Pacific. Mr. Jieh holds an MBA degree from Santa Clara University of California, USA in 1977.

Mr. CHEUNG Bing-Xin (張炳炘)

Mr. Cheung, aged 53, is the Internal Audit and Internal Control Director of the Group. He joined the Company in December 2012 and is also responsible for the efficiencies of human resources operation and business development of the Group. Mr. Cheung had more than 15 years working experience with listed companies in the PRC, Hong Kong and Taiwan in the management and financial capacities in Asia Pacific. He holds a master degree in Statistics from West, Florida State University in 1988.

Mr. CHIEN Tang Hao (錢塘豪)

Mr. Chien, aged 48, 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 57, 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. FAN Pang Ku (樊邦固)

Mr. Fan, aged 53, 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. Chang Chih Tai (張知泰)

Mr. Chang, aged 45, 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. DENG Wei Min (鄧偉民)

Mr. Deng, aged 51, 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. LIN Chia Kuang (林家光)

Mr. Lin, aged 51, 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 19 years of sales and marketing experience in lighting industries.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31st March, 2013 the Group's turnover was HK$827.0 million (2012: HK$1,083.8 million), representing a decrease of 23.7% mainly due to weakening global demand, customer orders were more conservative resulting in a reduction of sales order and a decrease of market price, as a result of intense competition. Gross profit of the Group was HK$98.2 million for 2013 (2012: Gross loss HK$584.6 million), showing an increase of 116.8%. Loss attributable to owners of the Company decreased from HK$1,430.4 million in 2012 to HK$616.8 million in 2013. Basic loss per share was HK cents 65.7 for 2013 (2012: HK cents 151.8).

Turnover

(a) By product category

(i) LED decorative lighting products

The Group's turnover from LED in decorative lighting recorded HK$416.2 million in 2013 (2012: HK$554.8 million), showing a decrease of 25.0%. With the completion of LED production factory and continued research and development ("R&D") efforts in new LED products, the Group continued to maintain 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$273.2 million in 2013 (2012: HK$319.0 million), showing a decrease of 14.4%. 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$70.6 million in 2013 (2012: HK$104.0 million), showing a decrease of 32.1%. 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$58.3 million in 2013 (2012: HK$85.5 million), showing a decrease of 31.7%. 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$39.0 million for 2013 (2012: HK$36.7 million), representing an increase of HK$2.3 million or 6.2%. Due to the weakening global demand and fierce competition in LED lighting industry, the turnover from the PRC was HK$213.1 million in 2013 (2012: HK$286.9 million), showing a decrease of HK$73.7 million or 25.7%. The turnover from United States of America recorded HK$181.0 million for 2013 (2012: HK$334.5 million), representing a decrease of HK$153.5 million or 45.9%. The turnover from other countries reached HK$293.7 million in 2013 (2012: HK$353.1 million), showing a decrease of HK$59.4 million or 16.8%.

Cost of Goods Sold and Gross Profit Margin

The cost of goods sold was HK$728.8 million, representing a decrease of 56.3% from HK$1,668.4 million as compared to 2012. The decrease mainly because of (i) bulk raw materials such as copper wire price was lower than that in 2012, resulting in decrease of raw material costs of HK$769.4 million or 63.1%; and (ii) reduce in the number of labour led to the decline in labour costs of HK$108.3 million or 58.2%. The gross profit and gross profit margin was HK$98.2 million or 11.9% (2012: The gross loss and gross loss margin was HK$584.6 million or negative 53.9%), representing an increase of HK$682.8 million of 116.8%.

Other Gains, Losses and Expenses

Other gains, losses and expenses showed a loss of HK$15.5 million in 2013 (2012: HK$157.4 million). The decrease was mainly due to (i) a reversal of allowance for doubtful debts of HK$23.8 million in 2013 (2012: allowance for doubtful debts of HK$124.9 million); (ii) gain on disposal of prepaid lease payments of HK$16.3 million in 2013 (2012: nil); (iii) loss on obligations under onerous contracts in connection with acquisition of property, plant and equipment of HK$33.9 million in 2013 (2012: HK$20.7 million); and (iv) compensation relating to litigation of HK$12.3 million in 2013 (2012: nil).

Impairment Loss 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, 2013, the amount of impairment losses recognised in respect of property, plant and equipment is HK$396,452,000 (2012: HK$148,451,000). Details about impairment losses provided during the year and basis thereon are set out in note 9 to the financial statements.

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$114.1 million in 2012 to HK$93.2 million in 2013 representing a decrease of HK$20.9 million or 18.3%.

The administrative expenses mainly comprise staff costs and directors remuneration, depreciation charge, professional and legal fee, research and development costs and business tax. The administrative expenses decreased from HK$252.6 million in 2012 to HK$215.2 million in 2013 representing a decrease of HK$37.4 million or 14.8%. The decrease was mainly attributable to: (i) a decrease of HK$26.0 million or 13.2% in depreciation during the year; and (ii) a decrease of HK$96.4 million or 32.3% in salary during the period, due to about twenty percent decrease in sales and administrative personnel.

Change in Fair Value of Investment Properties

In 2013, the change in fair value of investment properties recorded a decrease of HK$0.2 million (2012: an increase of HK$17.6 million). Such change was explained by (i) a decrease in fair value of an investment property in Guangzhou, the PRC, in 2013 of HK$0.2 million (2012: HK$1.1 million), and (ii) an investment property in Taiwan was sold in 2012.

Finance Costs

The finance costs were HK$17.9 million in 2013 (2012: HK$17.9 million), it was substantially no movement.

Interests in Associates

The Group's investments in associates at the end of the year mainly represents its 15.62% (2012: 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 2013, the Group's tax charge of HK$2.4 million (2012: tax credit of HK$19.7 million) included PRC Enterprise Income Tax charge of HK$0.4 million (2012: nil), deferred taxation of HK$1.5 million (2012: HK$21.9 million), offset by underprovision of PRC income tax in prior years of nil (2012: HK$0.1 million), tax charge in other overseas jurisdictions of HK$4.9 million (2012: HK$2.1 million) and overprovision of taxation in other overseas jurisdictions in prior years of HK$1.3 million (2012: nil).

Loss Attributable to Owners of the Company

For 2013, the loss attributable to owners of the Company amounted to HK$616.8 million (2012: HK$1,430.4 million). The decrease was mainly attributable to an increase in gross profit, decrease in selling expenses and administrative expenses, decrease in share of losses of an associate. The overall net loss margin decreased from 132.0% in 2012 to 74.6% in 2013.

FINANCIAL RESOURCES AND LIQUIDITY

Cash Flows

Cash outflow from operating activities in 2013 was HK$132.2 million (2012: cash inflow HK$204.4 million). Cash inflow from investing activities in 2013 was HK$85.8 million (2012: HK$36.1 million). Cash inflow from financing activities in 2013 was HK$15.8 million (2012: cash outflow HK$336.6 million). Cash outflow from operating activities in 2013 was mainly due to an increase in inventories of about HK$203.6 million and decrease in trade and other payables of about HK$78.3 million. Cash inflow from investing activities was mainly due to disposal of a subsidiary of HK$91.8 million raised in 2013. An overall net decrease in cash and cash equivalents in 2013 was credit HK$30.6 million (2012: HK$96.1 million). The Group's major financial resources derived from cash generated from investing activities.

Assets and Liabilities

As at 31st March 2013 the Group's current assets and non-current assets were HK$1,415.4 million (as at 31st March 2012: HK$1,239.7 million) and HK$1,066.5 million (as at 31st March 2012: HK$1,770.7 million) respectively. The decrease in non-current assets was mainly due to a decrease in property, plant and equipment of HK$605.4 million as a result of impairment loss charged during the year. As at 31st March 2013 the Group's current liabilities and long-term liabilities were HK$771.3 million (as at 31st March 2012: HK$691.5 million) and HK$132.6 million (as at 31st March 2012: HK$127.9 million) respectively. The increase in current liabilities was mainly due to increase in new bank loans raised in 2013. As at 31st March 2013 the Group's bank balance and cash was HK$253.5 million (as at 31st March 2012: HK$283.6 million). The Group's gearing ratio increased from 23.9% as at 31st March 2012 to 35.7% as at 31st March 2013 (Basis: consolidated total bank loans divided by consolidated total equity). The increase in gearing was mainly due to the reduction of total equity as well as the increase in new bank loan raised in 2013.

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 2013 the Group had pledged certain of its land and buildings with an aggregate carrying value of HK$312,438,000 (as at 31st March 2012: HK$226,784,000), certain of its trade receivables and inventories with an aggregate carrying value of HK$34,085,000 (as at 31st March 2012: nil), and also bank deposits of aggregate carrying value of HK$31,354,000 (as at 31st March 2012: HK$2,465,000) to secure bank credit facilities granted to the Group.

CAPITAL COMMITMENTS

As at 31st March 2013 the Group had capital expenditure contracted for but not provided in the financial statements in respect of the i) acquisition of property, plant and equipment of HK$42.5 million (as at 31st March 2012: HK$83.8 million); ii) acquisition of an associate of HK$0.6 million (as at 31st March 2012: nil); iii) acquisition of an available-for-sale investment of HK$3.2 million (as at 31st March 2012: nil).

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, 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 2013 the issued share capital of the Company was HK$93,931,969 (as at 31st March 2012: HK$94,244,069), divided into 939,319,694 (2012: 942,440,694) ordinary shares of HK$0.10 each.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

During the year review, there was no material acquisition, disposal and significant investment.

BUSINESS REVIEW

Under the impacts of European debt crisis, moderating domestic demands in the PRC, added by over-investments and fierce competition, some LED enterprises have suspended production or closed. At the same time, we saw a quickening pace of innovation in semiconductor lighting technology which is driving the rapid development of LED industrialization, given the big potential for new applications of LED. Also, a number of supportive policies in favor of the LED industry taken by the governments in major countries around the world have substantially facilitated the development of the LED lighting industry.

During the reporting period, as the LED industry was in its initial development, consumers were hardly able to distinguish products of different characteristics in brightness, antistatic ability, wavelength, leakage current, light angle, life, LED chips, chip size and colloid because different LED products display almost the same appearances, structures and functions. However prices may differ by 2 to 3 times from one another. The main reason is that most enterprises in the lighting industry are also engaged in the LED business. A large number of downstream participants took advantage of low barriers to entry and assemble and sell products at low prices, contributing to destructive competition and flooding the market with low quality products. Consumers cannot easily discern good quality products from bad ones because lighting efficiency and energy saving are superficial, when the understanding of a range of parameters including color temperature, color rendering, luminous decay, heat dissipation, installation environment are more important. Therefore, traditional lighting enterprises with strong brands and channel resources would be at a better position. Many companies which lacked channel advantages in areas such as points of sale and after-sale service centers have been forced to reduce prices even before LED lighting products become popular. On the other hand, increasing operating costs and the severe shortage of technicians posed great pressure on the Group's performance.

The smooth adaptation of LED lighting products to market needs cannot be achieved in a short time. The slackened market however offered us time to make adjustments to further consolidate our strengths. Accordingly, the Group re-aligned its strategies for this year and expected to build on its vast and many years of experience in LED lighting in industry chains as well as cost advantages. We targeted to well-position ourselves before the established big companies of the lighting industry complete their restructuring on its core business with a revised strategic and financial plan working for the targets of being more efficient and better organized in order to seize and expand the market share. We intend to successfully compete in the market and form strategic co-operations with various renowned LED brands. We also want to present our LED technologies and research results before the world through participating in more academic exchanges, help to seek breakthroughs and embark on an excelling development strategy.

On 17th February, 2013, the National Development and Reform Commission, Ministry of Science and Technology, the Ministry of Industry and Information Technology, Ministry of Finance, the Ministry of Housing and Urban-Rural Development and the State Administration of Quality Supervision, Inspection and Quarantine jointly promulgated the Plans for Semiconductor Lighting Energy-Saving Industry, which required that energy-saving lighting products shall make up 70% while LED products shall constitute at least 20% of total lighting products. It is stated in the document that the government intend to achieve an average annual growth rate of about 30% for the output value of LED lighting energy-saving industry, so that by 2015 total output value can reach RMB450 billion (in which RMB180 billion relates to LED application products). The plans will further optimize the structure of the LED lighting energy-saving industry and aim at promoting 10 to 15 leading enterprises which possess key technologies and self-developed intellectual properties with widely recognized brands and high competitive power. It is the Company's mid and long term goal to become one of the leading enterprises.

Our NEONEON and Yingyu brand LED products were favored by a wide variety of engineering projects in the PRC and helped us win a number of project tenders, 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 2012 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. In respect of general purpose lighting, our LED indoor white-light illumination products are widely used in office lighting at the Guangdong Science and Technology Department, Jiangmen Administration Centre and Jiangmen Branch building of China Mobile, and in energy-saving lighting projects of indoor spaces including postal savings bank, classrooms and telecommunication office. The Group has recently been appointed as the supplier for the LED street-lighting and tunnel lighting project of the luxury passenger railway line, WuGuang High-Speed Railway. As the urbanization of China gathers pace and consumers continuously seek higher quality of life, 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.

The Group has laid a solid foundation for future development because it owns a relatively complete industry chain and a substantial production scale. In response to the expanding potential for the sale of LED lighting products, the Group has re-deployed its resources so that more resources are being applied to expand our global sales network. With the breakthroughs gained in the course of industrialization, luminous efficiency of LED devices has exceeded 120 lumens per watt (lm/W); LED spot lights, LED downlights, LED bulbs exceeded 90 lm/W; LED tunnel lights and street lights exceeded 100 lm/W on average. The Group has succeeded in maintaining its own testing standard certification system, facilitating rapid upgrades of lighting product technologies, lowering costs and promoting product applications with special emphasis on the outstanding performance on energy-saving and emission reduction. We expect to carve out a unique way of development through further cost reduction and rationalization of the industry chain management model. That said, the key to success would be the ability to come up with a price acceptable to consumers. With the growing concern about environmental protection around the world, LED applications are increasing especially in terms of volume and use rate of white LED lighting. The Group's new technology will further enhance the application of white LED lighting so as to make contribution to energy-saving and environmental protection in China and the world.

The Group's street-lights were well-recognized for their high lighting efficiency and good optical design. A large scale replacement of traditional street lights by our LED street lights are taking place in Sweden, Canada, Peru, India and the U.S.. Besides, the Group's high-luminance LED flex neon lights have been used in decorative lighting by Dutch national radio, Scotch Whisky Heritage Centre, the internal spaces in luxury cruise ships in Miami area inside the U.S., Hooter the fast food restaurant and Fuente de la Republica in Mexico.

PRODUCTION FACILITIES AND CAPACITY

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. 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 light of the intense competition, low technology and labour-intensive production nature, as well as concessionary electricity tariff and other favourable policies there. At the same time, it has established production and marketing alliances with various upper- and lower-stream supply chains by means of production integration.

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, and has also played a leading role in the drafting of a range of national standards for LED illumination products including LED Streetlights for Road Lighting, Terms and Definitions of General Lighting LED and LED Modules, Test Methods for General Lighting LED Modules, Requirements on Performance of General Lighting Emitting Diode, Requirements on Performance of General Lighting Self-ballasted LED Lamp and LED Lights for Decorative lighting. With strict quality management, the Company was granted ISO9001 Quality System Certification, and its self-developed and self-produced products met various world standards, such as the international safety certifications including UL, ETL, CSA, CUL, CETL, 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.

In respect of domestic certifications, the LED products of the Group have obtained certifications from CCC and CQC and accredited as China Energy-saving Products Certification, making them the new model products meeting the state safety and energy-saving standards. 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.Through long-term cooperation, the Company established strategic partnership with a number of DIY enterprises such as Home Depot, Lowes, Juno, CTC and Walmart.

SALES AND DISTRIBUTION

During the reporting year, the Group maintains a sales team of 100 staff members with offices in 16 countries and regions including the PRC, Korea, Taiwan, Hong Kong, Macau, Vietnam, Malaysia, Dubai, UK, Indonesia, Netherlands, Germany, Russia and USA. 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, for which it has established flagship showrooms in Shanghai, Tianjin, Chongqing, Heshan of Guangdong and Hong Kong, so as to strengthen its presence in one of the world's fastest growing markets, to better integrate its branches and to provide more quality before-sales and after-sales services to its existing customers.

With modern management technique and method and optimized product supply chain process, the development and marketing for lighting products have become more effective and a complete and efficient supply chain has been established. Neo-Neon Holdings Limited owns a global leading LED technology team and a sales network covering more than 100 countries and regions in the world including Mainland China, Hong Kong, Taiwan, Korea, Japan, Europe and the Americas.

RESEARCH AND DEVELOPMENT

During the reporting year, the Group invested a total of HK$27.583 million or 4.0% of the Group's revenue in research and development projects. The Group's design and R&D functions has a strong workforce of 149 people. During the year, the Group devoted more resources to strengthen R&D innovation and technological upgrade capacity, improve product quality and set up a high-level research and development team. The Group also kept introducing new products in tandem with market trend. 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.

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. The Group upgrades the technical level of the R&D team and improves overall management quality and business professionalism through on-the-job training 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 implemented performance-based and share-option incentive scheme in order to attract and retain top talents, which in turn created a circle of self-enhancement and continually improved the research and development capability of the Group. 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.

The Group currently 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 Group was granted patents from over 50 states and certificates jointly issued by six PRC ministries and commissions. With such achievements, the Group 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. Neo-Neon was recognized as a High-New Technology Enterprise early in 2007.

TRADE RECEIVABLE MANAGEMENT

As at 31st March, 2013, the Group's receivables were HK$128.1 million (31st March, 2012: HK$107.0 million), representing an increase of HK$21.1 million; in which the amount of receivables due within 180-360 days increased to HK$24.4 million. The increase was mainly due to a 23.7% decrease in turnover during the year, the extension of credit period to 90 days or 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 under relevant contracts. The group considers its own exposure with trade customers. Credit terms to individual customer is granted depends upon the financial strength of the customer; the number of years of successfully trade record; the amount of deposit and the confidence of in-house 'Collection' process. The length of credit terms will range from 30 days to 180 days.

INVENTORY MANAGEMENT

During the year under review, the Group's inventory balances increased to HK$734.1 million from HK$648.1 million at the beginning of the year, representing a increase of approximately 13.3%. The increase was mainly due to the Group's one-time bulk purchase with a special offer price for major material in order to control the rising material prices. 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, 2013, the Group's total number of employees was approximately 3,500 (31st March, 2012: 5,000). In order to optimize production processes, besides the increase in the number of high technology and research personnel, other staffs have decreased. 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.

FUTURE PLANS AND PROSPECTS

Looking ahead to the future, LED lighting products have represented the direction of development of the next generation of light sources, with spotlights, downlights, tunnel lights, street lights and bulbs having been widely accepted in the market. With the LED technology steadily growing mature and the expansion of market demand, the LED lighting & energy-saving industry will kick-off a new wave of growth towards higher lighting efficiency, lower cost, higher reliability and broader application. With the incandescent lamps of 60W and above for general lighting purpose gradually phasing out, their market share will drop below 10%, while the output value of LED lighting & energy-saving industry will grow by around 30% each year on average, and reached RMB450 billion in 2015 (including RMB180 billion of LED lighting applications). Our strategy is to continue to invest in our research and development capabilities, focus on both the existing and new customers and potential customers in the LED lighting industry, and rely on our advantages and capabilities in research and development and value-added services to further broaden our customer base. In the meantime, we will continue to take active steps in exploring further opportunities out of our customer base, strengthening inter-sector coordination, further improving the standards and norms, accelerating technological and systematic innovation, improving LED performance and reducing costs, resource sharing and optimization, factory integration, key technology build-up and capital expenditure control, etc., so as to streamline our operations and maintain price competitiveness and flexibility, and take advantage of opportunities for rapid development.

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 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, Heshan (Guangdong) 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. Our prospects in the next year will be driven by the following:

1. LED general illumination lighting – We can offer preferential prices of top-performance products in the market as our technological expertise is at the cutting-edge of the lighting industry. We have successfully launched LED general illumination lighting products for home use through Home Depot, one of the largest DIY stores whose orders involve millions of US Dollars. It sufficiently proves the era of LED-based general lighting for home use has been entered into. In view of this, the growth of this industry will expectedly accelerate in thereafter three years.

2. LED decorative lighting – Neo-Neon is now the largest lighting manufacturer in the world with over 10 per cent of market share in the global decorative lighting market. Its customers are internationally-renowned manufacturers including Home Depot of the United States. As such, Neo-Neon has already become a leading LED lighting manufacturer, and is well known in Europe and America. At the same time, Neo-Neon has its proprietary brands such as NEO-NEON and Yingyu Illumination (銀雨照明).

FINAL DIVIDEND

No dividend will be paid for the year ended 31st March, 2013 (2012: Nil).

EVENT AFTER THE REPORTING PERIOD

On 18th May, 2013, the Group has entered into a provisional sale and purchase agreement for the disposal of its property at ground floor and basement level 1 premises located at No. 9 Science Museum Road, New East Ocean Centre, Tsim Sha Tsui East, Hong Kong with a carrying value of HK$122,524,000 for a cash consideration of HK$238,000,000. Subsequently, the Group has received HK$8,000,000 and HK$15,800,000 on 18th May, 2013 and 31st May, 2013 respectively. The final settlement of HK$214,200,000 (the "Final Settlement") will be received upon completion of the disposal of the property on or before 8th August, 2013 and the ownership will then be transferred accordingly. Prior to receiving the Final Settlement, the Group will continue the existing usage of the property. The gain on disposal of the property is estimated to be approximately HK$110,000,000 which will be recognised to profit or loss account on the date of Final Settlement. For details, please refer to the announcement of the Company dated 21st May, 2013.

DIRECTORS' REPORT

The Directors are pleased to present their annual report and the audited financial statements for the year ended 31st March 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 45 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year end 31st March 2013 are set out in the Consolidated Statement of Comprehensive Income on page 44. No dividend will be paid for the year ended 31st March, 2013 (2012: nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company ("AGM") to be held on 12th August, 2013, the register of members of the Company will be closed from Wednesday, 7th August, 2013 to Friday, 9th August, 2013, 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 of 6th August 2013. The record date for the entitlement to AGM will be on Friday, 9th August, 2013.

PROPERTY, PLANT AND EQUIPMENT

Movements during the year in the Group's property, plant and equipment are set out in note 18 to the consolidated financial statements.

Movements during the year in the Group's investment properties are set out in note 17 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 37 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group during the year are set out in consolidated statement of changes in equity.

	Share Premium	Capital redemption reserve	Special reserve	Other reserve	Share compensation reserve	Share options reserve	Translation reserve	Retained profits (deficit)	Total
At 1st April 2011	1,688,032	–	53,856		48,100	52,869	205,540	1,385,308	3,433,705
Loss for the year	–	–	–	–	–	–	–	(1,430,437)	(1,430,437)
Exchange differences arising on translation	–	–	–	–	–	–	105,593	–	105,593
Purchase of addition interests in a subsidiary	–	–	–	(9,142)	–	–	–	–	(9,142)
Recognition of equity-settled share based payments	–	–	–	–	–	15,475	–	–	15,475
Share options lapsed during the year	–	–	–	–	–	(6,364)	–	6,364	–
Dividends paid	–	–	–	–	–	–	–	(30,158)	(30,158)
At 31st March 2012	1,688,032	0	53,856	(9,142)	48,100	61,980	311,133	(68,923)	2,085,036
Loss for the year	-	-	-	-	-	-	-	(616,834)	(616,834)
Exchange differences arising on translation	-	-	-	-	-	-	6,411	-	6,411
Reclassification of translation reserve on disposal of a foreign operation	-	-	-	-	-	-	(3,531)	-	(3,531)
Purchase of addition interests in a subsidiary	-	-	-	(165)	-	-	-	-	(165)
Recognition of equity-settled share based payments	-	-	-	-	-	9,748	-	-	9,748
Share repurchased and cancelled	(4,904)	312	-	-	-	-	-	(312)	(4,904)
At 31st March 2013	1,683,128	312	53,856	(9,307)	48,100	71,728	314,013	(686,069)	1,475,761

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

In accordance with Article 87(1) of the Company's articles of association (the "Articles"), Messrs. Ben FAN and WENG Shih Yuan will retire by rotation 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 shall not be eligible for re-election. Mr. Zhao's appointment will automatically terminate when he reaches his 65th birthday. Mr. Zhao's appointment has however been renewed on an annual basis. Currently, Mr. Zhao, aged 68, will not offer for re-election of one year contract of service with the Company.

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 (the "Listing Rules"), are set out in the circular of the Company, sent to shareholders of the Company (the "Shareholders") together with the 2013 Annual Report relating to, inter alia, re-election of Directors.

UPDATED INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B

The Directors' updated information is set out on page 6 and page 7 of this report. Upon specific enquiry by the Company and confirmations from Directors, save as otherwise set out in this report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules since the Company's last published annual report.

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. 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, Ms. LIU Sheng Ping and Mr. WENG Shih Yuan entered into a letter of appointment with the Company for a term of three years commencing from 28th November 2011, 16th January 2012 and 12th September 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, Mr. ZHAO's appointment will automatically terminate when he reaches his 65th birthday. Mr. Zhao's appointment has however been renewed on an annual basis. Mr. Zhao is now 68 years old, will retire at the AGM but will not offer himself for re-election at the AGM.

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 objectives 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 2013, 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 2013.

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

As at 31st March 2013, 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 2013
Mr. Ben FAN[2]	Ordinary	600,000	26,366,000	336,400,000	–	–	363,366,000	38.684%
Ms. Michelle WONG[2]	Ordinary	10,668,000	337,000,000	15,698,000	–	–	363,366,000	38.684%
Mr. FAN Pong Yang[3]	Ordinary	1,312,000	–	15,698,000	–	760,000[4]	17,770,000	1.891%
Mr. WENG Shih Yuan	Ordinary	246,500	–	–	–	300,000[4]	546,500	0.058%
Mr. ZHAO Shan Xiang	Ordinary	–	–	–	–	350,000[4]	350,000	0.037%
Mr. WONG Kon Man, Jason	Ordinary	–	–	–	–	100,000[4]	100,000	0.011%
Ms. LIU Sheng Ping	Ordinary	–	–	–	–	100,000[4]	100,000	0.011%

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 2013, 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 2013, 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 2013
Rightmass[(1)]	Beneficial owner	336,400,000	**35.813%**
China Environment Fund III, L.P.	Beneficial owner	96,731,000	**10.298%**

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 2013, 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 non-exempt connected or continuing connected transactions subsisted or have been entered into by the Group.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year ended 31st March 2013 are set out in note 43 to the financial statements. These transactions did not constitute connected transactions or continuing connected transactions which were subject to reporting and announcement requirements and/or independent shareholders' approval requirements under the Listing Rules.

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 maximum number of Shares which may be issued upon the exercise of all the options to be granted under the Scheme was refreshed at the annual general meeting of the Company held on 10 August 2012. Subsequently, the number of options available for future grants is 94,244,069 Shares, representing 10% of the issued share capital of the Company under the refreshed scheme mandate limit.

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 01.04.2012	Granted during the year	Forfeited/ Lapsed during the year	Exercised during the year	Outstanding as at 31.3.2013
Directors								
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
	14.12.2012	1.99	14.12.2012 – 13.12.2016	–	100,000	–	–	100,000
Mr. WENG Shih Yuan	22.01.2010	6.75	22.01.2010 – 21.01.2018	200,000	–	–	–	200,000
	14.12.2012	1.99	14.12.2012 – 13.12.2016	–	100,000	–	–	100,000
Mr. WONG Kon Man, Jason	14.12.2012	1.99	14.12.2012 – 13.12.2016	–	100,000	–	–	100,000
Ms. LIU Sheng Ping	14.12.2012	1.99	14.12.2012 – 13.12.2016	–	100,000	–	–	100,000
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	6,668,500	–	(669,000)	–	5,999,500
	01.02.2008	5.03	01.02.2008 – 31.01.2016	1,733,500	–	(127,500)	–	1,606,000
	29.02.2008	5.90	28.02.2008 – 28.02.2016	1,432,500	–	(15,000)	–	1,417,500
	13.07.2009	2.19	13.07.2009 – 12.07.2017	8,701,000	–	(311,000)	–	8,390,000
	22.01.2010	6.75	22.01.2010 – 21.01.2018	8,897,500	–	(307,500)	–	8,590,000
	23.07.2010	4.51	23.07.2010 – 22.07.2018	2,150,000	–	(1,050,000)	–	1,100,000
	19.08.2011	1.95	19.08.2011 – 18.08.2015	14,660,000	–	(3,460,000)	–	11,200,000
	14.12.2012	1.99	14.12.2012 – 13.12.2016	–	10,473,000	–	–	10,473,000
				45,453,000	10,873,000	(5,940,000)	–	50,386,000

The weighted average exercise price of options granted during the year, forfeited during the year and outstanding at the end of the reporting period is HK$1.99 (2012: HK$1.95), HK$3.50 (2012: HK$4.57) and HK$4.00 (2012: HK$4.42), respectively.

DIRECTORS' REPORT

During the year ended 31st March, 2013, options were granted on 14th December, 2012 with an aggregate estimated fair value of HK$9,139,000. The closing market price per Share as at the date preceding the date on which the share options were granted was HK$1.99.

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. The closing market price per Share as at the date preceding the date on which the share options were granted was HK$1.86.

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

	2013	2012
	Share options granted on 14th December, 2012	Share options granted on 19th August, 2011
Number of share options	**10,873,000**	17,000,000
Grant date share price per share	**1.99**	1.86
Exercise price per share	**1.99**	1.95
Expected volatility	**63.23%**	67.75%
Risk-free interest rate	**0.27%**	0.45%
Expected dividend yield	**2.48%**	2.57%
Suboptimal exercise factor	**4.00**	2.31

Expected volatility was determined by using the historical volatility of the Company's share price over the past 4 years (2011: 4 years), a volatility of 63.23% (2011: 67.75%) was assumed.

During the year, the Group recognised the net expense of HK$9,748,000 (2012: HK$15,475,000) 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.

Save as disclosed above and in note 38 to the consolidated financial statements, during the year, no right has been granted to, or exercised by, the following persons, to subscribe for Shares 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, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31st March, 2013, the Company repurchased a total of 3,121,000 Shares in the capital of the Company on the Stock Exchange, details of which are as follows:

Repurchase month	No. of Shares repurchased	Price per Share Highest HK$	Price per Share Lowest HK$	Aggregate consideration paid HK$'000
September, 2012	3,121,000	1.72	1.59	5,216

The issued share capital of the Company was reduced by the nominal value of the repurchased Shares which were cancelled. The premium paid for the repurchase of the Shares and related expenses totalling HK$4,904,000 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 year ended 31st March, 2013.

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 4.4% of the Group's purchases and the five largest suppliers accounted for 17.1% of the Group's total purchases. The largest customer accounted for 4.4% of the Group's turnover and the five largest customers accounted for 15.7% 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.

CORPORATE GOVERNANCE

Details of corporate governance are set out in the section headed "Corporate Governance Report" on pages 31 to 41 of this annual report.

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, 27th June 2013

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 2013 ("FY2013"), the Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules in force at that time, except for derivation from code provisions A.2.1 which are explained in the following relevant paragraph.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. 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 the year ended 31st March 2013.

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 6 to 7 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, was 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.

Induction, Information and Ongoing Development

All Directors were kept informed on a timely basis of major changes that may have affected the Group's businesses, including relevant rules and regulations. In addition, the Group has implemented a continuing programme to update the Directors (in particular INEDs) on the macro economics and business environment relevant to the Group's major operations.

In addition to the above, each newly-appointed Director received a tailored induction programme, which covers briefing on the Company's overview by the Chairman, meeting with management and meeting with the Company's external legal adviser on directors' legal role and responsibilities. To further maximize the contribution from non-management Directors, a separate meeting between the Chairman and INEDs was held in June 2012 to address business and related issues. Written procedures are also in place for Directors to seek independent professional advice in performing their Directors' duties at the Company's expense. No request was made by any Director for such independent professional advice during the FY2013.

During the year, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills in accordance with Code A.6.5 contained in Appendix 14 to the Listing Rules. Each of the Directors received a series of training locally or overseas as he thought fit, relevant trainings and briefings included, among others:

– development of national and global economy;

– national policy outlook;

– corporate governance;

– regulatory updates; and

– lighting industry development trend, etc.

All of them have also provided to the Company their records of training received for the year, the information of which has been entered in the register of directors' training records maintained and updated by the Company from time to time. The following summarises the compliance status of all Directors of the Company in respect of Code A.6.5 during the year:

Directors	In compliance with Code A.6.5
Independent Non-executive Directors	
Mr. WONG Kon Man, Jason	✓
Mr. WENG Shih Yuan	✓
Mr. ZHAO Shan Xiang	✓
Ms. LIU Sheng Ping	✓
Executive Directors	
Mr. Ben FAN *(Chairman and Chief Executive)*	✓
Ms. Michelle WONG	✓
Mr. FAN Pong Yang	✓

Neo-Neon Holdings Ltd., a company listed on the Hong Kong Stock Exchange and Taiwan Stock Exchange Depository Receipts ("TDR"), was the first to market a complete range of White Solid State Lighting ("SSL") LED based General, Commercial and Consumer, Retail, and DIY products. Neo-Neon lighting can be seen enhancing the visual lives of millions of people around the world for the past 33 years.

Due to tremendous advancements in technologies, vertical integration model, the vision and focus of our companies chairman, Mr. Ben FAN quoted recently, "my vision of today made years ago has become the reality. There is no single greater opportunity that I can think of in our present day that offers such potential for profitability and global change than White SSL. We have no choice but to embrace this and work with all our efforts to realize this potential for our company, our shareholders, and our employees and their families." The Industrialist visionary who broke the price barriers and opened the market for decorative lighting is applying the strategies to forge Neo-Neon forward to formidable heights.

Neo-Neon is the largest vertically integrated LED Lighting manufacturer of production facilities to include its own chip manufacturing plant with the latest state of the art MOCVD and chip processing equipment. In addition to the vertically integrated factories, the expansive product line, and channel expansion efforts and milestones achieved. Neo-Neon is currently in process of establishing new R&D centers in various metropolitan areas around China and Taiwan to expand its R&D capabilities to continue to innovate and engineer new cutting edge LED illumination products.

In line with the increasing regulatory and investor focus on corporate governance standards, Neo-Neon has continued to take further steps to enhance our practices and to keep shareholders and other stakeholders informed of our progress and performance – both through the Corporate Governance Code and regularly in our Annual Reports.

The Board will always strive, so far as it is practical, to follow and adhere to the public we have published, in order to protect and enhance the interests of our shareholders. We will continue to monitor and develop the Company's corporate governance policies to ensure that these remain consistent with the practices and standards which our shareholders would expect of us. The Board and Senior Management recognise their responsibility to represent the interests of the Shareholders and to enhance shareholder value as per. C.1.4 of the Appendix 14.

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.

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. Mr. Zhao's appointment has however been renewed on an annual basis. Currently, Mr. Zhao, aged 68, will not offer for re-election of one-year contract of service with the Company. Mr. Zhao will retire at the AGM and shall not be eligible for re-election. Mr. WONG Kon Man, Jason, Ms. LIU Sheng Ping and Mr. WENG Shih Yuan was appointed as INEDs on 28th November 2011, 16th January 2012 and 10th March 2009 respectively.

Each of Mr. WONG Kon Man, Jason, Ms. LIU Sheng Ping and Mr. WENG Shih Yuan entered into a letter of appointment with the Company for a term of three years commencing from 28th November 2011, 16th January 2012 and 12th September 2012 respectively and may be terminated by either party by giving two months' written notice.

All EDs have service contracts with the Company for a term of three (3) years. The EDs 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 FY2013, nine (9) board meetings were held with attendance details shown in the followings:

Directors	Board Meetings attended/held in FY2013
Mr. Ben FAN	3/9
Ms. Michelle WONG	7/9
Mr. FAN Pong Yang	4/9
Mr. WONG Kon Man, Jason	9/9
Mr. WENG Shih Yuan	8/9
Mr. ZHAO Shan Xiang	8/9
Ms. LIU Sheng Ping	3/9

During the FY2013, meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and Shareholders attended by the Directors were as follows:

	Attendance/Number of Meetings					
	Annual General Meeting	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Total
Mr. Ben FAN	0/1	3/3	N/A	N/A	N/A	3/9
Ms. Michelle Wong	1/1	3/3	N/A	2/2	1/1	7/9
Mr. FAN Pong Yang	1/1	3/3	N/A	N/A	N/A	4/9
Mr. WONG Kon Man, Jason	1/1	3/3	2/2	2/2	1/1	9/9
Mr. WENG Shih Yuan	0/1	3/3	2/2	2/2	1/1	8/9
Mr. ZHAO Shan Xiang	0/1	3/3	2/2	2/2	1/1	8/9
Ms. LIU Sheng Ping	0/1	3/3	N/A	N/A	N/A	3/9

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 AC 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 2013 financial statements.

In FY2013, 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.

The Company has adopted the model to delegate the determination of the remuneration packages of individual ED and senior management to the RC.

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 FY2013, 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 four 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 the Scheme. Granting of the options to employees from time to time will be at the discretion of the Board. The 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.

Further details of the Directors' and senior management's emoluments for the FY 2013 are disclosed in note 13 to the financial statements contained in this annual report.

The Remuneration of all senior management as disclosed on pages 8 and 9.

Their salaries were within the following bands:

	2013	2012
Up to HK$500,000	**8**	14
HK$500,001 to HK$1,000,000	**4**	3
	12	17

(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 FY2013, 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 FY2013. The AC was satisfied that the non-audit service provided by Deloitte did not affect its independence. The remuneration charged by Deloitte in FY2013 was shown below.

Audit & Non-audit services in FY2013

	HK$
Annual Audit	2,600,000
Tax advisory	1,300,000
	3,900,000

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 42 to 125 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.

SHAREHOLDERS' RIGHTS

Procedures for convening an extraordinary general meeting and putting forward proposals at shareholders' meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition (the "Requisition") to the Board or the Company Secretary to require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in the Requisition. The Requisition shall be deposited at the 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). The EGM shall be held within two (2) months after the deposit of the Requisition. If within twenty-one (21) days of deposit of the Requisition, the Board fails to proceed to convene the EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for shareholders to put enquires to the Board

Shareholders may put forward enquiries to the Board through Mr. Peter Jang or Philip Chan who will direct the enquiries to the Board for handling. The contact details are as follows:

Address:	G/F & Basement Level 1, New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong
Email:	investors@neo-neon.com
Tel No.:	(852) 2786 2133
Fax No.:	(852) 2731 6651

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.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the duties on corporate governance function as set out below:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance and legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

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 44 to 125, which comprise the consolidated statement of financial position as at 31st March, 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 about 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 affairs of the Group as at 31st March, 2013 and of the Group's 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

27th June, 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	7	**827,039**	1,083,835
Cost of goods sold		**(728,803)**	(1,668,401)
Gross profit (loss)		**98,236**	(584,566)
Other income		**19,959**	7,104
Other gains and losses	8a	**15,345**	(140,004)
Other expenses	8b	**(30,804)**	(17,375)
Impairment losses recognised in respect of			
– property, plant and equipment	9	**(396,452)**	(148,451)
– goodwill	10	**–**	(106,055)
– intangible assets	10	**–**	(90,745)
Impairment of available-for-sale investments		**(946)**	–
Distribution and selling expenses		**(93,195)**	(114,137)
Administrative expenses		**(215,210)**	(252,619)
Finance costs	11	**(17,894)**	(17,895)
Change in fair value of investment properties		**(204)**	17,628
Share of losses of associates		**(3,926)**	(6,893)
Share of profit of a jointly controlled entity		**3,024**	3,325
Loss before taxation	12	**(622,067)**	(1,450,683)
Taxation (expense) credit	14	**(2,426)**	19,696
Loss for the year		**(624,493)**	(1,430,987)
Other comprehensive income			
– exchange differences arising on translation		**6,443**	105,987
– reclassification of translation reserve on disposal of a foreign operation		**(3,531)**	–
Other comprehensive income for the year		**2,912**	105,987
Total comprehensive expense for the year		**(621,581)**	(1,325,000)
Loss for the year attributable to			
– owners of the Company		**(616,834)**	(1,430,437)
– non-controlling interests		**(7,659)**	(550)
		(624,493)	(1,430,987)
Total comprehensive expense for the year attributable to			
– owners of the Company		**(613,954)**	(1,324,844)
– non-controlling interests		**(7,627)**	(156)
		(621,581)	(1,325,000)
		HK cents	HK cents
Loss per share	16		
– Basic		**(65.7)**	(151.8)
– Diluted		**(65.7)**	(151.8)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Investment properties	17	17,176	17,380
Property, plant and equipment	18	825,398	1,430,840
Prepaid lease payments	19	75,045	119,182
Goodwill	20	741	741
Intangible assets	21	13,765	20,442
Interests in associates	22	4,402	38,561
Interest in a jointly controlled entity	23	31,277	28,253
Available-for-sale investments	24	5,503	–
Deposits made on acquisition of property, plant and equipment		82,396	115,325
Deposit made on formation of an associate	22	2,471	–
Deposit made on formation of available-for-sale investment	24	8,293	–
		1,066,467	1,770,724
Current assets			
Inventories	25	734,065	648,069
Trade and other receivables	26	267,475	255,152
Amount due from an associate	27	–	36,885
Amounts due from non-controlling shareholders	28	2,471	–
Loan receivable	29	72,903	–
Tax recoverable	14	1,750	–
Investments held-for-trading	30	51,910	13,550
Pledged bank deposits	31	31,354	2,465
Bank balances and cash	31	253,508	283,626
		1,415,436	1,239,747
Current liabilities			
Trade and other payables	32	291,456	255,035
Amount due to a director	33	9,078	13,000
Taxation payable		8,839	7,657
Bank borrowings repayable within one year	34	461,879	415,760
		771,252	691,452
Net current assets		644,184	548,295
Total assets less current liabilities		1,710,651	2,319,019
Non-current liabilities			
Bank borrowings	34	101,522	108,087
Government grants	35	23,206	10,428
Deferred taxation	36	7,890	9,400
		132,618	127,915
Net assets		1,578,033	2,191,104

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2013

	Note	2013 HK$'000	2012 HK$'000
Capital and reserves			
Share capital	37	93,932	94,244
Reserves		1,475,761	2,085,036
Equity attributable to owners of the Company		1,569,693	2,179,280
Non-controlling interests		8,340	11,824
Total equity		1,578,033	2,191,104

The consolidated financial statements on pages 44 to 125 were approved and authorised for issue by the Board of Directors on 27th June, 2013 and are signed on its behalf by:

BEN FAN	FAN PONG YANG
CHAIRMAN	*EXECUTIVE DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2013

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve 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 April, 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
Loss for the year	–	–	–	–	–	–	–	–	(616,834)	(616,834)	(7,659)	(624,493)
Exchange differences arising on translation	–	–	–	–	–	–	–	6,411	–	6,411	32	6,443
Reclassification of translation reserve on disposal of a foreign operation	–	–	–	–	–	–	–	(3,531)	–	(3,531)	–	(3,531)
Total comprehensive expense for the year	–	–	–	–	–	–	–	2,880	(616,834)	(613,954)	(7,627)	(621,581)
Purchase of additional interests in a subsidiary	–	–	–	–	(165)	–	–	–	–	(165)	13	(152)
Contributions from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	4,130	4,130
Recognition of equity-settled share based payments	–	–	–	–	–	–	9,748	–	–	9,748	–	9,748
Share repurchased and cancelled	(312)	(4,904)	312	–	–	–	–	–	(312)	(5,216)	–	(5,216)
	(312)	(4,904)	312	–	(165)	–	9,748	–	(312)	4,367	4,143	8,510
At 31st March, 2013	93,932	1,683,128	312	53,856	(9,307)	48,100	71,728	314,013	(686,069)	1,569,693	8,340	1,578,033

Capital redemption reserve represents the amount by which the issued share capital of the Company is diminished through the repurchase of shares. As a result of the repurchase, share capital with nominal value amounted to HK$312,000 purchased was paid out of distributable profits and transferred to share redemption reserve.

Other reserve represents the difference between the consideration paid for acquiring additional interests in a non-wholly owned subsidiary of the company and the amount of non-controlling interests acquired.

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.

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, 2013

	2013 HK$'000	2012 HK$'000
Operating activities		
Loss before taxation	(622,067)	(1,450,683)
Adjustments for:		
Interest income	(10,238)	(2,961)
Finance costs	17,894	17,895
Share of losses of associates	3,926	6,893
Share of profits of a jointly controlled entity	(3,024)	(3,325)
Gain on disposal of a subsidiary	(4,532)	–
Loss on disposal of an associate	53	–
Loss (gain) on deemed disposal of partial interest in an associate	185	(305)
Depreciation and amortisation	177,013	213,915
Operating lease rentals in respect of prepaid lease payments	1,917	2,651
Change in fair value of investment properties	204	(17,628)
Gain on disposal of property, plant and equipment	(15,987)	(17,891)
Gain on disposal of prepaid lease payments	(16,288)	–
Impairment losses recognised in respect of property, plant and equipment	396,452	148,451
Impairment losses recognised in respect of goodwill	–	106,055
Impairment losses recognised in respect of intangible assets	–	90,745
Impairment losses recognised in respect of available-for-sale investments	946	–
Loss on obligation under onerous contracts	33,874	20,742
Amortisation of government grants	(6,393)	(724)
Allowance for inventories	164,305	466,123
(Reversal of allowance for) allowance for bad and doubtful debts	(23,777)	124,898
Loss on written off of trade and other receivables	1,787	–
Equity-settled share based payments	9,748	15,475
Effect of foreign exchange rate changes	834	(872)
Operating cash flows before movements in working capital	106,832	(280,546)
(Increase) decrease in inventories	(203,554)	354,364
Decrease in trade and other receivables	66,643	222,706
(Increase) decrease in investments held-for-trading	(38,360)	107,552
Decrease in trade and other payables	(78,295)	(198,464)
Government grant received for research and development projects	19,083	1,079
Cash (used in) from operations	(127,651)	206,691
Taxation paid	(4,508)	(2,268)
Net cash (used in) from operating activities	(132,159)	204,423

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March, 2013

	Note	2013 HK$'000	2012 HK$'000
Investing activities			
Interest received		10,238	2,961
Placement of pledged bank deposits		(28,795)	–
Release of pledged bank deposits		–	50,000
Proceeds from disposal of investment properties		–	68,946
Purchase of property, plant and equipment		(19,599)	(51,873)
Proceeds from disposal of property, plant and equipment		26,871	69,912
Proceeds from disposal of prepaid lease payments		52,217	–
Purchase of intangible assets		–	(1,552)
Investments in associates		(303)	(30,924)
Advance to an associate		–	(36,885)
Advance to non-controlling shareholders		(2,471)	–
Increase in loan receivable		(36,018)	–
Deposits paid on acquisition of property, plant and equipment		(21,749)	(60,754)
Government grants received relating to acquisition of property, plant and equipment and prepaid lease payments		–	26,313
Proceeds from disposal of a subsidiary	39	91,828	–
Proceeds from disposal of an associate		25,833	–
Investment in available-for-sale investments		(1,519)	–
Deposit paid on acquisition of an associate		(2,471)	–
Deposit paid on acquisition of available-for-sale investment		(8,293)	–
Net cash from investing activities		85,769	36,144
Financing activities			
Bank loans raised		567,356	786,445
Repayment of bank loans		(528,489)	(1,074,783)
Interest paid		(17,894)	(17,025)
Dividends paid		–	(30,158)
Purchase of additional interests in a subsidiary		(152)	(26,189)
Contributions from a non-controlling shareholder of a subsidiary		4,130	12,084
Borrowings from a director		9,078	13,000
Repayment of borrowings to a director		(13,000)	–
Shares repurchased and cancelled		(5,216)	–
Net cash from (used in) financing activities		15,813	(336,626)
Net decrease in cash and cash equivalents		(30,577)	(96,059)
Cash and cash equivalents at the beginning of the year		283,626	371,432
Effect of foreign exchange rate changes		459	8,253
Cash and cash equivalents at the end of the year		253,508	283,626
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		253,508	283,626

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2013

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 45. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and certain of its shares are listed as Depositary Receipts in Taiwan Stock Exchange.

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

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred tax: Recovery of underlying assets
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets

Except as described below, the amendments to 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.

Amendments to HKAS 12 Deferred Tax: Recovery of underlying assets

The Group has applied for the first time the amendments to HKAS 12 Deferred Tax: Recovery of underlying assets in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties located in the People's Republic of China ("PRC") of carrying amount of approximately HK$17,176,000 at 31st March, 2013 (2012: HK$17,380,000) are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is rebutted.

The application of the amendments to HKAS 12 has no impact on the deferred tax liabilities provided for the fair value changes of the investment properties held by the Group in PRC.

2. 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 HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[2]
HK(IFRIC)* – INT 20	Stripping costs in the production phase of a surface mine[1]
HK(IFRIC) – INT 21	Levies[2]

* IFRIC represents the International Financial Reporting Interpretation Committee

1 Effective for annual periods beginning on or after 1st January, 2013.

2 Effective for annual periods beginning on or after 1st January, 2014.

3 Effective for annual periods beginning on or after 1st January, 2015.

4 Effective for annual periods beginning on or after 1st July, 2012.

2. 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:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are 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. Hence, available-for-sale investments which are currently stated at costs less impairment will need to be measured at fair value with changes in fair value recognised in other comprehensive income and accumulated in equity.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' 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 fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for the Group for annual period beginning on 1st April, 2015.

The directors anticipate that the adoption of HKFRS 9 is unlikely to have an impact on amounts reported in the consolidated financial statements except for the amount reported for available-for-sale investments currently stated at costs less impairment. The directors determined that it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. 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. HK(SIC) – INT 12 "Consolidation – Special purpose entities" will be withdrawn upon the effective date of HKFRS 10. 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". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC) – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers" will be withdrawn upon the effective date of HKFRS 11. 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 consolidation.

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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards together with the amendments relating to the transitional guidance will be adopted in the Group's consolidated financial statements for the annual period beginning 1st April, 2013. The directors anticipate that the application of these standards is unlikely to have an impact on amounts reported in the consolidated financial statements.

2. 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 the Group for annual period beginning on 1st April, 2013. The directors anticipate that the application of the new standard will have no material impact on amount reported in the consolidated financial statements but will result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and 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 items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for annual period beginning on 1st April, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied.

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

In June 2013, the amendments to HKAS 36 align the disclosure requirements in respect of the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with definite useful lives upon adoption of HKFRS 13 Fair Value Measurement. Moreover, additional information is required about the fair value measurement for land and buildings when their recoverable amounts are determined based on fair value less costs of disposal.

The additional information is not required for periods (including comparative periods) in which the HKFRS 13 is not applied.

The amendments to HKAS 36 are effective for annual periods beginning on or after 1st January, 2014. Earlier application is permitted.

The directors anticipate that the amendments will be adopted in the Group's consolidated financial statements for the annual period beginning 1st April, 2013 and will result in more extensive disclosures in the consolidated financial statements in respect of impairment assessment of land and buildings which the recoverable amounts are determined based on fair value less costs of disposals.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historic cost basis except for certain properties and financial instruments 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.

Income and expenses 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 jointly controlled entity. 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. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

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' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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.

The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures *(Continued)*

Jointly controlled entities *(Continued)*

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.

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' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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.

Investment properties are initially 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.

Property, plant and equipment

Property, plant and equipment including leasehold 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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 PRC is depreciated over 20 years.

Depreciation is recognised so as to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight line method.

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 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 except for investment properties under the fair value model.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately 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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. 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.

Internally-generated intangible assets – research and development expenditure

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Internally-generated intangible assets – research and development expenditure *(Continued)*

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. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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.

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 three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 receivable, loan receivables, amount due from an associate, amounts due from non-controlling shareholders, 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. 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.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other 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 assets, 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 financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For available-for-sale financial asset carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

3. 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 with finite useful lives 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. The impairment loss shall be allocated to reduce carrying amount of the assets comprising the CGU firstly to reduce the carrying amount of any goodwill allocated to the CGU, and then to the other assets within the CGU pro rata on the basis of the carrying amount of each asset in the CGU. When allocating an impairment loss to individual assets within a cash-generating unit, the carrying amount of an individual asset should not be reduced below the highest of its fair value less cost of disposal (if measureable), its value in use (if determinable), and zero. If this results in an amount being allocated to an asset which is less than its pro rata share of the impairment loss, the excess is allocated to the remaining assets within the cash-generating unit on a pro rata basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 'loss before taxation' 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 loss. 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.

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.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 on a systematic and rational basis 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.

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.

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 retained 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 each individual group entity, transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the rates of exchanges 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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 in which they arise.

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).

Leasing

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 lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's certain investment properties located in PRC of carrying amount of approximately HK$17,176,000 at 31st March, 2013 (2012: HK$17,380,000) are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on such investment properties, the directors have determined that the presumption that the carrying amounts of such investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has not recognised deferred taxes on PRC Land appreciation tax ("LAT") in respect of changes in fair value of such investment properties but has recognised deferred tax on PRC Enterprise Income Tax ("EIT") on the basis that these investment properties will be recovered through use.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY *(Continued)*

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 the CGU in which the relevant property, plant and equipment are attached to. 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, 2013, the carrying amount of property, plant and equipment is HK$825,398,000 net of accumulated depreciation and impairment of HK$1,822,820,000 (2012: HK$1,430,840,000 net of accumulated depreciation and impairment of HK$1,261,115,000). Details about impairment losses provided during the year and basis thereon are set out in note 9.

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, 2013, the carrying amount of goodwill and intangible assets are HK$741,000 (net of accumulated impairment of HK$106,055,000) and HK$13,765,000 (net of accumulated amortisation and impairment loss of HK$130,120,000). As at 31st March, 2012, the carrying amount of goodwill and intangible assets were HK$741,000 (net of accumulated amortisation of HK$106,055,000) and HK$20,442,000 (net of accumulated amortisation and impairment loss of HK$123,498,000). Details of the recoverable amount calculation are disclosed in note 10.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

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. A net reversal of allowance for doubtful debts of HK$23,777,000 (31st March, 2012: allowance for doubtful debts of HK$124,898,000) for the year ended 31st March, 2013 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. If the financial condition of customers of the Group were improved and is able to repay the receivable, reversal of allowance may be required. The carrying amounts of the Group's trade receivables as at 31st March, 2013 are HK$128,145,000 net of allowance for bad and doubtful debts of HK$72,131,000 (2012: HK$107,002,000 net of allowance for bad and doubtful debts of HK$146,428,000).

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, 2013 amounted to HK$406,399,000 (2012: HK$517,996,000). 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, 2013 is HK$734,065,000 (2012: HK$648,069,000).

Taxation

As detailed in note 14, there are tax audit cases initiated on the Hong Kong tax affairs of certain group entities for which the ultimate tax determination is uncertain up to the issue of these financial statements. Where the final tax outcome of such cases is different from initial estimate, such differences will have material impact on the current income tax in the period when such a determination is made.

No tax provision is recognised in current year (2012: nil) as the directors of the Company are of the opinion that the tax audit exercise is still at a very preliminary stage and that no profits tax is payable by the Group as the subsidiaries in question did not carry out any business, nor derive any profits, in Hong Kong except for one subsidiary which has Hong Kong operation with accumulated tax losses carried forward amounted to HK$83,137,000. Accordingly, no additional provision for Hong Kong Profits Tax is considered necessary in respect of the tax audit.

5. 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 year.

At the end of the reporting period, the capital structure of the Group consisted of debts, net cash and cash equivalents 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.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
FVTPL (Investments held-for-trading)	**51,910**	13,550
Loans and receivables (including cash and cash equivalents)	**518,085**	458,192
Available-for-sale investment	**5,503**	–
Financial liabilities		
Amortised cost	**772,114**	672,791

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, available-for-sale investment, loan receivables, amount due from an associate, amounts due from non-controlling shareholders, 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.

6. 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 57.0% (2012: 49.4%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sales, whilst almost 64.9% (2012: 84.8%) 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 and inter-company balances, which expose the Group to foreign currency risk at the reporting date are as follows:

	Assets		Liabilities	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**2,777,487**	2,818,338	**2,933,155**	3,233,173
Renminbi ("RMB")	**316,662**	289,125	**631,159**	524,252
United States dollar ("US$")	**1,256,408**	1,450,402	**2,407,239**	2,332,543
Euro	**2,812**	916	**489**	–
New Taiwan dollar ("NT$")	**25,521**	18,705	**11,353**	104
Great British Pound ("GBP")	**7,801**	7,796	**7,789**	–
Japanese Yen ("JPY")	**3,632**	3,631	**3,632**	–
Others	**143**	180	**2**	–

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.

6. 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 end for a 5% change in foreign currency rates. The sensitivity analysis includes receivables, payables, inter-company balances 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, 2013 and 31st March, 2012 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, 2013 and 31st March, 2012.

	HK$ impact		RMB impact		US$ impact	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Increase in loss for the year	**(7,783)**	(20,741)[i]	**(15,725)**	(11,756)[ii]	**(57,542)**	(44,107)[iii]

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

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

(iii) This is mainly attributable to the exposure to outstanding US$ receivables, payables and inter-company balances 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. The financial impact on exchange difference from GBP, JPY, Euro and NT$ is immaterial and therefore no sensitivity analysis has been prepared.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk

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

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 bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Directors consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity period.

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivable and bank borrowings (see note 34 for details of these borrowings). The management monitors interest rate exposure and will consider repay the fixed-rate bank borrowings when significant interest rate exposure is anticipated.

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 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 (2012: 30 basis points) represent management's assessment of the reasonably possible change in interest rates.

If interest rates had been 30 basis points (2012: 30 basis points) higher and all other variables were held constant, the potential effect on loss for the year ended 31st March, 2013 and 31st March, 2012 is as follows:

	2013 **HK$'000**	2012 HK$'000
Increase in loss for the year	**1,690**	1,572

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

6. 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 recognised as investments held-for-trading. The Group only held equity securities listed in United States as at 31st March, 2012. For the year ended 31st March, 2013, the management managed this exposure by maintaining a portfolio of investments with different risks including preferred securities listed overseas and listed equity securities in Hong Kong. The Group is also exposed to commodity price risk in relation to investment in gold, silver and platinum contracts held-for-trading. The Group is also exposed to equity price risk through its available-for-sale investments.

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% (2012: 10%) higher/lower, loss for the year would decrease/increase by HK$5,191,000 (2012: loss for the year would decrease/increase by HK$1,355,000) 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.

No sensitivity analysis on available-for-sale investments is performed as they are measured at cost less impairment.

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk management *(Continued)*

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. 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.

	Weighted 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, 2013						
Non-derivative financial liabilities						
Trade and other payables	–	16,848	171,763	11,024	199,635	199,635
Amount due to a director	–	9,078	–	–	9,078	9,078
Bank loans	2.18	–	471,440	104,218	575,658	563,401
		25,926	643,203	115,242	784,371	772,114
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

6. 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, loan receivables, amounts due from non-controlling shareholders, 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, amount due from an associate, loan receivables and amounts due from non-controlling shareholders. 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, amount due from an associate and loan receivables, the management of the Group reviews the recoverable amount of each individual 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 in trade receivables as 13.3% (2012: 11.9%) and 33.4% (2012: 41.0%) 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.

The Group has concentration of credit risk in loan receivables as 100% (2012: nil) of the total loan receivables was due from one outsider party.

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.

6. 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$51,910,000 (2012: HK$13,550,000) are fair valued at Level 1. There were no transfers among 3 levels during the current year and prior period.

7. 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

7. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

Segment revenue and results

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

	2013 HK$'000	2012 HK$'000
Segment revenue		
LED decorative lighting	416,180	554,829
LED general illumination lighting	273,201	319,030
Incandescent decorative lighting	70,584	103,992
Entertainment lighting	58,337	85,453
All others	8,737	20,531
	827,039	1,083,835
Segment results		
Loss from operations		
LED decorative lighting	(289,363)	(219,550)
LED general illumination lighting	(145,150)	(117,891)
Incandescent decorative lighting	(108,314)	(621,874)
Entertainment lighting	(35,792)	(429,469)
All others	(1,581)	(26,817)
	(580,200)	(1,415,601)
Unallocated expenses	(30,231)	(19,508)
Unallocated other gains, losses and expenses	1,347	(11,739)
Unallocated interest income	6,017	–
Finance costs	(17,894)	(17,895)
Change in fair value of investment properties	(204)	17,628
Share of losses of associates	(3,926)	(6,893)
Share of profits of a jointly controlled entity	3,024	3,325
Loss before taxation	(622,067)	(1,450,683)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss earned by each segment without allocation of unallocated expenses, certain other gains or losses and expenses, certain interest income, finance costs, change in fair value of investment properties, gain on disposal of a subsidiary, loss on disposal of an associate, 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.

7. 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:

	2013 HK$'000	2012 HK$'000
Segment assets		
LED decorative lighting	1,253,836	1,472,180
LED general illumination lighting	604,890	846,513
Incandescent decorative lighting	302,539	275,931
Entertainment lighting	114,829	226,741
All others	7,653	54,477
Total segment assets	2,283,747	2,875,842
Unallocated assets	198,156	134,629
Consolidated assets	2,481,903	3,010,471
Segment liabilities		
LED decorative lighting	151,114	134,475
LED general illumination lighting	99,198	77,324
Incandescent decorative lighting	25,629	25,205
Entertainment lighting	21,182	20,712
All others	3,172	4,976
Total segment liabilities	300,295	262,692
Unallocated liabilities	603,575	556,675
Consolidated liabilities	903,870	819,367

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, available-for-sale investments, deposit made on acquisition of an associate, deposit made on acquisition of available-for-sale investment, amounts due from non-controlling shareholders, loan receivable, tax recoverable 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.

7. 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, 2013								
Capital additions	28,488	18,381	11,832	14,497	782	73,980	688	74,668
Depreciation and amortisation	84,879	37,038	33,074	12,246	1,783	169,020	7,993	177,013
Net reversal of allowance for bad and doubtful debts	(11,965)	(7,854)	(2,029)	(1,677)	(252)	(23,777)	–	(23,777)
Gain on disposal of property, plant and equipment	–	(15,987)	–	–	–	(15,987)	–	(15,987)
Gain on disposal of prepaid lease payments	–	(16,288)	–	–	–	(16,288)	–	(16,288)
Allowance for inventories	101,144	11,754	45,184	6,223	–	164,305	–	164,305
Equity-settled share based payments	4,667	3,064	792	654	98	9,275	473	9,748
Impairment of property, plant and equipment	(200,985)	(79,906)	(91,393)	(24,168)	–	(396,452)	–	(396,452)
Loss on obligations under onerous contracts in connection with acquisition of property, plant and equipment	(12,957)	(15,734)	(4,131)	(1,052)	–	(33,874)	–	(33,874)
Transfer of impairment of onerous contracts upon receipt of property, plant and equipment	–	–	7,309	10,926	–	18,235	–	18,235
Compensation relating to litigation	(10,909)	(1,346)	–	–	–	(12,255)	–	(12,255)
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)
Loss on obligations under onerous contracts in connection with acquisition of property, plant and equipment	–	–	(9,832)	(10,910)	–	(20,742)	–	(20,742)

7. 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:

	2013	2012
	HK$'000	HK$'000
United States of America ("USA")	**180,992**	334,451
PRC	**213,139**	286,861
Netherlands	**26,573**	38,219
France	**38,985**	36,721
Russia	**73,616**	34,479
Other countries*	**293,734**	353,104
	827,039	1,083,835

* 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, 2013 and 31st March, 2012.

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, 2013 and 31st March, 2012.

8a. OTHER GAINS AND LOSSES

	Note	2013 HK$'000	2012 HK$'000
Gain on disposal of property, plant and equipment		**15,987**	17,891
Gain on disposal of prepaid lease payments		**16,288**	–
(Loss) gain on deemed disposal of partial interest in an associate		**(185)**	305
Net reversal of allowance for (allowance for) bad and doubtful debts		**23,777**	(124,898)
Loss on written off of trade and other receivables		**(1,787)**	–
Decrease in fair value of investments held-for-trading		**(300)**	(2,374)
Net exchange loss		**(9,179)**	(10,943)
Loss on obligations under onerous contracts in connection with acquisition of property, plant and equipment (note a)		**(33,874)**	(20,742)
Gain on disposal of a subsidiary	39	**4,532**	–
Loss on disposal of an associate		**(53)**	–
Others		**139**	757
		15,345	(140,004)

Note:

(a) The obligations under onerous contracts for acquisition of property, plant and equipment amounting to HK$33,874,000 (2012: 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 41). The total contract amount for respective property, plant and equipment is HK$78,844,000 (2012: HK$104,557,000).

8b. OTHER EXPENSES

	2013 HK$'000	2012 HK$'000
Research and development costs, net (note 35)	**(13,873)**	(17,375)
Compensation relating to litigation*	**(12,255)**	–
Others	**(4,676)**	–
	(30,804)	(17,375)

8b. OTHER EXPENSES *(Continued)*

* Included in compensation relating to ligation represents the following:

In December 2011, a supplier filed a claim to Jiangmen Intermediate People's Court against Heshan Yinyu Illumination Co., Ltd. (鶴山市銀雨照明有限公司) ("Heshan Yinyu"), a wholly-owned subsidiary of the Group for the dispute on a supplier contract. On 1st April, 2012, the Jiangmen Intermediate People's Court issued a verdict and the case was settled where the Heshan Yinyu paid to the plaintiff RMB2,684,000 (equivalent to HK$3,301,000) for final settlement of the case.

In November 2012, a customer of the Group filed a claim to Heshan People's Court against Heshan Lide Electronic Enterprise Limited (鶴山麗得電子實業有限公司) ("Heshan Lide"), a wholly-owned subsidiary of the Group and Heshan Yinyu for the dispute on a sales contract. On 25th February, 2013, the Heshan People's Court issued a verdict and the subsidiaries were ordered to pay to the plaintiff RMB1,089,000 (equivalent to HK$1,346,000). The amount was fully provided for in the consolidated financial statements.

In December 2012, a customer of the Group filed a claim to Tangshan Intermediate People's Court against Heshan Yinyu for the dispute on a sales contract. On 7th March, 2013, the Tangshan Intermediate People's Court issued a verdict and Heshan Yinyu was ordered to pay to the plaintiff RMB3,764,000 (equivalent to HK$4,651,000). The amount was fully provided for in the consolidated financial statements.

In December 2012, a supplier of the Group filed a claim to Hong Kong High Court against Neo-Neon LED Lighting International Limited ("NNLED"), a wholly-owned subsidiary of the Group, and the Company applying for enforcement of arbitral award by the International Centre for Dispute Resolution. On 27th December, 2012, the Hong Kong High Court issued a court order and the case was settled where the Company paid to the plaintiff HK$2,923,000 for compromising the case and paid legal fee of HK$34,000, totalling HK$2,957,000 for final settlement of the case.

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

The impairment losses by CGUs are as follows:

	Impairment loss	
	2013	2012
	HK$'000	HK$'000
CGU1 (note 1)	**(24,168)**	(45,321)
CGU2 (note 2)	**(91,393)**	(103,130)
CGU3 (note 3)	**(79,906)**	–
CGU4 (note 4)	**(200,985)**	–
Total	**(396,452)**	(148,451)

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

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 and Vietnam.

Note 3: CGU 3 represents the group of assets that generate cash inflow from manufacturing and distribution of LED general illumination lighting products with operations located in PRC.

Note 4: CGU 4 represents the group of assets that generate cash inflow from manufacturing and distribution of LED decorative lighting products with operations located in PRC.

CGU1

For the year ended 31st March, 2013, as the market in which CGU1 was engaged has not performed in accordance with what the directors expected, the directors of the Company considered this was an impairment indicator. The directors of the Company have first considered the recoverable amounts of individual assets in CGU1 unless the asset's value in use ("VIU") cannot be estimated to be close to its fair value less costs to sell or 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 amount is determined for the CGU to which the assets belong. An impairment assessment was conducted by the directors of the Company on CGU1. With reference to the valuation report issued by an independent external valuer, Jones Lang LaSalle Sallmanns Limited ("2013 Valuation Report"), there are impairment losses of HK$24,168,000 (2012: HK$45,321,000) as at 31st March, 2013 for CGU1 which has been allocated to property, plant and equipment. The impairment loss was recognised for CGU1 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 most recent financial budget approved by management based on their best estimates. The reason for the further impairment loss was mainly due to the decrease in market demand on the products of CGU1 and the directors of the Company revised the estimated future sales accordingly.

The projected period was 5 years (2012: 6 years) for CGU1, which represents the average remaining useful lives of the property, plant and equipment in CGU1 and all the budget covering the projection have been approved by the management. The growth rate used in the forecast was 10% for year ended 31st March, 2014, 7% for year ended 31st March, 2015, 5% for year ended 31st March, 2016 and 3% for the year ended 31st March, 2017 and 31st March, 2018. (2012: 20% for the year ended 31st March, 2013, 10% for the year ended 31st March, 2014, 5% for the year ended 31st March, 2015, and 3% for the year ended 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 16.06% (2012: 14.80%) which reflected the return on assets and the risks specific to CGU1. Some of the key assumptions of 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.

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

CGU2

For the year ended 31st March, 2013, as the market in which CGU2 was engaged has not performed in accordance with what the directors expected, the directors of the Company considered this was an impairment indicator. The directors of the Company have first considered the recoverable amounts of individual assets in CGU2 unless the asset's VIU cannot be estimated to be close to its fair value less costs to sell or 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 amount is determined for the CGU to which the assets belong. An impairment assessment was conducted by the directors of the Company on CGU2. With reference to the 2013 Valuation Report, there are impairment losses of HK$91,393,000 (2012: HK$103,130,000) as at 31st March, 2013 for CGU2 which has been allocated to the property, plant and equipment. The impairment loss was recognised for 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 most recent financial budget approved by management based on their best estimates. The reason for the further impairment loss was mainly due to the decrease in market demand on the products of CGU2 and the directors of the Company revised the estimated future sales accordingly.

The projected period was 8 years (2012: 9 years) for CGU2, which represents the average remaining useful lives of the property, plant and equipment in CGU2 and all the budget covering the projection have been approved by the management. The growth rate used in the forecast was negative 5% for year ended 31st March, 2014 and 31st March, 2015, 0% for year ended 31st March, 2016 and 3% for year ended 31st March, 2017 to 31st March, 2021. (2012: 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 16.06% (2012: 14.80%) which reflected the return on assets and the risks specific to CGU2. Some of the key assumptions of 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.

CGU3

For the year ended 31st March, 2013, as the market in which CGU3 was engaged has not performed in accordance with what the directors expected, the directors of the Company considered this was an impairment indicator. The directors of the Company have first considered the recoverable amounts of individual assets in CGU3 unless the asset's VIU cannot be estimated to be close to its fair value less costs to sell or 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 amount is determined for CGU3 to which the assets belong. An impairment assessment was conducted by the directors of the Company on CGU3. With reference to the 2013 Valuation Report, there are impairment losses of HK$79,906,000 (2012: nil) as at 31st March, 2013 for CGU3 which has been allocated to property, plant and equipment. The impairment loss was recognised for CGU3 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 most recent financial budget approved by management based on their best estimates. The reason for the impairment loss was mainly due to the significant over-supply of the products in the market that CGU3 was engaged in the second half-year of 2013 which lead to the decrease in selling price in the market.

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

CGU3 *(Continued)*

The projected period was 8 years (2012: 9 years) for CGU3, which represents the average remaining useful lives of the property, plant and equipment in CGU3 and all the budget covering the projection have been approved by the management. The growth rate used in the forecast was 20% for year ended 31st March, 2014, 14% for the year ended 31st March, 2015, 8% for year ended 31st March, 2016 and 3% for year ended 31st March, 2017 to 31st March, 2021 (2012: 20% for the year ended 31st March, 2013, 15% for the year ended 31st March, 2014, 8% for the year ended 31 March, 2015, 4% for the year ended 31st March, 2016 and 3% for the year ended 31st March, 2017 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 CGU3 engaged into. The cash flow forecast was discounted at 16.06% (2012: 14.80%) which reflected the return on assets and the risks specific to CGU3. Some of the key assumptions of 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.

CGU4

For the year ended 31st March, 2013, as the market in which CGU4 was engaged has not performed in accordance with what the directors expected, the directors of the Company considered this was an impairment indicator. The directors of the Company have first considered the recoverable amounts of individual assets in CGU4 unless the asset's VIU cannot be estimated to be close to its fair value less costs to sell or 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 amount is determined for CGU4 to which the assets belong. An impairment assessment was conducted by the directors of the Company on CGU4. With reference to the 2013 Valuation Report, there are impairment losses of HK$200,985,000 (2012: nil) as at 31st March, 2013 for CGU4 which has been allocated to the property, plant and equipment. The impairment loss was recognised for CGU4 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 most recent financial budget approved by management based on their best estimates. The reason for the impairment loss was mainly due to the significant over-supply of the products in the market that CGU4 was engaged in the second half-year of 2013 which lead to the decrease in selling price in the market.

The projected period was 8 years (2012: 9 years) for CGU4, which represents the average remaining useful lives of the property, plant and equipment in CGU4 and all the budget covering the projection have been approved by management. The growth rate used in the forecast was 20% for year ended 31st March, 2014, 14% for the year ended 31st March, 2015, 8% for year ended 31st March, 2016 and 3% for year ended 31st March, 2017 to 31st March, 2021 (2012: 20% for the year ended 31st March, 2013, 15% for the year ended 31st March, 2014, 8% for the year ended 31 March, 2015, 4% for the year ended 31st March, 2016 and 3% for the year ended 31st March, 2017 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 CGU4 engaged into. The cash flow forecast was discounted at 16.06% (2012: 14.80%) which reflected the return on assets and the risks specific to CGU4. Some of the key assumptions of 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.

10. 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, 2013 allocated to these units are as follows:

	Goodwill		Intangible assets	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount				
CGU A (note a)	**–**	–	**13,185**	16,498
CGU B (note b)	**741**	741	**23**	24
CGU C (note c)	**–**	–	**–**	914
	741	741	**13,208**	17,436
Impairment losses for the year				
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, 2013, annual impairment testing is performed on goodwill and intangible assets set out in notes 20 and 21 that have been allocated to CGU B and CGU A respectively. The directors determine that there are no impairments of any of its CGUs containing goodwill or intangible assets.

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

During the year ended 31st March, 2012, the gross profit margins of the products of CGU A, CGU B and CGU C were 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 declined significantly. The directors of the Company considered these were impairment indicators. The directors of the Company have first considered the recoverable amounts of intangible 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 were determined for the CGU to which the assets belong. An impairment assessment was conducted by the directors of the Company.

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

CGU A

The recoverable amount of the CGU A 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 (2012: 5-year) period, and discount rate of 16.06% (2012: 15.70%). Cash flows beyond the 5-year (2012: 5-year) period are extrapolated using growth rate of 3% (2012: 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.

Since the recoverable amount of the trademarks with indefinite useful lives of CGU A (2012: goodwill and trademarks with indefinite useful lives) is higher (2012: lower) than their carrying value, the directors considered that the carrying amount of the trademarks with indefinite useful lives (2012: goodwill and trademarks with indefinite useful lives) at the end of the reporting period is not impaired and no impairment loss (2012: impairment loss of HK$16,322,000 and HK$3,663,000 for goodwill and trademarks with indefinite useful lives respectively) was provided during the year.

CGU B

The recoverable amount of goodwill and intangible assets of this unit has been determined based on its fair value less costs to sell for the years ended 31st March, 2013 and 31st March, 2012. Since the recoverable amount of the goodwill and intangible assets of CGU B is higher than its carrying amount, there is no impairment loss on goodwill and intangible assets is provided for the years ended 31st March, 2013 and 31st March, 2012.

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

CGU C

No impairment test was performed at the end of the reporting period in relation to the goodwill and intangible assets of CGU C as the entire amounts have been fully impaired and amortised respectively.

At 31st March, 2012, the recoverable amount of this unit has been determined based on a value in use calculation. The calculation used cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 16.80%. CGU C's cash flows beyond the 5-year period were extrapolated using a steady 3% growth rate. This growth rate was 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 and intangible assets of CGU C was lower than its carrying amount at 31st March, 2012, the directors considered that the carrying amount of goodwill and intangible assets regarding CGU C was impaired and impairment of HK$89,733,000 and HK$87,082,000 were provided for at 31st March, 2012.

11. FINANCE COSTS

	2013 **HK$'000**	2012 HK$'000
Interest on bank borrowings		
– wholly repayable within five years	**(15,025)**	(15,756)
– not wholly repayable within five years	**(2,869)**	(1,269)
	(17,894)	(17,025)
Amortisation of transaction costs in relation to long-term bank loans	**–**	(870)
	(17,894)	(17,895)

12. LOSS BEFORE TAXATION

	2013 HK$'000	2012 HK$'000
Loss before taxation has been arrived at after charging:		
Directors' remuneration (note 13)		
– current year	7,295	7,442
– waived during the year	(5,400)	(5,400)
	1,895	2,042
Other staff's retirement benefits scheme contributions	280	7,556
Other staff's equity-settled share based payments	9,275	14,885
Other staff costs	190,897	274,255
	202,347	298,738
Less: Staff costs included in research and development costs	(6,469)	(5,602)
	195,878	293,136
Depreciation of property, plant and equipment	170,412	196,392
Less: Depreciation included in research and development costs	(1,813)	(2,042)
	168,599	194,350
Auditor's remuneration		
– audit service	2,600	3,000
– non-audit services	1,300	1,500
	3,900	4,500
Amortisation of intangible assets included in distribution and selling expenses	6,601	17,523
Cost of inventories recognised as an expense including allowance for inventories of HK$164,305,000 (2012: HK$466,123,000) (note 25) included in cost of sales and cost of materials used for research and development purpose of HK$8,154,000 included in other expenses (2012: HK$9,204,000)	736,957	1,677,605
Operating lease rentals in respect of		
– prepaid lease payments	1,917	2,651
– rented premises	4,993	5,211
and after crediting:		
Dividend income from listed investments held-for-trading	–	407
Interest income from		
– bank deposits	4,221	2,961
– loan receivable	6,017	–
	10,238	2,961
Property rental income before deduction of negligible outgoings	1,441	815

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	2012 to 2013						2011 to 2012					
	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 year	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 (chairman of the board of directors ("Chairman") and the chief executive of the Group ("CE"))	–	4,320	–	–	(4,320)	–	–	4,320	–	–	(4,320)	–
– Ms. Michelle Wong	–	1,200	6	–	(1,080)	126	–	1,200	6	–	(1,080)	126
– Mr. Fan Pong Yang	–	720	–	205	–	925	–	864	–	384	–	1,248
Independent non-executive directors												
– Mr. Wu Tak Lung	–	–	–	–	–	–	–	95	–	–	–	95
– Mr. Weng Shih Yuan	–	144	–	94	–	238	–	144	–	101	–	245
– Mr. Zhao Shan Xiang	–	144	–	94	–	238	–	144	–	105	–	249
– Mr. Wong Kon Man, Jason	–	144	–	40	–	184	–	49	–	–	–	49
– Ms. Liu Sheng Ping	–	144	–	40	–	184	–	30	–	–	–	30
	–	6,816	6	473	(5,400)	1,895	–	6,846	6	590	(5,400)	2,042

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

The five highest paid individuals included no (2012: one) director of the Company, details of whose emoluments are set out above. The emoluments of the five (2012: remaining four) highest paid employees are as follows:

	2013 HK$'000	2012 HK$'000
Employees		
– basic salaries and allowances	6,454	3,397
– retirement benefits scheme contributions	–	6
	6,454	3,403

Their emoluments were within the following bands:

	2013	2012
Up to HK$1,000,000	–	3
HK$1,000,001 to HK$1,500,000	5	1

Mr. Ben Fan is also the CE of the Company and his emolument disclosed above include those for services rendered by him as the CE.

During the year, 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 (2012: HK$5,400,000). No other directors have waived their emoluments during the year.

14. TAXATION

	2013 HK$'000	2012 HK$'000
The (charge) credit comprises:		
PRC EIT	**(379)**	–
Underprovision of PRC EIT in prior years	**–**	(87)
Taxation in other overseas jurisdictions	**(4,877)**	(2,133)
Overprovision of taxation in other overseas jurisdictions in prior years	**1,320**	–
	(3,936)	(2,220)
Deferred taxation (note 36)	**1,510**	21,916
	(2,426)	19,696

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

The Company's PRC subsidiaries are subject to PRC EIT at 25% for the year except that one of which was entitled to reduced EIT rate at 15% as it was officially endorsed as a High-New Technology Enterprise 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, 2013 and 31st March, 2012, 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%.

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.

The Inland Revenue Department ("IRD") is conducting a tax audit to the Group for the year of assessment back from 2005/06.

On 26th March, 2012, the IRD issued estimated profits tax assessments in aggregate of HK$5,250,000 relating to the year of assessment 2005/06, that is, for the financial year ended 31st December, 2005, against certain subsidiaries of the Company. The Group lodged objections to the IRD against these estimated assessments.

14. TAXATION *(Continued)*

On 15th May, 2013, the IRD additionally issued estimated profits tax assessments in aggregate of HK$5,425,000 relating to the year of assessment 2006/07, that is, for the financial year ended 31st December, 2006, against certain subsidiaries of the Company. The Group lodged objections to the IRD against these estimated assessments.

The IRD agreed to hold over the tax claimed of the above estimated profits tax assessments subject to the purchasing of tax reserve certificates ("TRCs"). On 12th June, 2012, the Group purchased TRCs amounted to HK$1,750,000 for the year of assessment 2005/06, which has been recorded as tax recoverable. On 29th May, 2013, the Group purchased TRCs amounted to HK$3,500,000 for the year of assessment 2006/07.

The directors of the Company are of the opinion that the tax audit exercise is still at a very preliminary stage and that no profits tax is payable by the Group as the subsidiaries in question did not carry out any business, nor derive any profits, in Hong Kong except for one subsidiary which has Hong Kong operation with accumulated tax losses carried forward amounted to HK$83,137,000. Accordingly, no additional provision for Hong Kong Profits Tax is considered necessary in respect of the tax audit.

Taxation for the year is reconciled to loss before taxation as follows:

	2013	2012
	HK$'000	HK$'000
Loss before taxation	**(622,067)**	(1,450,683)
Tax at the applicable income tax rate of 25% (2012: 25%)	**155,517**	362,671
Tax effect of share of results of associates	**(982)**	(1,723)
Tax effect of share of results of a jointly controlled entity	**756**	831
Tax effect of expenses not deductible for tax purposes	**(2,632)**	(4,036)
Tax effect of income not taxable for tax purposes	**2,560**	1,396
Tax effect of tax losses not recognised	**(13,705)**	(99,945)
Tax effect of temporary difference not recognised	**(141,115)**	(234,068)
Taiwan withholding tax on undistributed earnings	**–**	3,298
Effect of different tax rates on subsidiaries operating in other jurisdictions	**(4,145)**	(8,934)
Over(under)provision in prior years	**1,320**	(87)
Others	**–**	293
Tax effect and effective tax rate for the year	**(2,426)**	19,696

15. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Dividends		
– final dividends for the year ended 31st March, 2012 of nil Hong Kong cents (for the year ended 31st March, 2011: 3.2 Hong Kong cents) per share paid	–	30,158
– proposed final dividends for the year ended 31st March, 2013 of nil Hong Kong cents (for the year ended 31st March, 2012: nil Hong Kong cents) per share	–	–

16. LOSS PER SHARE

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

	2013 HK$'000	2012 HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share	(616,834)	(1,430,437)

	Number of shares 2013 '000	2012 '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	938,251	942,441

The computation of diluted loss per share for the year ended 31st March, 2013 and 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.

17. INVESTMENT PROPERTIES

	HK$'000
At 1st April, 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
Decrease in fair value recognised in profit or loss	(204)
At 31st March, 2013	17,176

	2013 **HK$'000**	2012 HK$'000
The carrying value of investment properties comprises:		
Properties held under medium-term leases in the PRC	**17,176**	17,380

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.

18. 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 April, 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 35)	–	–	–	–	–	(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
Currency realignment	1,021	5	793	12	268	2,256	–	(679)	3,676
Additions	42,345	2,643	3,272	679	6,151	10,745	–	8,833	74,668
Disposals	(10,200)	(1,255)	(3,178)	(2,823)	–	(11,161)	–	–	(28,617)
Disposal of a subsidiary (note 39)	(24,427)	–	(3,226)	–	–	–	–	(65,811)	(93,464)
At 31st March, 2013	**707,264**	**79,568**	**367,133**	**20,283**	**134,955**	**1,167,357**	**2,603**	**169,055**	**2,648,218**
DEPRECIATION AND IMPAIRMENT									
At 1st April, 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	2,341	17,343	–	–	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)	–	(16,468)	–	–	(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
Currency realignment	563	103	818	13	244	1,355	–	14	3,110
Provided for the year	23,695	7,004	42,992	1,528	12,856	82,337	–	–	170,412
Impairment losses recognised in profit or loss	–	5,759	25,074	1,256	8,941	273,074	–	82,348	396,452
Impairment loss recognised in prior year in connection with obligation under onerous contracts	–	1,491	1,846	383	3,470	6,062	–	4,983	18,235
Eliminated on disposals	(10,200)	(147)	(3,178)	(2,823)	–	(1,385)	–	–	(17,733)
Eliminated on disposal of a subsidiary (note 39)	(6,107)	–	(2,664)	–	–	–	–	–	(8,771)
At 31st March, 2013	**254,136**	**75,349**	**344,322**	**19,430**	**129,632**	**904,894**	**1,997**	**93,060**	**1,822,820**
CARRYING VALUES									
At 31st March, 2013	**453,128**	**4,219**	**22,811**	**853**	**5,323**	**262,463**	**606**	**75,995**	**825,398**
At 31st March, 2012	452,340	17,036	90,038	3,342	24,415	622,066	606	220,997	1,430,840

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

The above items of property, plant and equipment other than those under construction in progress are depreciated on a straight-line basis at the following rates per annum:

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 PRC is depreciated over 20 years.

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

	2013 **HK$'000**	2012 HK$'000
The carrying value of property interests which are held under medium-term leases comprises:		
Land and buildings in Hong Kong	**122,524**	125,145
Buildings in the PRC	**266,941**	305,402
Land and buildings in Dubai	**45,506**	3,250
Land and buildings in United Kingdom	**18,157**	18,543
	453,128	452,340
Properties included in construction in progress held under medium-term prepaid lease payments in the PRC	**75,995**	220,997
	529,123	673,337

The Group has pledged certain of its buildings with aggregate carrying values of HK$312,438,000 (2012: buildings and machineries of HK$226,784,000 and HK$85,500,000 respectively) at the end of the reporting period to secure the credit facilities granted to the Group.

19. PREPAID LEASE PAYMENTS

	2013 HK$'000	2012 HK$'000
CARRYING VALUE		
At the beginning of the year	**119,182**	117,664
Currency realignment	**(39)**	4,169
Disposals	**(35,929)**	–
Disposal of a subsidiary (note 39)	**(6,252)**	–
Released to profit or loss for the year	**(1,917)**	(2,651)
At the end of the year	**75,045**	119,182
The carrying value of medium-term prepaid lease payments are situated in		
– the PRC	**65,609**	109,487
– Vietnam	**9,436**	9,695
	75,045	119,182

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$19,842,000 (2012: HK$52,752,000) at the end of the reporting period to secure the credit facilities granted to the Group.

20. 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:

	2013 HK$'000	2012 HK$'000
NNEG	**741**	741
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
ACCUMULATED IMPAIRMENT		
At 31st March		
– American Lighting	**(16,322)**	(16,322)
– HCI	**(89,733)**	(89,733)
	(106,055)	(106,055)
CARRYING VALUES AFTER IMPAIRMENT		
At 31st March		
– American Lighting	**–**	–
– NNEG	**741**	741
– HCI	**–**	–
	741	741

Particulars regarding impairment on goodwill are disclosed in note 10.

21. 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 April, 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
Currency realignment	–	(3)	(52)	–	(55)
At 31st March, 2013	**6,361**	**22,551**	**109,798**	**5,175**	**143,885**
AMORTISATION AND IMPAIRMENT					
At 1st April, 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
Currency realignment	–	(3)	24	–	21
Amortisation for the year	–	899	4,429	1,273	6,601
At 31st March, 2013	**6,361**	**21,048**	**98,074**	**4,637**	**130,120**
CARRYING VALUES					
At 31st March, 2013	**–**	**1,503**	**11,724**	**538**	**13,765**
At 31st March, 2012	–	2,402	16,229	1,811	20,442

21. 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$10,567,000 as at 31st March, 2013 (2012: HK$11,001,000), 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, no impairment loss was recognised (2012: HK$58,586,000 in CGU C) in relation to the trademark of CGU A, CGU B and CGU C.

Particulars regarding impairment on intangible assets are disclosed in note 10.

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

	2013 HK$'000	2012 HK$'000
Unlisted investments, at cost	8,629	38,677
Gain on deemed disposal on interest in an associate	13,306	13,491
Share of post-acquisition losses	(17,533)	(13,607)
	4,402	38,561
Deposit made on acquisition of an associate (note a)	2,471	–

Note:

(a) The amount represents the deposit paid to an independent third party for formation of a new company in PRC for capital verification purpose. The Group will own 40% equity interest of the new company.

22. 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 15.62% (2012: 33.87%) equity interest in Luminaire Holdings Inc. ("Luminaire") 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.

On 30th September, 2012, Luminaire issued new shares to other investors resulting in the Group's shareholdings in the associate diluted from 33.87% to 15.62%. This dilution resulted in a loss of HK$185,000. The Group maintained significant influence on Luminaire by holding 1 out of 5 directorship in Luminaire and therefore Luminaire is remained as an associate of the Group.

In November 2012, the Group disposed of its entire equity interest of 26.5% in an associate, Shenzhen Neo-Neon Investment Co., Ltd. (深圳真明麗投資發展有限公司) ("SZ Neo-Neon") to a third party, for a cash consideration of RMB21,000,000 (approximately HK$25,833,000). Loss on disposal of associate of HK$53,000 was included in other gain or loss during the year.

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

	2013 **HK$'000**	2012 HK$'000
Total assets	**32,863**	107,897
Total liabilities	**(7,957)**	(42,195)
Net assets	**24,906**	65,702
Group's share of net assets of associates	**4,402**	38,561
Loss for the year	**(16,083)**	(20,324)
Group's share of losses of associates for the year ended 31st March, 2013 and 31st March, 2012	**(3,926)**	(6,893)

23. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**15,600**	15,600
Currency realignment	**1,017**	1,017
Share of post-acquisition profits, net of dividends received	**14,660**	11,636
	31,277	28,253

The Group's investment in jointly controlled entity at the end of the reporting period represents its 50% (2012: 50%) equity interest in Tivoli, LLC which was incorporated in the United States of America and engaged in the trading of lighting products.

The summarised financial information in respect of the Group's interests in jointly controlled entity which are accounted for using the equity method is set out below:

	2013 HK$'000	2012 HK$'000
Total assets	**73,406**	67,295
Total liabilities	**(10,296)**	(10,234)
Net assets	**63,110**	57,061
Group's share of net assets of a jointly controlled entity	**31,277**	28,253
Revenue	**74,466**	64,455
Profit for the year	**6,073**	6,995
Group's share of profit of a jointly controlled entity for the year	**3,024**	3,325

24. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2013 HK$'000	2012 HK$'000
Unlisted equity investments, at cost:		
– private equity investments in PRC (note a)	4,942	–
– private equity investment in France (note b)	1,507	–
Impairment loss recognised	(946)	–
	5,503	–
Deposit made on acquisition of available-for-sale investment (note c)	8,293	–

(a) The amounts represent 4.8% and 10.0% (2012: nil and nil) equity interests of two private entities incorporated in PRC which are engaged in the LED technology research and development in PRC. Impairment loss totalling HK$946,000 was recognised in relation to the available-for-sale investments in PRC.

(b) The amount represents 5.0% equity interest of a private entity incorporated in France which is engaged in the trading of LED products in France.

(c) The amount represents the deposit paid to an independent third party for formation of a new company in PRC for capital verification purpose. The Group will own 19.9% equity interest of the new company.

Unlisted equity investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

25. INVENTORIES

	2013 HK$'000	2012 HK$'000
Raw materials	98,728	161,548
Work in progress	476,382	353,460
Finished goods	158,955	133,061
	734,065	648,069

25. INVENTORIES *(Continued)*

Movement in the allowance for inventories

	2013 HK$'000	2012 HK$'000
At beginning of the year	517,996	46,070
Currency realignment	572	5,803
Written off during the year	(276,474)	–
Allowances made during the year	164,305	466,123
At the end of the year	406,399	517,996

At 31st March, 2013, certain finished goods with a carrying value of approximately HK$19,760,000 (2012: nil) were pledged to certain banks to secure for the credit facilities granted to the Group.

26. TRADE AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade receivables	190,645	240,193
Bills receivables	9,631	13,237
Less: Allowance for bad and doubtful debts	(72,131)	(146,428)
	128,145	107,002
Deposits paid to suppliers	34,699	39,878
Value added tax refundable on export sales	60,073	54,402
Value added tax recoverable	12,383	25,656
Other receivables	32,175	28,214
	267,475	255,152

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 dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2013	2012
	HK$'000	HK$'000
Age		
0 to 60 days	**41,834**	60,294
61 to 90 days	**13,758**	9,463
91 to 180 days	**48,169**	32,563
181 to 360 days	**24,384**	4,682
	128,145	107,002

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$24,384,000 (2012: HK$4,682,000) 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

	2013	2012
	HK$'000	HK$'000
Balance at the beginning of the year	**146,428**	35,587
Allowance recognised on receivables	**15,872**	124,898
Reversal of allowance recognised on receivables	**(39,649)**	–
Amounts written off as uncollectible	**(50,520)**	(14,057)
Balance at the end of the year	**72,131**	146,428

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$72,131,000 (2012: HK$146,428,000) 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 amounts are impaired. The Group does not hold any collateral over these balances.

Included in reversal of allowance for doubtful debts are individually impaired trade receivables in prior years with aggregate balance of HK$39,649,000 (2012: nil) which have been fully settled in current year.

At 31st March, 2013, certain trade receivables with a carrying value of approximately HK$14,325,000 (2012: nil) were pledged to certain banks to secure for the credit facilities granted to the Group.

27. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate was unsecured, interest-free and was transferred to loan receivable upon the disposal of the associate.

28. AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS

The amounts due from non-controlling shareholders are unsecured, interest-free and are repayable on demand.

29. LOAN RECEIVABLE

The loan carries fixed interest rate of 6% per annum and is contracted to be repaid within twelve months from the end of the reporting period. The loan is classified as current asset at the end of the reporting period. Up to the report date, subsequent repayment of HK$42,530,000 was received.

The loan includes transfer of amount due from a former associate, SZ Neo-Neon of HK$36,885,000 upon the disposal of the associate during in current year.

30. INVESTMENTS HELD-FOR-TRADING

	2013 HK$'000	2012 HK$'000
Equity securities listed in United States	15,629	13,550
Equity securities listed in Hong Kong	15,667	–
Gold, silver and platinum contracts held-for-trading	20,614	–
	51,910	13,550

31. 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% (2012: 0.01% to 0.45%) per annum.

32. TRADE AND OTHER PAYABLES

	2013 HK$'000	2012 HK$'000
Trade payables		
– jointly-controlled entity	–	242
– others	122,186	99,096
Bills payables	6,554	3,511
	128,740	102,849
Customers' deposits	33,014	47,018
Payroll and welfare payables	22,399	13,717
Payables for acquisition of property, plant and equipment	3,647	6,870
Other tax payables	22,645	16,255
Obligation under onerous contract in connection with acquisition of property, plant and equipment	36,381	20,742
Other payables	44,630	47,584
	291,456	255,035

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

	2013 HK$'000	2012 HK$'000
Age		
0 to 30 days	16,848	44,380
31 to 60 days	11,047	15,290
61 to 90 days	35,462	6,286
91 to 120 days	40,803	15,507
121 to 360 days	13,556	6,034
Over 1 year	11,024	15,352
	128,740	102,849

32. TRADE AND OTHER PAYABLES *(Continued)*

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.

33. 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.

34. BANK BORROWINGS

	2013 **HK$'000**	2012 HK$'000
Bank loans		
– secured	**468,906**	441,685
– unsecured	**94,495**	82,162
	563,401	523,847
Secured bank loans are repayable* as follows:		
Within one year	**461,879**	415,760
Between one to two years	**13,619**	13,275
Between two to five years	**21,776**	21,227
After five years	**66,127**	73,585
	563,401	523,847
Less: Amounts due within one year shown under current liabilities	**461,879**	415,760
Amounts shown under non-current liabilities	**101,522**	108,087

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

Included in the above bank borrowings are the fixed-rate bank borrowings of HK$46,460,000 (2012: nil) at 31st March, 2013 which are repayable within one year from the end of the reporting period.

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

34. BANK BORROWINGS *(Continued)*

The range of effective interest rate (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2013	2012
Effective interest rates		
Fixed-rate borrowings	**5.33%**	–
Variable-rate borrowings	**1.33% to 5.48% per annum**	0.93% to 3.36% per annum

Included in bank borrowings are the following amounts denominated in currencies other than the functional currency of the group entities to which they relate:

	2013 HK$'000	2012 HK$'000
RMB	**344,530**	285,357
USD	**110,795**	124,027

35. GOVERNMENT GRANTS

During the year ended 31st March, 2012, the Group 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 during the year ended 31st March, 2012 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 year 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, 2013, the Group received government grants of HK$19,083,000 in aggregate from various PRC government authorities for LED chips technology development in the economic development zones in PRC. The grants are for compensating expenditure in relevant technology development.

During the year ended 31st March, 2013, HK$6,393,000 (2012: HK$724,000) of the government grants have been released to profit or loss and was net off with research and development expenses of HK$20,266,000 (2012: HK$18,099,000) in other expenses. The remaining are deferred as the Group has not fulfilled the conditions attaching to the government grants.

36. DEFERRED TAXATION

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

	Taiwan withholding tax on undistributed earnings	Fair value adjustments on intangible assets	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1st April, 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
Charged (credited) to profit or loss for the year	–	(1,362)	(148)	(1,510)
At 31st March, 2013	**3,298**	**4,740**	**(148)**	**7,890**

37. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount	Number of shares	Amount
	'000	HK$'000		HK$'000
Ordinary shares of HK$0.10 each				
– at 1st April, 2011 and 31st March, 2012	5,000,000	500,000	942,440,694	94,244
– shares repurchased and cancelled	–	–	(3,121,000)	(312)
– at 31st March, 2013	5,000,000	500,000	939,319,694	93,932

During the year, the Company repurchased its own shares through the Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares of HK$0.1 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$
September, 2012	3,121,000	1.72	1.59	5,216,000

The above shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

38. 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 50,386,000 (2012: 45,453,000), representing 5.4% (2012: 4.8%) 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.

38. SHARE OPTION SCHEME *(Continued)*

Equity-settled share option scheme *(Continued)*

Details of the movements of share options are as follows:

Type of participants	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 1.4.2011	Granted during the year	Forfeited/ lapsed during the year	Outstanding at 31.3.2012	Granted during the year	Forfeited/ lapsed during the year	Outstanding at 31.3.2013
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	–	(10,000)	10,000	–	–	10,000
	1.2.2008	1.2.2008 – 31.1.2009	1.2.2009 – 31.1.2016	5.03	20,000	–	(10,000)	10,000	–	–	10,000
	1.2.2008	1.2.2009 – 31.1.2010	1.2.2010 – 31.1.2016	5.03	20,000	–	(10,000)	10,000	–	–	10,000
	1.2.2008	1.2.2010 – 31.1.2011	1.2.2011 – 31.1.2016	5.03	20,000	–	(10,000)	10,000	–	–	10,000
	1.2.2008	1.2.2011 – 31.1.2012	1.2.2012 – 31.1.2016	5.03	20,000	–	(10,000)	10,000	–	–	10,000
	22.1.2010	Nil	22.1.2010 – 21.1.2018	6.75	120,000	–	(40,000)	80,000	–	–	80,000
	22.1.2010	22.1.2010 – 21.1.2011	22.1.2011 – 21.1.2018	6.75	120,000	–	(40,000)	80,000	–	–	80,000
	22.1.2010	22.1.2011 – 21.1.2012	22.1.2012 – 21.1.2018	6.75	120,000	–	(40,000)	80,000	–	–	80,000
	22.1.2010	22.1.2012 – 21.1.2013	22.1.2013 – 21.1.2018	6.75	120,000	–	(40,000)	80,000	–	–	80,000
	22.1.2010	22.1.2013 – 21.1.2014	22.1.2014 – 21.1.2018	6.75	120,000	–	(40,000)	80,000	–	–	80,000
	14.12.2012	Nil	14.12.2012 – 13.12.2016	1.99	–	–	–	–	133,333	–	133,333
	14.12.2012	14.12.2012 – 13.12.2013	14.12.2013 – 13.12.2016	1.99	–	–	–	–	133,333	–	133,333
	14.12.2012	14.12.2013 – 13.12.2014	14.12.2014 – 13.12.2016	1.99	–	–	–	–	133,334	–	133,334
Employees	15.2.2007	Nil	15.2.2007 – 14.2.2015	8.72	1,212,900	–	(124,000)	1,088,900	–	(133,800)	955,100
	15.2.2007	15.2.2007 – 14.2.2008	15.2.2008 – 14.2.2015	8.72	1,853,900	–	(124,000)	1,729,900	–	(133,800)	1,596,100
	15.2.2007	15.2.2008 – 14.2.2009	15.2.2009 – 14.2.2015	8.72	1,407,233	–	(124,000)	1,283,233	–	(133,800)	1,149,433
	15.2.2007	15.2.2009 – 14.2.2010	15.2.2010 – 14.2.2015	8.72	1,407,233	–	(124,000)	1,283,233	–	(133,800)	1,149,433
	15.2.2007	15.2.2010 – 14.2.2011	15.2.2011 – 14.2.2015	8.72	1,407,234	–	(124,000)	1,283,234	–	(133,800)	1,149,434
	1.2.2008	Nil	1.2.2008 – 31.1.2016	5.03	812,700	–	(194,500)	618,200	–	(25,500)	592,700
	1.2.2008	1.2.2008 – 31.1.2009	1.2.2009 – 31.1.2016	5.03	473,325	–	(194,500)	278,825	–	(25,500)	253,325
	1.2.2008	1.2.2009 – 31.1.2010	1.2.2010 – 31.1.2016	5.03	473,325	–	(194,500)	278,825	–	(25,500)	253,325
	1.2.2008	1.2.2010 – 31.1.2011	1.2.2011 – 31.1.2016	5.03	473,325	–	(194,500)	278,825	–	(25,500)	253,325
	1.2.2008	1.2.2011 – 31.1.2012	1.2.2012 – 31.1.2016	5.03	473,325	–	(194,500)	278,825	–	(25,500)	253,325

38. 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 1.4.2011	Granted during the year	Forfeited/ lapsed during the year	Outstanding at 31.3.2012	Granted during the year	Forfeited/ lapsed during the year	Outstanding at 31.3.2013
Employees	29.2.2008	Nil	28.2.2008 – 28.2.2016	5.90	456,500	–	(165,000)	291,500	–	(3,000)	288,500
	29.2.2008	28.2.2008 – 28.2.2009	28.2.2009 – 28.2.2016	5.90	450,250	–	(165,000)	285,250	–	(3,000)	282,250
	29.2.2008	28.2.2009 – 28.2.2010	28.2.2010 – 28.2.2016	5.90	450,250	–	(165,000)	285,250	–	(3,000)	282,250
	29.2.2008	28.2.2010 – 28.2.2011	28.2.2011 – 28.2.2016	5.90	450,250	–	(165,000)	285,250	–	(3,000)	282,250
	29.2.2008	28.2.2011 – 28.2.2012	28.2.2012 – 28.2.2016	5.90	450,250	–	(165,000)	285,250	–	(3,000)	282,250
	13.7.2009	Nil	13.7.2009 – 12.7.2017	2.19	1,871,200	–	(131,000)	1,740,200	–	(62,200)	1,678,000
	13.7.2009	13.7.2009 – 12.7.2010	13.7.2010 – 12.7.2017	2.19	1,871,200	–	(131,000)	1,740,200	–	(62,200)	1,678,000
	13.7.2009	13.7.2010 – 12.7.2011	13.7.2011 – 12.7.2017	2.19	1,871,200	–	(131,000)	1,740,200	–	(62,200)	1,678,000
	13.7.2009	13.7.2011 – 12.7.2012	13.7.2012 – 12.7.2017	2.19	1,871,200	–	(131,000)	1,740,200	–	(62,200)	1,678,000
	13.7.2009	13.7.2012 – 12.7.2013	13.7.2013 – 12.7.2017	2.19	1,871,200	–	(131,000)	1,740,200	–	(62,200)	1,678,000
	22.1.2010	Nil	22.1.2010 – 21.1.2018	6.75	2,090,500	–	(311,000)	1,779,500	–	(61,500)	1,718,000
	22.1.2010	22.1.2010 – 21.1.2011	22.1.2011 – 21.1.2018	6.75	2,090,500	–	(311,000)	1,779,500	–	(61,500)	1,718,000
	22.1.2010	22.1.2011 – 21.1.2012	22.1.2012 – 21.1.2018	6.75	2,090,500	–	(311,000)	1,779,500	–	(61,500)	1,718,000
	22.1.2010	22.1.2012 – 21.1.2013	22.1.2013 – 21.1.2018	6.75	2,090,500	–	(311,000)	1,779,500	–	(61,500)	1,718,000
	22.1.2010	22.1.2013 – 21.1.2014	22.1.2014 – 21.1.2018	6.75	2,090,500	–	(311,000)	1,779,500	–	(61,500)	1,718,000
	23.7.2010	Nil	23.7.2010 – 22.7.2018	4.51	1,210,000	–	(780,000)	430,000	–	(210,000)	220,000
	23.7.2010	23.7.2010 – 22.7.2011	23.7.2011 – 22.7.2018	4.51	1,210,000	–	(780,000)	430,000	–	(210,000)	220,000
	23.7.2010	23.7.2011 – 22.7.2012	23.7.2012 – 22.7.2018	4.51	1,210,000	–	(780,000)	430,000	–	(210,000)	220,000
	23.7.2010	23.7.2012 – 22.7.2013	23.7.2013 – 22.7.2018	4.51	1,210,000	–	(780,000)	430,000	–	(210,000)	220,000
	23.7.2010	23.7.2013 – 22.7.2014	23.7.2014 – 22.7.2018	4.51	1,210,000	–	(780,000)	430,000	–	(210,000)	220,000
	19.8.2011	Nil	19.8.2011 – 18.8.2015	1.95	–	5,666,667	(780,000)	4,886,667	–	(1,153,333)	3,733,334
	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	–	(1,153,333)	3,733,334
	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	–	(1,153,334)	3,733,332
	14.12.2012	Nil	14.12.2012 – 13.12.2016	1.99	–	–	–	–	3,491,000	–	3,491,000
	14.12.2012	14.12.2012 – 13.12.2013	14.12.2013 – 13.12.2016	1.99	–	–	–	–	3,491,000	–	3,491,000
	14.12.2012	14.12.2013 – 13.12.2014	14.12.2014 – 13.12.2016	1.99	–	–	–	–	3,491,000	–	3,491,000
					39,570,500	17,000,000	(11,117,500)	45,453,000	10,873,000	(5,940,000)	50,386,000

38. SHARE OPTION SCHEME *(Continued)*

Equity-settled share option scheme *(Continued)*

The weighted average exercise price of options granted during the year, forfeited during the year and outstanding at the end of the reporting period is HK$1.99 (2012: HK$1.95), HK$3.50 (2012: HK$4.57) and HK$4.00 (2012: HK$4.42), respectively.

During the year ended 31st March, 2013, options were granted on 14th December, 2012 with an aggregate estimated fair value of HK$9,139,000.

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.

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

	Share options granted on 14th December, 2012	Share options granted on 19th August, 2011
Number of share options	10,873,000	17,000,000
Grant date share price per share	1.99	1.86
Exercise price per share	1.99	1.95
Expected volatility	63.23%	67.75%
Risk-free interest rate	0.27%	0.45%
Expected dividend yield	2.48%	2.57%
Suboptimal exercise factor	4.00	2.31

Expected volatility was determined by using the historical volatility of the Company's share price over the past 4 years (2011: 4 years), a volatility of 63.23% (2011: 67.75%) was assumed.

During the year, the Group recognised the net expense of HK$9,748,000 (2012: HK$15,475,000) in relation to share options granted after taking into consideration the effect of revision of estimates due to forfeiture of unvested share options.

39. DISPOSAL OF A SUBSIDIARY

In October 2012, the Group disposed of its entire equity interest in a wholly-owned subsidiary, Jiangmen Tian Teng Battery Company Limited (江門市天騰電池有限公司), to an independent third party, for a cash consideration of RMB75,097,000 (approximately HK$91,828,000). The net assets at the date of disposal were as follows:

	HK$'000
Consideration received:	
Cash consideration	91,828
Analysis of assets and liabilities over which control was lost:	
Properties, plant and equipment	84,693
Prepaid lease payment	6,252
Amount due to a fellow subsidiary	(45,853)
Amount due to immediate holding company	(11,169)
Other payable	(118)
	33,805
Assignment of intercompany loans	57,022
Net assets disposed of	90,827
Gain on disposal of a subsidiary:	
Cash consideration	91,828
Net assets derecognised	(90,827)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss upon disposal	3,531
Gain on disposal	4,532
Net cash inflow arising on disposal:	
Cash consideration received	91,828

40. 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:

	2013 HK$'000	2012 HK$'000
Within one year	3,501	1,507
In the second to fifth year inclusive	7,960	81
Over five years	7,821	–
	19,282	1,588

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:

	2013 HK$'000	2012 HK$'000
Within one year	2,495	845
In the second to fifth year inclusive	1,158	1,304
Over five years	465	–
	4,118	2,149

41. CAPITAL COMMITMENTS

	2013 HK$'000	2012 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**42,463**	83,815
– acquisition of an associate	**556**	–
– acquisition of an available-for-sale investment	**3,205**	–

A provision of onerous contracts for the capital expenditure contracted for but not provided amounting to HK$36,381,000 as at 31st March, 2013 (2012: HK$20,742,000) is included in trade and other payables in respect of the acquisition of property, plant and equipment. The amount of HK$42,463,000 (2012: HK$83,815,000) presented above represents capital expenditure contracted net of provision for onerous contract and deposits paid.

42. 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. Under the MPF Scheme, the employer and it's employees and each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000 (increase to HK$25,000 effective June 2012) for the MPF Scheme.

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.

43. RELATED PARTY TRANSACTIONS

During the year, the Group sold goods totalling HK$2,585,000 (2012: HK$3,045,000) to a jointly controlled entity.

During the year, the Group paid operating lease rentals in respect of rented premises totalling HK$359,000 (2012: nil) to a related party owned by a close family member of a substantial shareholder who has significant influence on the Company.

The Company's directors represented the Group's key management and their emoluments for the year are set out in note 13.

At the end of the reporting period, there is an amount due to a director amounting HK$9,078,000 (2012: HK$13,000,000) which is set out in note 33.

At 31st March, 2012, there is an amount due from an associate amounting HK$36,885,000 (2013: nil) (note 27).

44. EVENT AFTER THE REPORTING PERIOD

On 18th May, 2013, the Group has entered a provisional sale and purchase agreement to dispose of its property in Hong Kong with a carrying value of HK$122,524,000 for a cash consideration of HK$238,000,000. Subsequently, the Group has received HK$8,000,000 and HK$15,800,000 on 18th May, 2013 and 31st May, 2013 respectively. The final settlement of HK$214,200,000 (the "Final Settlement") will be received upon completion of the disposal of the property on or before 8th August, 2013 and the ownership will then be transferred accordingly. Prior to receiving the Final Settlement, the Group will continue the existing usage of the property.

The gain on disposal of the property is estimated to be approximately HK$110 million which will be recognised to profit or loss on the date of Final Settlement.

45. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are indirectly wholly-owned by the Company, at 31st March, 2013 and 31st March, 2012 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
American Lighting, Inc.	USA	Share – US$2,472,436	Trading of lighting products
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
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
Heshan Lide	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
Heshan Yinyu	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 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 or at any time during the year.

FINANCIAL SUMMARY

	Year ended 31st December,		For the period from 1st January, 2010 to 31st March,	Year ended 31st March,	
	2008	2009	2011	2012	**2013**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	1,617,732	1,111,460	1,710,451	1,083,835	**827,039**
Profit (loss) before taxation	137,267	154,596	114,860	(1,450,683)	**(622,067)**
Taxation (expense) credit	357	2,351	(2,674)	19,696	**(2,426)**
Profit (loss) for the year	137,624	156,947	112,186	(1,430,987)	**(624,493)**
Attributable to					
– owners of the Company	138,676	157,989	116,608	(1,430,437)	**(616,834)**
– non-controlling interests	(1,052)	(1,042)	(4,422)	(550)	**(7,659)**
	137,624	156,947	112,186	(1,430,987)	**(624,493)**

	As at 31st December,		As at 31st March,		
	2008	2009	2011	2012	**2013**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	3,124,584	3,962,637	4,784,537	3,010,471	**2,481,903**
Total liabilities	(611,340)	(728,020)	(1,239,645)	(819,367)	**(903,870)**
Net assets	2,513,244	3,234,617	3,544,892	2,191,104	**1,578,033**
Equity attributable to owners of the Company	2,506,508	3,228,923	3,527,949	2,179,280	**1,569,693**
Non-controlling interests	6,736	5,694	16,943	11,824	**8,340**
Total equity	2,513,244	3,234,617	3,544,892	2,191,104	**1,578,033**