NEO-NEON HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1868.HK; 911868.TDR

2013 INTERIM REPORT

Professional LED product research, development and production.

Revolution
To Be Continued

LEDs Light It

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors	Mr. Ben FAN *(Chairman)* Ms. Michelle WONG Mr. FAN Pong Yang
Independent Non-Executive Directors	Mr. WONG Kon Man, Jason Mr. WENG Shih Yuan Mr. SUEN Man Tak, Stephen Ms. LIU Sheng Ping
Company Secretary	Mr. CHAN Cheung
Authorised Representatives	Ms. Michelle WONG Mr. CHAN Cheung
Audit Committee	Mr. WONG Kon Man, Jason *(Chairman)* Mr. WENG Shih Yuan Mr. SUEN Man Tak, Stephen Ms. LIU Sheng Ping
Remuneration Committee	Mr. WENG Shih Yuan *(Chairman)* Ms. Michelle WONG Mr. WONG Kon Man, Jason Mr. SUEN Man Tak, Stephen Ms. LIU Sheng Ping
Nomination Committee	Ms. LIU Sheng Ping *(Chairman)* Mr. WENG Shih Yuan Ms. Michelle WONG Mr. WONG Kon Man, Jason Mr. SUEN Man Tak, Stephen
Regulatory Compliance Committee	Mr. SUEN Man Tak, Stephen *(Chairman)* Mr. WENG Shih Yuan Ms. Michelle WONG Ms. LIU Sheng Ping

CORPORATE INFORMATION *(Continued)*

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
Hong Kong Branch Share Registrar	Tricor Investor Services Limited 26/F., Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
Auditors	Deloitte Touche Tohmatsu
Principal Bankers	Bank of China Limited HeShan Branch China Construction Bank Limited HeShan Branch The Shanghai Commercial & Savings Bank Ltd. Taishin International Bank
Lawyers	Minter Ellison Lawyers Level 25, One Pacific Place 88 Queensway Hong Kong
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal Place of Business in Hong Kong	Block B, 12/F., Eldex Industrial Building, 21 Ma Tau Wai Road, Hung Hom, Kowloon, Hong Kong
Company Website	www.neo-neon.com
Stock Code	1868

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

During the six months ended 30th September, 2013 (the "Review Period"), Neo-Neon Holdings Limited (the "Company") and its subsidiaries (the "Group") has recorded a turnover of approximately HK$540.6 million, representing an increase of 1.7% as compared to approximately HK$531.5 million in the corresponding period in September 2012. The increase mainly because of (i) gradual recovery of the US economy driven by continuous growth in the property and individual consumption markets, yet the economic depression in Europe became more profound and emerging economies such as China saw a significant slowdown in domestic demand. During the Review Period, customer orders were more conservative, resulting in a small increase in sales order; and (ii) decrease of market price, as a result of intense competition.

Cost of Goods Sold

The Group's costs of goods sold were HK$638.4 million, representing an increase of 58.2% from HK$403.5 million as compared to the same period in September 2012 mainly due to rising labour costs by HK$20.3 million and impairment provision for inventory of HK$142.5 million (September 2012: HK$42.7 million) for items that was identified as obsolete, slow-moving and for inventories with net realizable values lower than their carrying amounts taking into account of market demands and the estimated selling prices and an aging analysis as 50% provision of more than 180 days and full provision of more than one year under the accounting policies for inventories provision.

Gross (Loss) Profit and Gross (Loss) Profit Margin

The Group experienced a turnaround from gross profit and gross profit margin of HK$127.9 million (24.1%) in September 2012 to gross loss and gross loss margin of HK$97.8 million (18.1%). The loss is mainly because of (i) weak global demand, where customer orders were more conservative, resulting in a small increase in sales order; (ii) fierce competition in the LED lighting industry, resulting in continuously falling retail price of LED products globally; (iii) rising labour costs by HK$20.3 million from HK$50.8 million in September, 2012 (10% of sales ratio) to HK$71.0 million (13% of sales ratio), due to low-level of sales and increase in average wages level; and (iv) impairment provision for inventory of HK$142.5 million (September 2012: HK$42.7 million).

Other Income

Other income was HK$5.1 million during the Review Period (September 2012: HK$2.7 million) representing an increase of HK$2.4 million or 91.1%, mainly due to the increase of interest income and rental income.

FINANCIAL REVIEW *(Continued)*

Other Gains, Losses and Expenses

Other gains, losses and expenses showed a gain of HK$63.6 million during the six months ended 30th September, 2013 (September 2012: HK$10.3 million). The gain was mainly due to (i) income from disposal of fixed assets during the period, which referred to the gain on disposal of its Hong Kong office and exhibition hall on ground floor and basement level 1 located at No. 9 Science Museum Road, New East Ocean Centre, Tsim Sha Tsui East, Hong Kong amounting to HK$110.7 million. The purchaser of the property is a property holding company and its ultimate beneficial owners are independent unrelated parties (September 2012: HK$0.6 million); (ii) net allowance for receivables of HK$26.7 million, compared to the net written back for receivables of HK$12.5 million for the same period in 2012; (iii) investment loss from trading of securities and gold contracts of HK$0.6 million for the period, compared to an investment income from trading of securities and gold contracts of HK$5.8 million for the same period in 2012.

Administrative, Distribution and Selling Expenses

For the six months ended 30th September, 2013, the Group's administrative, distribution and selling expenses were HK$115.4 million, a decrease of HK$16.9 million or 12.8% from HK$132.3 million in September 2012. The decrease was mainly attributable to: (i) decrease in depreciation expenses of HK$14 million or 66.4%; (ii) decrease in promotion expenses of HK$1.9 million or 44.1%; and (iii) decrease in professional service fees and vehicle expenses of HK$1.4 million or 12.4%.

Finance Costs

The finance costs of the Group in the six months ended 30th September, 2013 was HK$7.8 million, an increase of 44.5% from HK$5.4 million in September 2012. The increase was due to the fact that the existing bank loans were mainly derived from domestic banks and their interest rates were relatively higher.

Net Loss

For the six months ended 30th September, 2013, the Group's net loss was HK$150.5 million, a decrease of 2,855.6% compared with the Group's net profit of HK$5.5 million in September 2012. The net loss margin for the period was 27.8% compared with net profit margin of 1.0% in September 2012. The main reasons were: (i) more conservative customer orders due to weak global demand and declining selling price due to fierce competition in the LED lighting market, resulting in smaller growth in performance; (ii) decrease in depreciation expenses of HK$58 million or 64.0%; (iii) provision for inventory of HK$142.5 million (September 2012: HK$42.7 million); and (iv) provision for bad debt of HK$26.7 million (September 2012: net reversal of allowance HK$12.5 million).

FINANCIAL REVIEW *(Continued)*

Financial Resources and Liquidity

The Group maintained a stable financial position. As at 30th September, 2013, the Group had bank balances and cash of HK$225.4 million (at 31st March, 2013: HK$253.5 million) and short-term bank loans of HK$263.7 million (at 31st March, 2013: 461.9 million). During the period, the Group repaid long-term bank loans of HK$101.5 million (long-term loan balance at 31st March, 2013: HK$101.5 million). All short-term bank loans were denominated in Hong Kong dollars and at prevailing market interest. The gearing ratio representing the ratio of short-term bank loans to total equity of the Group was 18.1% as at 30th September, 2013 (at 31st March, 2013: 35.7%).

Assets and Liabilities

As of 30th September, 2013, the Group's total assets were HK$2,128.8 million, a decrease of HK$353 million or 14.2% compared with HK$2,481.9 million as of 31st March, 2013. The Group's total liabilities as of 30th September, 2013 were decreased by 26.1% to HK$668.1 million from HK$903.9 million as of 31st March 2013.

The Group's shareholders' equity as of 30th September, 2013 was HK$1,453.3 million, representing a decrease of 7.4% when compared with HK$1,569.7 million as of 31st March, 2013.

Taxation

Taxation of the Group for the six months ended 30th September, 2013 was HK$0.2 million (September 2012: HK$0.5 million). The effective tax rate was minus 0.1% for the six months ended 30th September, 2013, compared to 9.0% for September 2012. The Group's PRC subsidiaries entitled to preferential Enterprise Income Tax of 15% in the capacity of High-New Technology Enterprise. Thus, Enterprise Income Tax is payable at a rate which is 10% lower than that applicable to those the general decorative lighting manufacturers. The Group takes a further competitive advantage in terms of its tax charges.

Foreign Exchange Risk

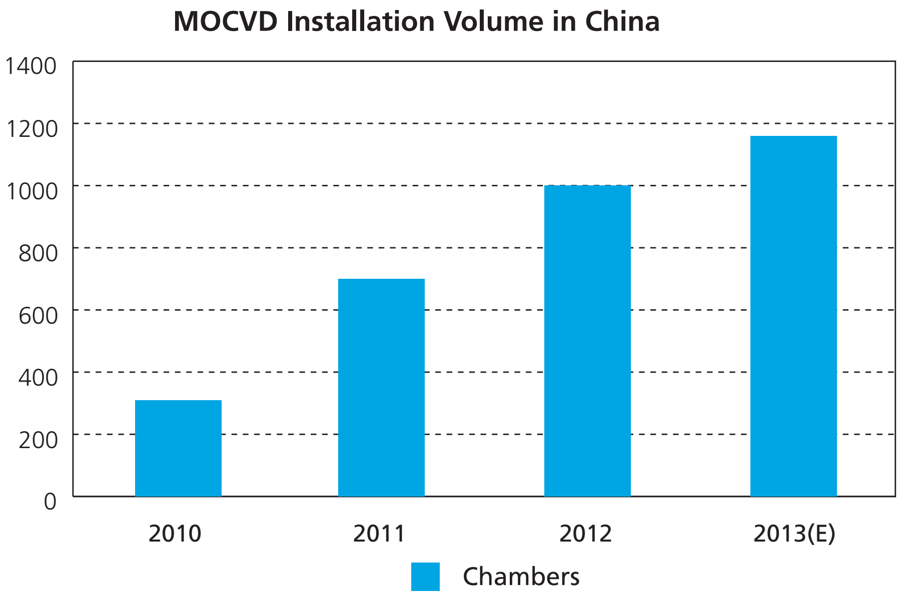
Several subsidiaries of the Company have sales and purchases denominated in currencies other than the functional currency of respective entity, which expose the Group to foreign currency risk.

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

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

MARKET OVERVIEW

During the period from 2010 to 2013 (see diagram below), as a result of government's subsidy policies, the metal-organic chemical vapour deposition ("MOCVD") equipment has been widely used in the LED chip industry in China. The expansion in productivity has gone far beyond market demand and increased the demand for research and development personnel related to extension chip production. However, there is a shortage of technical personnel. Fortunately, many manufacturers have not installed the new equipment or commenced production using such equipment. Some have exited the market as their equipment models have gone obsolete with performance and efficiency far below the new models. In addition, the lighting market is open now. All these will help the market achieve market demand and supply equilibrium.



Graphic: Installed MOCVD volume (reaction chambers) in China.
Source: LEDinside

As the use of incandescent lights is strictly prohibited, and lighting is a subjective experience and has strong regional features, such as users in Europe and the US have strong preference toward low colour temperature lighting, fluorescent lights are unable to meet such needs. After the ban on incandescent lights, such demand is taken up by both fluorescent lights and LED lights and may lead to the exponential growth of LED lighting.

MARKET OVERVIEW *(Continued)*

LED is considered the source of "green" lighting. Looking ahead, it will be a fast-growing emerging industry. Its application, to a large extent, depends on the improvement of manufacturing technology and production process and enhancement of product performance. For example, cost reduction achieved through assembled manufacturing efficiency, production of larger size chips, lower-cost and higher-yield LED extension chips and improvement of (fluorescence and optics) technologies will be able to drive the application of LED.

BUSINESS REVIEW

In the first half of 2013, the US economy saw gradual recovery driven by the continuous growth in the property and individual consumption markets. However, the economic depression in Europe became more profound, whereas emerging economies such as China experienced a significant slowdown in domestic demand. During the Review Period, customer orders were more conservative, resulting in a small increase in sales order. Also, the Group made impairment provision for inventory of HK$142.5 million (September 2012: HK$42.7 million) for items that was identified as obsolete, slow-moving and for inventories with net realizable values lower than their carrying amounts taking into account of market demands and the estimated selling prices and an aging analysis as 50% provision of more than 180 days and full provision of more than one year under the accounting policies for inventories provision. Without making this provision, the Group's gross profit and gross profit margin would be HK$44.7 million and 8.3% respectively, due to fierce competition and low level of sales revenue against high cost of sales. At present, Asia, North America and Europe have been initially shaped into the three major industry regions worldwide. Facing the intensifying competition from international peers, firstly, we have to step up our own innovation efforts and focus on developing new technologies that are widely accepted and recognised by the market. Secondly, we have to seek cooperation with international companies.

During the Review Period, we strengthened our supply chain management and fully utilised our market product advantages. While expanding our product lines, we greatly enhanced our product competitiveness and reduced our operating costs, including integrating various departments, increasing efficiency by downsizing, phasing out obsolete capacity and strengthening resource allocation and management. We also actively recruited high-calibre personnel, strengthened market channel development, consolidated existing operating capabilities and actively explored cooperation opportunities with customers.

BUSINESS REVIEW *(Continued)*

Currently, the LED lighting market is relatively chaotic where good products mingle with the bad. Consumers are often unable to distinguish the good from the bad. The majority of the lighting industry players engage in the LED business as part of their businesses. The downstream industries of which have low entry barriers. Coupled with that fact that the capacity expansion of LED packaging and downstream lighting products has far exceeded the market demand, and the white LED patent issue pending to be solved, the LED lighting products are subject to price competition before they are widely used. Accordingly, many manufacturers have suffered losses. At the same time, due to the accelerating industry integration, resources are further directed to stronger enterprises. As a result, a number of financially weak enterprises have to close down in the course of competition.

At present, the increasingly tense global market competition has resulted in falling average product price. According to the latest survey on retail price of LED light bulbs published by LEDinside Research, from April 2013 to September 2013, global retail price of LED light bulbs continued to show a downward trend. Of which, average price of LED light bulbs that substitute the traditional 40W incandescent light bulbs in China was below US$10. As illustrated in the diagram below, upon the ban on incandescent lights and after the European debt crisis, LED light bulbs equivalent to traditional 40W and 60W incandescent lights have indicated a decline in retail price, which is gradually expanding the market share of LED light bulbs.

LED light bulbs equivalent to traditional 40W incandescent lights 450-485 lumens, warm white colour (US$)					**2013/9/12**
	Highest price	Lowest price	Average price	Change	Average price per thousand lumens
Japan	23.8	4.7	12.3	-2%	25.5
Global	49.8	4.6	16.2	3%	34.2

LED light bulbs equivalent to traditional 40W incandescent lights 450-485 lumens, warm white colour (US$)					**2013/4/12**
	Highest price	Lowest price	Average price	Change	Average price per thousand lumens
Japan	25.8	8.6	13.6	2%	28.1
Global	49.5	4.1	16.1	-6%	34.2

Source: LEDinside

BUSINESS REVIEW *(Continued)*

LED light bulbs equivalent to traditional 60W incandescent lights 800-810 lumens, warm white colour (US$)					2013/9/12
	Highest price	Lowest price	Average price	Change	Average price per thousand lumens
Japan	38.3	14.2	21.3	-1%	25.9
Global	47.5	5.7	21.4	-3%	25.8

LED light bulbs equivalent to traditional 60W incandescent lights 800-810 lumens, warm white colour (US$)					2013/4/12
	Highest price	Lowest price	Average price	Change	Average price per thousand lumens
Japan	38.9	14.5	23.9	-7%	29.1
Global	48.0	5.7	23.8	-1%	28.7

Source: LEDinside

LED chip products are very small and thin and may emit light in the form of spots, lines and surfaces. They can be shaped into various structures and are not subject to the restrictions like traditional light sources. As a result, the design of product structures can be kaleidoscopic where various artistic structures and designs can be made possible by the versatile LED chips. In addition, LED lights are double shadow-free and have high luminous flux and easy light distribution control. They are collision resistant with instant on feature. They are also very suitable for home lighting. Of which, alternative lighting such as LED light bulb and light tube is likely to be popular at home. With respect to the personalised home decoration market, LED light decoration offers innovative designs and peculiar structures and is more popular among consumers as compared with traditional lights. It is believed that LED lighting will start from home decoration and eventually be widely used by consumers.

Production Facilities and Capacity Expansion

The Group currently owns four major production bases of which two are located in Jiangmen, Guangdong, one in Yangzhou and one in Thai Binh, Vietnam. We vertically integrate our operations from chips, packaging, moulding, lighting products and application so as to achieve a more professional level of division of labour in the LED lighting industry. At the same time, we integrate our production and establish interactive relationship between production and sales in the upstream and downstream supply chain.

BUSINESS REVIEW *(Continued)*

Production Facilities and Capacity Expansion *(Continued)*

The Group has commenced the production of the full series LED white-light illumination products including streetlights, T8 tubes, downlights and light bulbs. We proactively reinforce our sustainable research and development ("R&D") capacity, and endeavour to grasp the future green lighting technology. Our high-power LED emitter can achieve 160 lumens per watt, representing the highest mass-production level in the LED industry. We have total nineteen (19) sets of MOCVD for production of high-brightness blue and green LED wafers with monthly production capacity of 55,000 pieces (two inches). The lighting efficiency of self-produced LED chips has already exceed 160lm/W, and the brightness of wafers has reached 2,700mcd, catching up the advanced international standard. Our R&D team has been making efforts to study the process of putting fluorescent powder directly on photonic crystal and vertically structural chips, which is expected to achieve a breakthrough in future.

Quality Control

We have reduced our efforts in non-standard products and increased overall production of regular standard LED products, including LED white-light illumination products such as streetlights, T8 tubes and light bulbs to maximise the production capacity of such LED white-light illumination products, while reducing the costs to enhance pricing competitiveness.

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 recognised.

BUSINESS REVIEW *(Continued)*

Sales and Distribution

During the Review Period, LED lighting products were evidently and gradually replacing traditional lighting products due to fast growing market demand. Leverage on its sales network and brand recognition, the Group recorded total product sales of HK$540.6 million, representing an increase of 1.7% over the same period of last year.

The Group maintained a sales team of over 100 staff members with offices in 15 countries and regions including the People's Republic of China ("PRC"), Korea, Taiwan, Hong Kong, Macau, Vietnam, Malaysia, Dubai, United Kingdom ("UK"), Indonesia, Germany, Russia and United States of America ("USA"). Its sales network covers more than 100 countries and regions including mainland China, Hong Kong, Taiwan, Korea, Japan, Europe and the Americas. The Group 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.

Research and Development

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

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

BUSINESS REVIEW *(Continued)*

Research and Development *(Continued)*

As solid-state lighting technology continues to develop, the COB packaging technology becomes increasingly important. Currently, Chip On Board ("COB") packaged light bulbs account for approximately 40% of the market share of LED light bulbs. Many domestic enterprises have commenced utilising COB packaging. COB packaging is set to be the trend of development in the future. COB packaging is defined as the bundle packaging of LED chips directly on the board, i.e. the bundling of N pieces of LED chips on the metal board or ceramic board to become a new LED light source module. Usually, a number of small chips are deployed together according to the requirements of power source design to form a high-power light source module. Coupled with the design of secondary lens and heat dissipation case, it can be developed into high power, good heat dissipation and low-cost lighting equipment. As COB light source has low heat resistance, high light luminous flux and density, low reflector light and balanced light emission, it is widely applied in indoor and outdoor lighting products such as downlights, bulbs, tube lights, street lights and mining lights.

There are five comparative advantages of COB light source over the traditional SMD packaging light source in terms of light source production efficiency, heat resistance, light quality, application and cost. As LED is widely applied in lighting, integrated COB packaging can best suit the new generation LED lighting structure in terms of cost and application. COB packaging development is the key to solving the issues of high heat resistance and high cost of the existing SMD packaging structure.

As the junction temperature of chips directly affects the LED parameters such as light extraction efficiency, colour maintenance and life duration, key technology issues as to how to enhance the heat dissipation ability of packaged devices and reduce the temperature of chips are matters that extremely need to be solved in COB structural design. Usually, the heat dissipation issue of high-power COB packaging is effectively solved through arranging a number of LED chips in a certain manner and selecting the appropriate board.

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

BUSINESS REVIEW *(Continued)*

Trade Receivable Management

As at 30th September, 2013, the Group's receivable were HK$274.7 million (31st March, 2013: HK$128.1 million), representing an increase of HK$146.6 million; in which the amount of receivables due within 0-60 days increased by HK$142 million. The increase was mainly due to the peak season of delivery of seasonal decorative lighting products at the end of September each year; 50% provision for bad debt was made with respect to receivables overdue for more than 180 days and full provision for bad debt was made with respect to receivables overdue for more than one year under the accounting policies for bad debts provision.

Inventory Management

The Group vertically integrated its operations from chips, packaging, moulding, lighting products and application so as to achieve a more professional level of division of labour in the LED lighting industry. At the same time, we integrated our production and established interactive relationship between production and sales in the upstream and downstream supply chain. During the Review Period, the Group's inventory balances decreased by approximately 33.6% to HK$487.6 million from HK$734.1 million as at 31st March, 2013. In September, 2013, the Group made provision for inventories of HK$142.5 million (September 2012: HK$42.7 million) for items that was identified as obsolete, slow-moving and for inventories with net realizable values lower than their carrying amounts taking into account of market demands and the estimated selling prices and an aging analysis as 50% provision of more than 180 days and full provision of more than one year under the accounting policies for inventories provision, due to lower than expected demand for our products, resulting lower valuations of inventory. It was mainly due to the Group's efforts to strengthen the relationship between inventory control and customer orders, and implement a number of internal management measures to reduce the inventory turnover days.

Employees and Remuneration Policy

As at 30th September, 2013, the Group's total number of employees was approximately 3,400 (31st March, 2013: 3,500). The basic remunerations of the employees are determined with reference to the industry remuneration benchmark, the employees' experience and their performance. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each director. Apart from the basic remuneration and statutory benefits required by laws, the Group provides discretionary bonus based upon the Group's results and the individual performance of the staff.

BUSINESS REVIEW *(Continued)*

Employees and Remuneration Policy *(Continued)*

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

Future Plans and Prospects

The Company adheres to the following core values: global vision and integrity. It strives to be a professional LED R&D and manufacturing enterprise engaging in LED business with dedication, good faith and confidence. Only in this way can an enterprise achieve ultimate success. The Company understands the importance of driving product R&D, cost reduction and promoting industry development. We believe that these will eventually help achieve our growth objective of promoting LED lighting as an energy-saving lighting solution in the future.

We specialise in our core strength of product R&D and maintain our products' competitive edges, particularly the R&D of COB packaging, high brightness strip light and decorative string light projects. We maintain sound operation, strengthen asset management, enhance inventory control, manage capital expenditure and project investment amount. We also have strict control over the distribution and administrative expenses. We will efficiently reallocate its resources to create a rational organisation structure and achieve strategic growth by becoming more cost-effective, simplified in structure, effective in performance management and better-positioned to implement employee-oriented long-term incentive schemes. Our future growth strategies will focus on the simultaneous development of our five segments, namely chips, packaging, seasonal decorative lighting, general lighting and entertainment lighting lights. Below is our future operating plans:

BUSINESS REVIEW *(Continued)*

Future Plans and Prospects *(Continued)*

1. *Chips:*

   The chip market faces intense competition where major manufacturers compete fiercely against each other in the large size chip segment. On the contrary, there are not many competitors in the small size chip segment. However, demand for such segment remains enormous (mainly Christmas products, low-end strip lights and etc.). Accordingly, we target at this small size chip market. On the one hand, we establish strategic alliance with large packaging manufacturers and enter into long-term purchase contract with them. On the other hand, as part of our internal control, we implement lean production to manage production costs, enhance yield, maintain quality control and increase gross profit margin of products. In addition to providing stable and reliable supply of chips for our own packaging, we take control of the supply of light source. Capitalising on the midstream packaging and downstream application that reflect the market demand and technology demand, the product mix is optimised. So long as our chip factories remain profitable, we continue to work with colleges, institutes of research and science and suppliers to develop the high-power LED chip technology under flip chip structure and vertical structure so as to provide technology support for our packaging and application. In addition, we continue to activate the assets of our chip plants to improve the return on assets. Upon the fulfillment of the above objectives, the production capacity of our small size chips will be 2,400KK/month, enjoying economies of scale. This will help build our leading position in low-power LED market capitalising on our strong price/ performance.

2. *Packaging:*

   LED packaging devices mainly include lamp LED, surface mounted devices (the "SMD") and COB packaging. We strive to achieve lamp LED packaging capacity of no less than 450KK/month, SMD packaging capacity of no less than 400KK/ month and COB packaging capacity of no less than 3.0 million pieces/month. In particular, the light source of the lighting market will gradually shift to COB module. As the demand for low-to medium-end SMD packaging is enormous, we will establish a vertical packaging production line in Vietnam to develop and manufacture high CRI SMD products to meet the demand from our own high CRI strip light products. We will focus on promoting COB products. Apart from our own use, we will establish strategic alliance with other large LED manufacturers.

BUSINESS REVIEW *(Continued)*

Future Plans and Prospects *(Continued)*

3. *Seasonal Decorative Lighting:*

   We focus on promoting six major products including neon flex, strip lights, double-sided duralights, injection type string lights, marquee string lights and exposure string lights, while enhancing the core competitiveness of products to expand market share. Capitalising on the cost advantage of our production plant in Vietnam, we will step up the development and marketing efforts in the commercial decorative lights market so as to consolidate the confidence of our existing customers, explore new customers and enhance the added value and gross profit margin of seasonal decorative lighting products.

4. *General Lighting:*

   The LED lighting market is on the verge of explosion in growth and is gradually replacing the traditional incandescent lights and energy-saving lights, utilising increasingly mature technology with professional production and specialisation as well as a more established supply chain. We will strengthen our supply chain management, explore suppliers to work with and introduce edge-cutting products, while aligning product promotion and market needs so as to repay our customers. Apart from product integration, we will set up a supply chain sample laboratory to maintain the competitive strengths of our core products such as light tubes, downlights, light bulbs and high CRI strip lights. We will allocate more resources to develop non-target regions, particularly mainland China, South America and Southeast Asia.

5. *Entertainment Lighting:*

   We maintain certain strengths in the entertainment lighting market in the areas of product R&D, market resources allocation, channel networking and production management experience. After years of operation and development, the production of entertainment lighting has become more professional and specialised with a more established supply chain. As stage screens are widely used, in addition to product integration, we will emphasise on maintaining quality control, strengthening supply chain management and product R&D, promoting the cooperation with internationally-established professional stage light e-commerce websites to boost our network sales.

INTERIM DIVIDEND

No dividend will be paid for the six months ended 30th September, 2013 (September, 2012: Nil).

Event after the Reporting Period

On 10th October, 2013, the Company entered into a non-disclosure and exclusivity agreement (the "Agreement") with an independent third party (the "Investor"). Pursuant to the Agreement, the Company agreed to provide certain information to the Investor (including business and financial information) on a confidential basis to enable the Investor to conduct detailed due diligence on the Group for its potential investment in the Group ("Potential Investment"). Further, the Company agreed that it, its directors and employees shall not directly or indirectly negotiate with any potential investors other than the Investor for any investment in the Company for a period of three months from the date of the Agreement.

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

As at 30th September, 2013, the interests and short positions of the directors (the "Directors") and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

Long positions in shares and underlying shares of the Company

Name of Director	Number of ordinary shares held Personal interests[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 30th September, 2013
Mr. Ben FAN[2]	600,000	26,366,000	336,400,000	–	–	363,366,000	38.684%
Ms. Michelle WONG[2]	10,668,000	337,000,000	15,698,000	–	–	363,366,000	38.684%
Mr. FAN Pong Yang[3]	1,312,000	–	15,698,000	–	760,000[4]	17,770,000	1.892%
Mr. WENG Shih Yuan	246,500	–	–	–	300,000[4]	546,500	0.058%
Mr. WONG Kon Man, Jason	–	–	–	–	100,000[4]	100,000	0.011%
Ms. LIU Sheng Ping	–	–	–	–	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 the aggregate of 363,366,000 shares of the Company held by Mr. Ben FAN (600,000 shares), Ms. Michelle WONG (10,668,000 shares), Rightmass Agents Limited ("Rightmass") (336,400,000 shares) and Charm Light International Limited ("Charm Light") (15,698,000 shares), respectively as follows:

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

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

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

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

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

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

Notes: (Continued)

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

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

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

As at 30th September, 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 30th September, 2013
Rightmass[(1)]	Beneficial owner	336,400,000	35.813%
China Environment Fund III, L.P.	Beneficial owner	96,731,000	10.298%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY *(Continued)*

Long positions in shares of the Company *(Continued)*

Note:

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

Save as mentioned above, as at 30th September, 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.

SHARE OPTION SCHEME

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

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

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

SHARE OPTION SCHEME *(Continued)*

The option period is 8 years whereas the vesting period is 5 years. Details of movements of the share options during the six months ended 30th September, 2013 are as below:

Type of participants	Date of grant	Exercisable period[1]	Exercise price per share *(HK$)*	Number of share options: Outstanding at 1st April, 2013	Lapsed/ Cancelled during the period	Outstanding at 30th September, 2013
Directors						
Mr. WONG Kon Man	14.12.2012	14.12.2012 – 13.12.2016	1.99	100,000	–	100,000
Ms. LIU Sheng Ping	14.12.2012	14.12.2012 – 13.12.2016	1.99	100,000	–	100,000
Mr. WENG Shih Yuan	14.12.2012	14.12.2012 – 13.12.2016	1.99	100,000	–	100,000
	22.01.2010	22.01.2010 – 21.01.2018	6.75	200,000	–	200,000
Mr. ZHAO Shan Xiang	14.12.2012	14.12.2012 – 13.12.2016	1.99	100,000	100,000	–
	22.01.2010	22.01.2010 – 21.01.2018	6.75	200,000	200,000	–
	01.02.2008	01.02.2008 – 31.01.2016	5.03	50,000	50,000	–
Mr. FAN Pong Yang	22.01.2010	22.01.2010 – 21.01.2018	6.75	760,000	–	760,000
Employees						
In aggregate	15.02.2007	15.02.2007 – 14.02.2015	8.72	5,999,500	17,500	5,982,000
	01.02.2008	01.02.2008 – 31.01.2016	5.03	1,606,000	52,500	1,553,500
	29.02.2008	29.02.2008 – 28.02.2016	5.90	1,417,500	–	1,417,500
	13.07.2009	13.07.2009 – 12.07.2017	2.19	8,390,000	180,000	8,210,000
	22.01.2010	22.01.2010 – 21.01.2018	6.75	8,590,000	1,255,000	7,335,000
	23.07.2010	23.07.2010 – 22.07.2018	4.51	1,100,000	50,000	1,050,000
	19.08.2011	19.08.2011 – 18.08.2015	1.95	11,200,000	210,000	10,990,000
	14.12.2012	14.12.2012 – 13.12.2016	1.99	10,473,000	–	10,473,000
				50,386,000	2,115,000	48,271,000

SHARE OPTION SCHEME *(Continued)*

The closing prices per share immediately before 15th February 2007, 1st February 2008, 29th February 2008, 13th July, 2009, 22nd January, 2010, 23rd July, 2010, 19th August, 2011 and 14th December, 2012, the dates when the share options were granted were HK$8.5, HK$5.03, HK$5.89, HK$2.15, HK$6.75, HK$4.51, HK$1.86 and HK$1.99 per share respectively.

Note:

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

CORPORATE GOVERNANCE PRACTICES

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

The Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules stipulates the principles of good corporate governance and two levels of recommendations: (1) Code Provisions; and (2) Recommended Best Practices. Throughout the Review Period, the Company has been in full compliance with all the Code Provisions and certain Recommended Best Practices as set out in the CG Code except for Code Provision A.2.1.

Under Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by same individual. Mr. Ben FAN is the Chairman. On 12th July, 2010, Mr. Tseng Jinsui resigned as the Chief Executive Officer ("CEO") of the Company due to Mr. Tseng's capabilities in research and development, production and sales, corporate management and years of experience in Yangzhou to serve as chairman in Yangzhou subsidiary of the Group. In respect to the rapid strategic development of LED lighting market, Mr. Ben FAN, the Chairman, has been appointed as CEO. Mr. Ben FAN took the role of the Chairman of the Board and the CEO because Mr. FAN has the vision on the LED industry, technology and market development which is necessary for the Group to maximise the edge solutions for the upstream, middle steam and downstream industrial chain integration from LED wafers & chip production packaging to LED lighting applications.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

To further enhance its corporate governance, the Company completed the following actions during the Review Period:

- Engaged an additional independent non-executive Director who possesses appropriate professional accounting qualifications, regulatory experience in Securities and Futures Commission ("SFC") and barrister qualifications to further expand the collective knowledge, views and skills of the Board.

- Accordingly, the Audit Committee comprises four members who are all independent non-executive Directors. Two of which possess appropriate professional accounting qualifications and finance & management experience.

- All members of the Board participated in the internal continuous professional development training.

- Established the Regulatory Compliance Committee to regulate and review the compliance issues and monitor the related party transactions of the Company.

The Company has adopted a board diversity policy to enhance its corporate governance standard. The appointment of members of the Board shall take into consideration a number of factors, including but not limited to gender, age, culture and education background, race, professional experience, skills, knowledge and working experience.

CHANGES IN DIRECTORS AND DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES PURSUANT TO RULE 13.51B (1):

Pursuant to Rule 13.51B (1) of the Listing Rules, the changes in information of the Directors and chief executives subsequent to the date of the Company's 2012/13 annual report are set out below:

According to the letter of appointment entered into between Mr. ZHAO Shan Xiang, an independent non-executive Director and the Company, Mr. Zhao's appointment would automatically terminate when he reached his sixty-fifth birthday. However, Mr. Zhao's appointment was renewed on an annual basis. At the annual general meeting held on 12th August, 2013 ("AGM"), Mr. Zhao was 68 years old and, according to the letter of appointment, Mr. Zhao retired as an independent non-executive Director and did not offer himself for re-election. Mr. ZHAO Shan Xiang ceased to be the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee upon his retirement at the AGM.

CHANGES IN DIRECTORS AND DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES PURSUANT TO RULE 13.51B (1): *(Continued)*

Ms. LIU Shengping, an independent non-executive Director, has been appointed as the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company with effect from 12th August, 2013.

With effect from 23rd August, 2013, Mr. SUEN Man Tak, Stephen has been appointed as an independent non-executive Director of the Company and as chairman of the Regulatory Compliance Committee (established on 23rd August, 2013) and a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Save as disclosed above, the Directors are not aware of any changes in information of Directors and chief executives subsequent to the date of the Company's 2012/13 annual report, which were required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors of the Company. All the members of the Board have confirmed, following specific enquiries by the Company, that they have complied with the required standards as set out in the Model Code throughout the six months ended 30th September, 2013. The Model Code also applies to other specified senior management of the Group.

AUDIT COMMITTEE

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

Mr. WONG Kon Man, Jason *(Chairman)*
Mr. WENG Shih Yuan
Ms. LIU Sheng Ping
Mr. SUEN Man Tak, Stephen

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

AUDIT COMMITTEE *(Continued)*

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

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

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the financial statements for the six months ended 30th September, 2013. At the meeting held on 29th November, 2013, the Audit Committee reviewed the unaudited financial statements for the six months ended 30th September, 2013 together with the interim results announcement, with a recommendation to the Board of Directors for approval.

REMUNERATION COMMITTEE

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

Mr. WENG Shih Yuan *(Chairman)*
Ms. Michelle WONG
Mr. WONG Kon Man, Jason
Ms. LIU Sheng Ping
Mr. SUEN Man Tak, Stephen

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

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

NOMINATION COMMITTEE

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

Ms. LIU Sheng Ping *(Chairman)*
Mr. WENG Shih Yuan
Ms. Michelle WONG
Mr. WONG Kon Man, Jason
Mr. SUEN Man Tak, Stephen

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

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

REGULATORY COMPLIANCE COMMITTEE

The Regulatory Compliance Committee was established on 23rd August, 2013. Its current members include:

Mr. SUEN Man Tak, Stephen *(Chairman)*
Ms. Michelle WONG
Mr. WENG Shih Yuan
Ms. LIU Sheng Ping

The Regulatory Compliance Committee comprises independent non-executive Directors in majority. The chairman of the Regulatory Compliance Committee is an independent non-executive Director who was previously a former director of enforcement of SFC and is currently a practicing barrister with certified public accountant qualification and law enforcement experience in securities and futures industries. The duties of the committee are to monitor the compliance of the Company's existing or future business, and review and make recommendations on the compliance of applicable laws and regulations, including matters relating to the Listing Rules.

REGULATORY COMPLIANCE COMMITTEE *(Continued)*

The Regulatory Compliance Committee shall regularly report to the Board on any alleged frauds and non-compliances, internal control deficiencies or alleged violation of laws, regulations and rules. The committee is authorised by the Board to seek relevant information from the management of the Company to achieve its objectives, duties and responsibilities, and all employees must cooperate to meet its needs. The committee may seek independent professional advice to perform its duties if necessary, and the expenses arising therefrom shall be borne by the Company.

CONTINGENT LIABILITY AND CHARGE OF GROUP ASSETS

As at 30th September, 2013, the Group did not have any significant contingent liabilities. As at 30th September, 2013, the Group has pledged certain of its land and buildings with an aggregate carrying value of HK$175,016,000 (September 2012: HK$273,659,000), certain of its plant and machinery with an aggregate carrying value of nil (September 2012: HK$79,369,000), certain of its trade receivables and inventories with an aggregate carrying value of HK$34,085,000 (September 2012: Nil) and also bank deposits of aggregate carrying value of HK$2,514,000 (September 2012: HK$2,445,000) to secure bank credit facilities granted to the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30th September, 2013.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September, 2013

	Notes	Six months ended 1.4.2013 to 30.9.2013 HK$'000 (unaudited)	1.4.2012 to 30.9.2012 HK$'000 (unaudited)
Turnover	4	**540,592**	531,518
Cost of goods sold		**(638,409)**	(403,539)
Gross (loss)/profit		**(97,817)**	127,979
Other income		**5,063**	2,650
Other gains, losses and expenses	5	**63,594**	10,274
Distribution and selling expenses		**(36,990)**	(39,601)
Administrative expenses		**(78,370)**	(92,714)
Finance costs		**(7,760)**	(5,372)
Share of profits of an associate		**–**	26
Share of profits of a jointly controlled entity		**1,998**	2,762
(Loss)/Profit before taxation	6	**(150,282)**	6,004
Taxation	7	**(203)**	(543)
(Loss)/Profit for the period		**(150,485)**	5,461
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation		**27,970**	(16,230)
Total comprehensive expenses for the period		**(122,515)**	(10,769)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30th September, 2013

	Notes	Six months ended **1.4.2013 to 30.9.2013** ***HK$'000*** **(unaudited)**	 1.4.2012 to 30.9.2012 *HK$'000* (unaudited)
(Loss)/Profit for the period attributable to:			
Owners of the Company		**(149,556)**	4,231
Non-controlling interests		**(929)**	1,230
		(150,485)	5,461
Total comprehensive expenses/income for the period attributable to:			
Owners of the Company		**(123,444)**	(11,999)
Non-controlling interests		**929**	1,230
		(122,515)	(10,769)
Proposed interim dividend	*8*	**–**	–
(Loss)/Earnings per share	*9*		
Basic		**HK$(0.159)**	HK$0.005
Diluted		**HK$(0.159)**	HK$0.005

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2013

	Notes	30.9.2013 HK$'000 (unaudited)	31.3.2013 HK$'000 (audited)
Non-current assets			
Investment properties		**17,176**	17,176
Property, plant and equipment	10	**674,626**	825,398
Prepaid lease payments		**76,464**	75,045
Goodwill		**741**	741
Intangible assets		**14,930**	13,765
Interest in an associate		**4,601**	4,402
Interest in a jointly controlled entity		**33,276**	31,277
Available-for-sale investments		**5,503**	5,503
Deposits made on acquisition of property, plant and equipment		**77,803**	82,396
Deposit made on formation of an associate		**2,471**	2,471
Deposit made on formation of available-for-sale investment		**8,293**	8,293
		915,884	1,066,467
Current assets			
Inventories		**487,626**	734,065
Trade and other receivables	11	**440,077**	267,475
Amounts due from non-controlling shareholders		**–**	2,471
Loan receivable		**35,065**	72,903
Tax recoverable		**5,281**	1,750
Amount due from a director		**1,584**	–
Investments held-for-trading		**15,395**	51,910
Pledged bank deposits		**2,513**	31,354
Bank balances and cash		**225,405**	253,508
		1,212,946	1,415,436

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30th September, 2013

	Notes	**30.9.2013** **HK$'000** **(unaudited)**	31.3.2013 *HK$'000* (audited)
Current liabilities			
Trade and other payables	*12*	**367,437**	291,456
Amount due to a director		**–**	9,078
Taxation		**5,522**	8,839
Bank borrowings repayable within one year		**263,696**	461,879
		636,655	771,252
Net current assets		**576,291**	644,184
Total assets less current liabilities		**1,492,175**	1,710,651
Non-current liabilities			
Long-term bank loans		**–**	101,522
Government grants		**23,554**	23,206
Deferred taxation		**7,890**	7,890
		31,444	132,618
Net assets		**1,460,731**	1,578,033
Capital and reserves			
Share capital	*13*	**93,932**	93,932
Share premium		**1,683,128**	1,683,128
Other reserves		**511,885**	478,702
Retained profits		**(835,625)**	(686,069)
Equity attributable to equity holders of the Company		**1,453,320**	1,569,693
Non-controlling interests		**7,411**	8,340
Total equity		**1,460,731**	1,578,033

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2013

	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Special reserve *HK$'000*	Other reserve *HK$'000*	Share compen-sation reserve *HK$'000*	Share options reserve *HK$'000*	Translation reserve *HK$'000*	Retained profits *HK$'000*	Attributable to equity holders of the Company *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1st April, 2012 (audited)	94,244	1,688,032	–	53,856	(9,142)	48,100	61,980	311,133	(68,926)	2,179,277	11,824	2,191,101
Exchange differences arising on translation of foreign operations and net investments	–	–	–	–	–	–	–	(16,269)	–	(16,269)	39	(16,230)
Net income recognised directly in equity	94,244	1,688,032	–	53,856	(9,142)	48,100	61,980	294,864	(68,926)	2,163,008	11,863	2,174,871
Profit for the period	–	–	–	–	–	–	–	–	6,690	6,690	(1,269)	5,421
Total recognised income for the period	94,244	1,688,032	–	53,856	(9,142)	48,100	61,980	294,864	(62,236)	2,169,698	10,594	2,180,292
Recognition of equity-settled share-based payments	–	–	–	–	–	–	7,714	–	–	7,714	–	7,714
Repurchase of shares	(312)	–	–	–	(4,905)	–	–	–	–	(5,217)	–	(5,217)
At 30th September, 2012 (unaudited)	**93,932**	**1,688,032**	**–**	**53,856**	**(14,047)**	**48,100**	**69,694**	**294,864**	**(62,236)**	**2,172,195**	**10,594**	**2,182,789**
At 1st April, 2013 (audited)	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
Exchange differences arising on translation of foreign operations and net investments	–	–	–	–	–	–	–	27,970	–	27,970	–	27,970
Net income recognised directly in equity	93,932	1,683,128	312	53,856	(9,307)	48,100	71,728	341,983	(686,069)	1,597,663	8,340	1,606,003
Loss for the period	–	–	–	–	–	–	–	–	(149,556)	(149,556)	(929)	(150,485)
Total recognised income for the period	93,932	1,683,128	312	53,856	(9,307)	48,100	71,728	341,983	(835,625)	1,448,107	7,411	1,455,518
Recognition of equity-settled share-based payments	–	–	–	–	–	–	5,213	–	–	5,213	–	5,213
At 30th September, 2013 (unaudited)	**93,932**	**1,683,128**	**312**	**53,856**	**(9,307)**	**48,100**	**76,941**	**341,983**	**(835,625)**	**1,453,320**	**7,411**	**1,460,731**

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

For the six months ended 30th September, 2013

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.

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2013

	Six months ended	
	1.4.2013 to 30.9.2013	1.4.2012 to 30.9.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**213,799**	48,364
Investing activities		
Interest received	**3,404**	1,503
Sales proceed/(Purchase) of property, plant and equipment	**1,426**	(9,044)
Purchase of prepaid lease payments	**(1,257)**	–
Purchase of intangible assets	**(1,553)**	(416)
Investment of an associate	**–**	254
Advance to an associate	**–**	(11,713)
Deposits paid for acquisition of property, plant and equipment	**(3,953)**	(5,490)
Government grants received	**–**	(132)
Advance to non-controlling shareholders	**2,471**	–
Increase in loan receivable	**37,838**	–
Release of pledged bank deposits	**28,882**	–
Net cash from (used in) investing activities	**67,258**	(25,038)
Financing activities		
Interest paid	**(7,762)**	(5,372)
Repurchase of shares	**–**	(5,217)
Bank loans raised	**(176,242)**	(774,067)
Repayment of bank loans	**(117,657)**	764,331
Repayment of amount due to a director	**(10,662)**	(13,000)
Net cash used in financing activities	**(312,323)**	(33,325)
Net decrease in cash and cash equivalents	**(31,266)**	(9,999)
Cash and cash equivalents at the beginning of period	**253,508**	283,626
Effect of foreign exchange rate changes	**3,163**	(1,449)
Cash and cash equivalents at the end of the period	**225,405**	272,178

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September, 2013

1. GENERAL

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30th September, 2013 have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2013.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretation issued by the HKICPA which are relevant to and effective for the Group's financial statements for the annual period beginning on 1st April, 2013.

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

For the six months ended 30th September, 2013

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interest in other entities: Transition guidance
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKFRS 7	Disclosures – offsetting financial assets and financial liabilities
Amendments to HKAS 1	Presentation of items of other comprehensive income
Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle

Except as described below, the application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. The impact of the application of these standards is set out below.

New and Revised Standards on Consolidation, Joint Arrangements, Associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

Impact of the Application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – INT 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

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

For the six months ended 30th September, 2013

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impact of the Application of HKFRS 10 *(Continued)*

The directors of the Company concluded that the application of HKFRS 10 has no impact to the control conclusion over its investees they reached before.

Impact of the Application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, HK(SIC)-Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of which is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The application of HKFRS 11 did not have significant impact on amounts reported in the condensed consolidated financial statements.

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

For the six months ended 30th September, 2013

3. PRINCIPAL ACCOUNTING POLICIES *(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. The adoption of HKFRS 13 does not result in significant impact on the disclosures made in the 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. Accordingly, the Group has renamed the consolidated statement of comprehensive income to consolidated statement of profit or loss and other comprehensive income.

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

For the six months ended 30th September, 2013

4. TURNOVER AND SEGMENT INFORMATION

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

LED decorative lighting	–	manufacture and distribution of LED decorative lighting products
LED general illumination lighting	–	manufacture and distribution of LED general illumination lighting products
Incandescent decorative lighting	–	manufacture and distribution of incandescent decorative lighting products
Entertainment lighting	–	manufacture and distribution of entertainment lighting products
All others	–	distribution of lighting product accessories

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

Segment Information

Business segment

	Six months ended	
	1.4.2013 to 30.9.2013	1.4.2012 to 30.9.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Turnover		
LED Decorative Lighting	**289,613**	303,362
LED General Illumination Lighting	**151,186**	153,045
Incandescent Decorative Lighting	**62,005**	51,819
Entertainment Lighting	**28,883**	20,195
All others	**8,905**	3,097
	540,592	531,518
Gross (Loss) Profit		
LED Decorative Lighting	**(49,223)**	72,807
LED General Illumination Lighting	**(31,362)**	41,432
Incandescent Decorative Lighting	**(13,925)**	9,559
Entertainment Lighting	**(2,939)**	3,797
All others	**(368)**	384
	(97,817)	127,979

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

For the six months ended 30th September, 2013

4. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment Information *(Continued)*

Business segment *(Continued)*

	Six months ended	
	1.4.2013 to 30.9.2013	1.4.2012 to 30.9.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Results		
(Loss)/Profit from operations		
LED Decorative Lighting	**(99,214)**	28,017
LED General Illumination Lighting	**(57,459)**	15,943
Incandescent Decorative Lighting	**(24,628)**	3,678
Entertainment Lighting	**(7,925)**	1,461
All others	**(1,904)**	148
	(191,130)	49,247
Unallocated other income	**5,063**	2,650
Unallocated other gains, losses and expenses	**63,594**	10,274
Unallocated expenses	**(22,047)**	(53,583)
Finance costs	**(7,760)**	(5,372)
Share of profit of a jointly controlled entity and an associate	**1,998**	2,788
(Loss)/Profit before taxation	**(150,282)**	6,004
Taxation	**(203)**	(543)
(Loss)/Profit for the period	**(150,485)**	5,461

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

For the six months ended 30th September, 2013

4. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment Information *(Continued)*

Geographical segment

	Six months ended 1.4.2013 to 30.9.2013 HK$'000 (unaudited)	1.4.2012 to 30.9.2012 HK$'000 (unaudited)
Turnover		
America	**264,303**	232,468
Europe	**93,581**	102,618
The PRC	**70,300**	96,989
Russia	**46,110**	19,329
Asia Pacific and Middle East (excluding PRC)	**66,298**	78,820
All others	**–**	1,294
	540,592	531,518
Gross (Loss) Profit		
America	**(46,543)**	60,442
Europe	**(10,640)**	25,654
The PRC	**(19,122)**	16,653
Russia	**(3,581)**	4,832
Asia Pacific and Middle East (excluding PRC)	**(17,931)**	20,086
All others	**–**	312
	(97,817)	127,979

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

For the six months ended 30th September, 2013

4. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment Information *(Continued)*

Geographical segment *(Continued)*

	Six months ended 1.4.2013 to 30.9.2013 HK$'000 (unaudited)	Six months ended 1.4.2012 to 30.9.2012 HK$'000 (unaudited)
Results		
(Loss)/Profit from operations		
– America	**(100,353)**	12,625
– Europe	**(22,969)**	13,023
– The PRC	**(31,950)**	9,383
– Asia Pacific and Middle East (excluding PRC)	**(35,858)**	14,041
– Others	**–**	175
	(191,130)	49,247
Unallocated other income	**5,063**	2,650
Unallocated other gains, losses and expenses	**63,594**	10,274
Unallocated expenses	**(22,047)**	(53,583)
Finance costs	**(7,760)**	(5,372)
Share of profit of a jointly controlled entity and an associate	**1,998**	2,788
(Loss)/Profit before taxation	**(150,282)**	6,004
Taxation	**(203)**	(543)
(Loss)/Profit for the period	**(150,485)**	5,461

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

For the six months ended 30th September, 2013

5. OTHER GAINS, LOSSES AND EXPENSES

	Six months ended	
	1.4.2013 to 30.9.2013	1.4.2012 to 30.9.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	**110,739**	578
(Net allowance) net written back for bad and doubtful debts	**(26,748)**	12,496
Research and development costs	**(8,663)**	(8,993)
(Decrease) increase in fair value of investments held-for-trading	**(612)**	5,771
Government grants	**–**	31
Net exchange (loss) gain	**(11,122)**	391
	63,594	10,274

6. (LOSS)/PROFIT BEFORE TAXATION

	Six months ended	
	1.4.2013 to 30.9.2013	1.4.2012 to 30.9.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss)/Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**31,454**	88,672
Less: Depreciation included in research and development costs	**(725)**	(954)
	30,729	87,718
Amortisation of intangible assets	**388**	1,059
Research and developments costs	**3,348**	1,263
Operating lease rentals in respect of		
– prepaid lease payments	**855**	1,101
– rented premises	**2,202**	187
and after crediting:		
Interest income	**3,404**	1,503
Property rental income before deduction of negligible outgoings	**1,402**	603

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

For the six months ended 30th September, 2013

7. TAXATION

	Six months ended	
	1.4.2013 to 30.9.2013	1.4.2012 to 30.9.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")	**(203)**	(543)

The PRC Enterprise Income Tax and overseas taxation are calculated at the rates prevailing in the respective jurisdictions while Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profit for the period.

8. DIVIDEND

No interim dividend will be paid for the six months ended 30th September 2013 (September 2012: Nil).

9. (LOSS)/EARNINGS PER SHARE

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

	Six months ended	
	1.4.2013 to 30.9.2013	1.4.2012 to 30.9.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss)/Earnings		
(Loss)/Profit attributable to equity holders of the Company	**(149,556)**	4,231
Weighted average number of ordinary shares in issue	**939,319,694**	939,319,694
Basic (loss)/earning per share	**HK$(0.159)**	HK$0.005
Weighted average number of ordinary shares for diluted earning per share	**939,319,694**	939,319,694
Diluted (loss)/earning per share	**HK$(0.159)**	HK$0.005

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

For the six months ended 30th September, 2013

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK$8,400,000 (30th September, 2012: HK$17,200,000) on additions to property, plant and equipment to expand and upgrade its manufacturing capabilities, of which buildings nil (30th September, 2012: nil), leasehold improvement HK$1,500,000 (30th September, 2012: HK$4,700,000), furniture, fixture and equipment HK$1,200,000 (30th September, 2012: HK$400,000), motor vehicles HK$300,000 (30th September, 2012: nil), plant and machinery HK$3,500,000 (30th September, 2012: HK$4,500,000), mould HK$600,000 (30th September, 2012: HK$2,200,000), construction in progress nil (30th September, 2012: HK$5,400,000), land use right HK$1,300,000 (30th September, 2012: nil).

11. TRADE AND OTHER RECEIVABLES

	30.9.2013 ***HK$'000*** **(unaudited)**	31.3.2013 *HK$'000* (audited)
Trade receivables	**329,922**	190,645
Bills receivables	**32,306**	9,631
Less: Allowance for bad and doubtful debts	**(87,498)**	(72,131)
	274,730	128,145
Deposits paid to suppliers	**48,225**	34,699
Value added tax refundable on export sales	**60,717**	60,073
Value added tax recoverable	**21,641**	12,383
Other receivables	**34,764**	32,175
	440,077	267,475

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

For the six months ended 30th September, 2013

11. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	30.9.2013	31.3.2013
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Age		
0 to 60 days	**184,028**	41,834
61 to 90 days	**30,245**	13,758
91 to 180 days	**38,056**	48,169
181 to 360 days	**22,401**	24,384
	274,730	128,145

12. TRADE AND OTHER PAYABLES

	30.9.2013	31.3.2013
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**178,007**	122,186
Bills payables	**7,442**	6,554
	185,449	128,740
Customers' deposits	**49,816**	33,014
Payroll and welfare payables	**14,849**	22,399
Payables for acquisition of property, plant and equipment	**3,692**	3,647
Other tax payables	**16,817**	22,645
Obligation under onerous contract in connection with acquisition of property, plant and equipment	**36,381**	36,381
Other payables	**60,433**	44,630
	367,437	291,456

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

For the six months ended 30th September, 2013

12. TRADE AND OTHER PAYABLES *(Continued)*

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

	30.9.2013	31.3.2013
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Age		
0 to 30 days	**39,832**	16,848
31 to 60 days	**45,355**	11,047
61 to 90 days	**34,195**	35,462
91 to 120 days	**21,929**	40,803
121 to 360 days	**25,196**	13,556
Over 1 year	**18,942**	11,024
	185,449	128,740

13. SHARE CAPITAL

	Number of Shares		**Share capital**	
	30.9.2013	31.3.2013	**30.9.2013**	31.3.2013
			HK$'000	*HK$'000*
			(unaudited)	(audited)
Ordinary Shares of HK$0.10 each				
Authorised	**5,000,000,000**	5,000,000,000	**500,000**	500,000
At beginning of the period	**939,319,694**	939,319,694	**93,932**	93,932
At end of the period	**939,319,694**	939,319,694	**93,932**	93,932

None of the Company or its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six-month period ended 30th September, 2013.

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

For the six months ended 30th September, 2013

14. SHARE OPTIONS

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

	Number of share options	
	30.9.2013	31.3.2013
	(unaudited)	(audited)
Outstanding at the beginning	**50,386,000**	45,453,000
Granted during the period/year	**–**	10,873,000
Forfeited during the period/year	**(2,115,000)**	(5,940,000)
	48,271,000	50,386,000

The weighted average exercise price of options forfeited during the year and outstanding at the balance sheet date 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, 10,873,000 share options were granted on 14th December, 2012 with an aggregate estimated fair value of HK$9,139,000. The closing price immediately before the date on which the options were granted was HK$1.99 per share.

These fair values were calculated using the Binomial option pricing model.

15. CAPITAL COMMITMENTS

	30.9.2013	31.3.2013
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**56,421**	46,224

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

For the six months ended 30th September, 2013

16. RELATED PARTY TRANSACTIONS

During the Review Period, the Group sold goods totalling HK$77,000 (September, 2012: HK$1,949,000) to its associates and jointly controlled entity.

During the Review Period, the emoluments to the Company's Directors, who are the Group's key management, were HK$707,000 (September, 2012: HK$783,000). During the Review Period, the Chairman and other Director have waived their emoluments of HK$2,160,000 and HK$540,000 in relation to their services respectively.