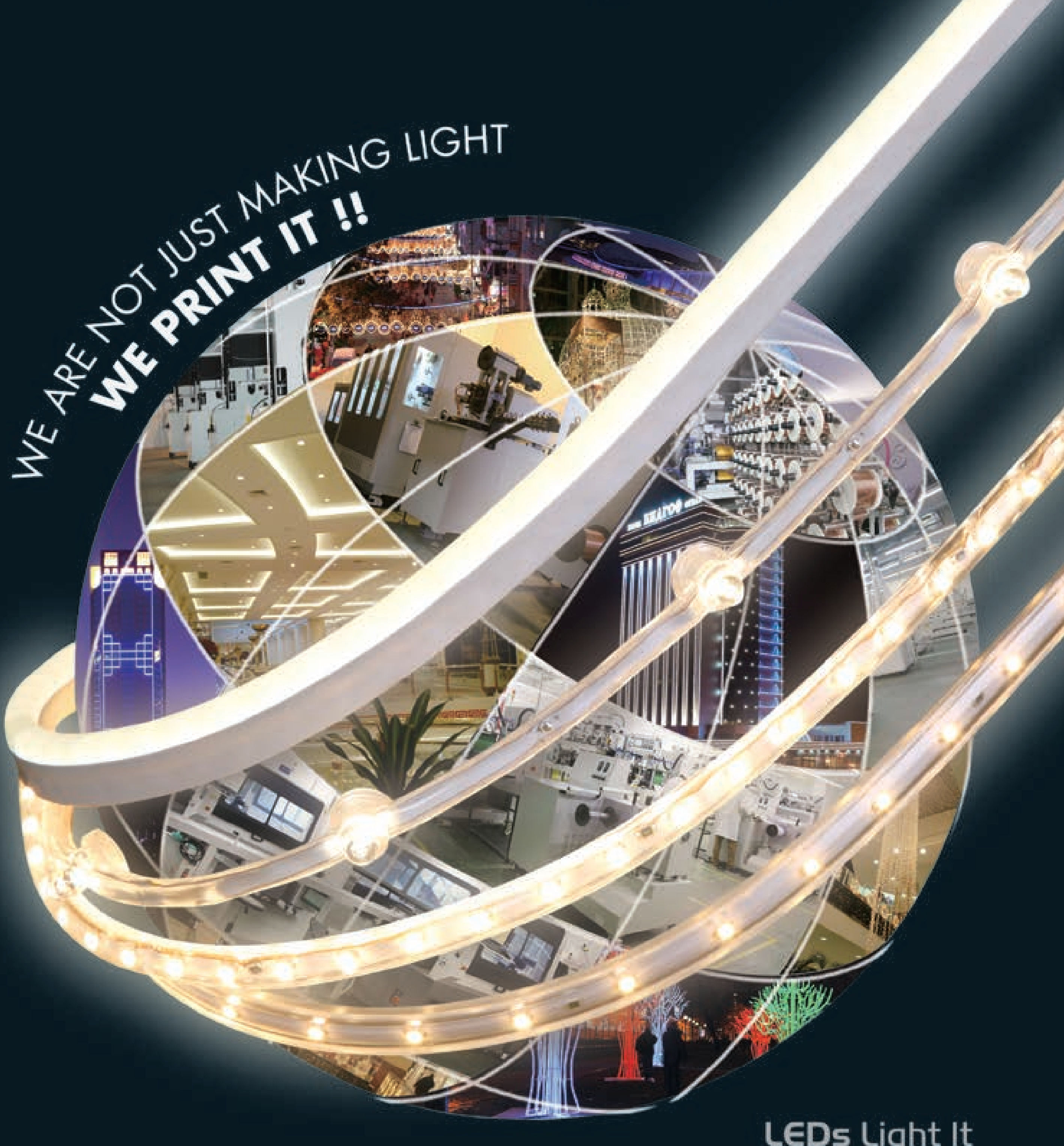
Neo-Neon®

NEO-NEON HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1868.HK; 911868.TDR
NEO-NEON was found in 1978

2013/14 ANNUAL REPORT

Professional LED product research, development and production.



LEDs Light It

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

Mr. SUEN Man Tak, Stephen
(appointed on 23 August 2013)
Mr. WENG Shih Yuan
Mr. WONG Kon Man, Jason
Ms. LIU Sheng Ping
Mr. ZHAO Shan Xiang
(retired on 12 August 2013)

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)*
Ms. Michelle WONG
Mr. WONG Kon Man, Jason
Mr. WENG Shih Yuan
Mr. SUEN Man Tak, Stephen

REGULATORY COMPLIANCE COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Ms. Michelle WONG
Mr. CHAN Cheung

COMPANY SECRETARY

Mr. CHAN Cheung

HONG KONG BRANCH SHARE REGISTRAR

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

AUDITOR

KPMG

LAWYERS

Minter Ellison Lawyers
Level 25, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

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

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

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" or "Neo-Neon") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2014.

BUSINESS REVIEW

Hampered by the continuous economic uncertainties around the globe caused by the sovereign debt crises in the U.S.A and Europe, as well as over-investment and intense market competition, the performance of Neo-Neon in 2014 was not satisfactory. In order to consolidate our leading position in the research and development ("R&D"), manufacture and distribution of decorative lighting products, LED lighting and entertainment lighting products, we will continue to fully leverage our finance and operating strengths to seize opportunities and improve the return of the business divisions of our operation.

The Group's turnover for the year ended 31 March 2014 increased by 1.7%. 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 allowance for inventories, rise in production costs as well as prudent order taking, our gross loss ratio increased to 29.5% as compared to a gross profit ratio of 11.9% for the previous year, with the loss for the year attributable to owners of the Company of HK$0.83 billion, representing an increase of 34.7% over the previous year. The loss for year attributable to owners of the Company was mainly attributable to 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, we have still made provision for assets this year, which resulted in a substantial loss. The Group has taken effective measures to perk up the overall operation efficiency in order to achieve progress amidst stability and achieve satisfactory results.

TSINGHUA TONGFANG'S CONDITIONAL SUBSCRIPTION OF THE SHARES IN THE COMPANY

I would like to summarise the announcements dated 25 March 2014 and 13 May 2014, in which the Company announced that on 19 March 2014 the Company has entered into a subscription agreement (the "Subscription Agreement") with THTF Energy-Saving Holdings Limited (the "Subscriber"), an indirect wholly-owned subsidiary of Tsinghua Tongfang Co., Ltd. ("Tsinghua Tongfang"), pursuant to which, the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe in cash for an aggregate of 1,000,000,000 subscription shares (the "Subscription Shares") at the subscription price of HK$0.90 per Subscription Share (the "Subscription"). The 1,000,000,000 Subscription Shares represent approximately 106.5% of the number of issued shares of the Company and approximately 51.6% of the total number of issued shares as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the total number of issued shares other than the allotment and issue of the Subscription Shares since the date of the Subscription Agreement and up to completion).

The independent board committee, comprising all the independent non-executive directors of the Company (the "Directors"), namely Mr. Wong Kon Man, Jason, Mr. Weng Shih Yuan, Ms. Liu Shengping and Mr. Suen Man Tak, Stephen, was formed to advise the independent shareholders as to the fairness and reasonableness of the terms of the Subscription and the Whitewash Waiver (as defined below) and as to voting. Proton Capital Limited was appointed as the independent financial adviser to advise the independent board committee and the independent shareholders in this regard. Details of the Subscription together with the advice from each of the independent board committee and the independent financial adviser are contained in the circular dated 16 May 2014 jointly issued by the Company and the Subscriber.

The Company held an extraordinary general meeting on 10 June 2014 (the "EGM") in order to seek approval from the independent shareholders on the resolutions in relation to the Subscription Agreement (including the specific mandate) and the transactions contemplated thereunder as well as a waiver in respect of the obligations of the Subscriber and parties acting in concert with it to make a general offer for all the securities of the Company not already owned or agreed to be acquired by the Subscriber or parties acting in concert with it which might otherwise arise as a result of the Subscription pursuant to the Subscription Agreement (the "Whitewash Waiver").

During the EGM, the first ordinary resolution to approve, confirm and ratify the Subscription Agreement was duly passed but the second ordinary resolution to approve the Whitewash Waiver was not passed by the independent shareholders by way of poll.

On 18 June 2014, the board of directors of Tsinghua Tongfang (the "THTF Board"), approved, among other things, that the Subscriber will agree to proceed with the Subscription subject to certain conditions, including the relevant resolutions having been passed at the shareholders' meeting of Tsinghua Tongfang and financing of the transaction having been obtained by the Subscriber and according to the announcement dated 2 July 2014 published by the Subscriber, on 1 July 2014, the THTF Board held another meeting and passed, among other things, a resolution to authorize the THTF Board, or the chairman of the THTF Board as and when applicable, to decide whether or not to proceed with the Subscription and/or make any adjustment to the proposed terms in relation to the Subscription, including waiving certain condition in the event that such condition is not fulfilled. Details of these resolutions are set out in the announcement dated 18 June 2014 jointly issued by the Company and the Subscriber and the announcement dated 2 July 2014 issued by the Subscriber.

I am of the view that the Subscription represents a valuable opportunity for the Group to bring in a solid strategic corporate investor which has extensive experience, strong expertise and a wide business network in the industry. The ultimate beneficial owner of the Subscriber, Tsinghua Tongfang, is a renowned high-tech enterprise in the People's Republic of China ("PRC"). It possesses the capabilities to manufacture upstream LED chips and wafers based on its 59 sets of MOCVD equipment. Furthermore, Tsinghua Tongfang has strong technical strength and global sales network in the related applications industries such as multi-media television industry, computer industry, intelligent building industry and energy saving industry. By leveraging on the experience and resources of the Subscriber (and its affiliates) in the areas of multi-media television industry, computer industry, intelligent building industry, energy saving industry and lighting industry to widen the scope of application of the Group's LED lighting products, and banking on the strong technical strength and worldwide business network of Tsinghua Tongfang in the abovementioned areas, it is believed that the introduction of Tsinghua Tongfang as a strategic investor of the Group can support the rapid development and expansion of the Group's businesses. Besides, the implementation of the standard management system adopted by Tsinghua Tongfang can enhance the corporate governance of the Group and create more room for the Group to diversify its business structure in the future. I consider that the signing of the Subscription Agreement represents a good opportunity to (i) raise a substantial amount of additional funds for the Company; (ii) improve the financial position and liquidity of the Group; and (iii) provide the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective investment opportunity as and when it arises. After considering (i) the strong technical strength and global business network of the parent company of the Subscriber (i.e. Tsinghua Tongfang) in the related applications industries such as multi-media television industry, computer industry, intelligent building industry and energy saving industry; and (ii) a substantial amount of additional funds brought by the Subscription to the Company, I am confident that the Subscriber will bring additional resources and investment opportunities to the Company which are beneficial to the Company and the shareholders as a whole. I am therefore of the view that the Subscription is in the interest of the Company and the shareholders as a whole.

The gross proceeds from the Subscription would amount to HK$900 million. The net proceeds, after taken into account the estimated expenses in relation to the Subscription, would be approximately HK$896.80 million, representing a net price of approximately HK$0.897 per subscription share. The board of Directors of the Company (the "Board") was informed by the Subscriber that (i) 35% of the net proceeds is to be used for taking up potential investment/acquisition opportunities (including the relevant addition of products and technologies, strategic acquisition and alliance) in the future; (ii) 10% of the net proceeds is to be used for improving the R&D capability of the Group; (iii) 15% of the net proceeds is to be used for expanding the Group's business in overseas markets (especially the European and U.S. markets); (iv) 10% of the net proceeds is to be used for enhancing sales and marketing efforts of the Group in the Chinese market; (v) 15% of the net proceeds is to be used for improving the production capacity of the Group; and (vi) 15% of the net proceeds is to be used for additional working capital of the Group. Upon completion, the Subscriber will conduct a detailed review on the business operation of the Group. Save as disclosed above, there is no specific plan on future development and expansion of the lighting products business scale in the Chinese and global LED lighting market for the Subscriber as at the date of this report. Furthermore, as at the date of this report, the Subscriber has not identified any specific acquisition target.

PROSPECT

Looking ahead to the future, Asian countries will continue to lead the global economic growth. With the further deepening and expansion of our existing LED business segment with a view to achieving economy of scale, we expect that expenditure will increase along with inflation and revenue. Thanks to the sound balance sheet and gearing position, in the event that selective acquisition opportunities arise and the macro-economic environment further deteriorates unexpectedly, we will be able to cope with ease.

Notwithstanding the potential economic downturn, we are confident with our continuous business development in 2015. On behalf of the Board and management of the Group, we hereby share our business performance in 2014 and our plan in 2015 with you. We hope that we can create a higher value for the shareholders in the coming year.

It is well known that LED lights have been identified as the most important energy-saving products in the 21st century. Neo-Neon started to develop and manufacture 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 function and 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. In anticipation of the overflowing market demand, 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.

APPRECIATION

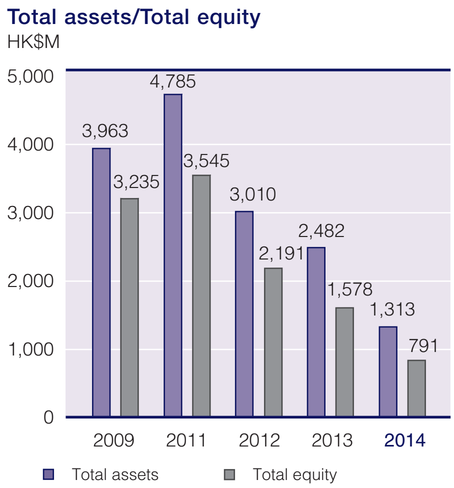
On behalf of the Board, I would like to thank all our staff for their efforts and contributions in achieving the Group's objective of striving for excellence. We would also express our heartfelt gratitude to our shareholders, customers, suppliers, government bodies and business partners for their precious 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!

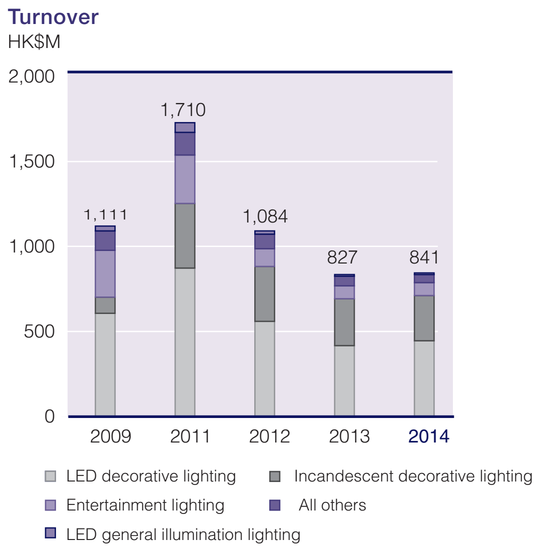
Ben Fan
Chairman

Hong Kong, 25 June 2014

FINANCIAL HIGHLIGHTS

Expressed in HK$ million	2009	2011*	Year 2012	2013	**2014**
Turnover	1,111	1,710	1,084	827	**841**
Gross profit (loss)	382	582	(585)	98	**(248)**
(Loss) profit attributable to owners of the Company	158	117	(1,430)	(617)	**(831)**
EBITA	307	331	(1,230)	(431)	**(731)**
Total assets	3,963	4,785	3,010	2,482	**1,313**
Total equity	3,235	3,545	2,191	1,578	**791**
Gross profit (loss) margin	34.4%	34.0%	(53.9%)	11.9%	**(29.5%)**
Net (loss) profit margin	14.2%	6.6%	(132.0%)	(74.6%)	**(98.8%)**
(Loss) EPS – basic (HK cents)	19.5	12.7	(151.8)	(65.7)	**(88.4)**





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

DIRECTORS, AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Ben FAN (樊邦弘)

Mr. Ben FAN, aged 60, is the founder, a substantial shareholder and the Chairman of the Group. Mr. Ben FAN is the husband of Ms. Michelle WONG and the father of Miss Camielle FAN. He is the elder brother of Mr. FAN Pong Yang. 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. Michelle WONG, aged 50, is a substantial shareholder of the Company. She is the wife of Mr. Ben FAN and the mother of Miss Camielle FAN, Ms. WONG is the sister in law of Mr. FAN Pong Yang. 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 25 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 Pong Yang, aged 58, is the younger brother of Mr. Ben FAN and the brother-in-law of Ms. Michelle WONG. He is the uncle of Miss Camielle 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 Kon Man, Jason, aged 50, 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"). He 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. SUEN Man Tak, Stephen (孫文德)

Mr. SUEN Man Tak, Stephen, aged 56, holds a Bachelor's Degree in Social Science (Economics), a Master 's Degree in Accountancy, a Juris Doctor and Postgraduate Certificate in Laws. Apart from being a member of the Hong Kong Institute of Certified Public Accountants and Hong Kong Securities and Investment Institute, Mr. SUEN is also a member of Hong Kong Bar Association and is now in private practice. He had served with the Securities and Futures Commission for 18 years and was a Director of Enforcement from 1999 to 2007. Mr. SUEN was the deputy managing director and executive director of Upbest Group Limited, a company listed on the Stock Exchange, (Stock Code: 335) from 2007 to May 2012. He was re-designated and has been a non-executive director of Upbest Group Limited (Stock Code: 335) since June 2012. Mr. SUEN was appointed as an independent non-executive Director in August 2013.

Mr. WENG Shih Yuan (翁世元)

Mr. WENG Shih Yuan, aged 59. 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 Sheng Ping, aged 57, 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 and Zhejiang Sunshine Lighting & Electrical Group Co., Ltd., a company listed on the Shanghai Stock Exchange. Ms. LIU was appointed as an independent non-executive Director in January 2012.

SENIOR MANAGEMENT

Mr. CHAN Cheung (陳璋)

Mr. CHAN Cheung, aged 58, joined the Group as the chief financial officer, chief investor relationship officer and the company secretary of the Group (the "Company Secretary") in April 2009. He is an associate member of the Hong Kong Institute of Certified Public Accountants and 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 Degree in Social Science, majoring in Economic. Mr. Chan has over 30 years of experience in financial, taxation and general management with both international banking and manufacturing organisations in various fields and industries.

Mr. CHIEN Tang Hao (錢塘豪)

Mr. CHIEN Tang Hao, aged 49, joined the Group in 1992 and is currently chief operating officer of the Group and chief executive officer 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. JANG Jann Huan (張震寰)

Mr. JANG Jann Huan, aged 59, joined the Group in 2000 and is currently the investor relationship director of the Group and chief executive officer of the Group's United States of America District. 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 chief executive officer in August 2009.

Mr. LIN Chia Kuang (林家光)

Mr. LIN Chia Kuang, aged 52, joined the Group in 2009. He is currently general manager of lighting department of American Lighting, a wholly-owned subsidiary of the Group. Mr. Lin graduated from Soochow University (Taiwan) in 1983. Mr. Lin has more than 19 years of sales and marketing experience in lighting industries.

Miss Camielle FAN (樊毓秀)

Miss Camielle FAN, aged 26, is the daughter of Mr. Ben FAN and Ms. Michelle WONG and the niece of Mr. FAN Pong Yang. She joined the Company in 2011 and is chief executive officer 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 CEMS in International Management from the London School of Economics and Political Science.

Mr. CHANG Chih Tai (張知泰)

Mr. CHANG Chih Tai, aged 46, joined the Group in 2010 and is currently the vice president of Marketing Department. 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. LIU Ying Chieh (劉英傑)

Mr. LIU Ying Chieh, aged 51, joined the Group in September 2009 and is currently chief executive officer of LED chip packaging division. Mr. Liu has more than 22 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. DENG Wei Min (鄧偉民)

Mr. DENG Wei Min, aged 52, 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. CHEUNG Bing-Xin (張炳炘)

Mr. CHEUNG Bing-Xin, aged 54, is the Internal Audit and Internal Control Director of the Group. He joined the Group in December 2012 and is also responsible for the efficiencies of human resources and business development of the Group. Mr. Cheung had more than 16 years working experience with listed companies in the PRC, Hong Kong and Taiwan in the management and financial planning capabilities in the Asia Pacific. He holds a master degree in Statistics from West Florida State University in 1988.

Mr. CHEN Yuh Wen (陳郁文)

Mr. CHEN Yuh Wen, aged 58, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 March 2014 the Group's turnover was HK$840.7 million (2013: HK$827.0 million), representing an increase of 1.7%, mainly due to the 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 year ended 31 March 2014 (the "Review Period"), customer orders were more conservative, with the continued research and development efforts in new LED products resulting in a small increase in sales order; and decrease of market price, as a result of intense competition. Gross loss of the Group was HK$247.6 million for 2014 (2013: Gross profit HK$98.2 million), showing a decrease of 352.1%. Loss attributable to owners of the Company increased from HK$616.8 million in 2013 to HK$830.7 million in 2014. Basic loss per share was HK cents 88.4 for 2014 (2013: HK cents 65.7).

Turnover

(a) By product category

(i) LED decorative lighting products

The Group's turnover from LED in decorative lighting recorded HK$448.7 million in 2014 (2013: HK$416.2 million), showing an increase of 7.8%. 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 its market leader position in the aforesaid industry.

(ii) LED general illumination lighting products

The turnover from LED in general illumination lighting amounted to HK$263.1 million in 2014 (2013: HK$273.2 million), showing a decrease of 3.7%. 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$69.2 million in 2014 (2013: HK$70.6 million), showing a decrease of 2.0%. 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$48.3 million in 2014 (2013: HK$58.3 million), showing a decrease of 17.2%. 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$32.4 million for 2014 (2013: HK$39.0 million), representing a decrease of HK$6.6 million or 16.9%. Due to the weakening global demand and fierce competition in LED lighting industry, the turnover from the PRC was HK$144.5 million in 2014 (2013: HK$213.1 million), showing a decrease of HK$68.6 million or 32.2%. The turnover from United States of America recorded HK$197.9 million for 2014 (2013: HK$181.0 million), representing an increase of HK$16.9 million or 9.3%. The turnover from other countries reached HK$365.7 million in 2014 (2013: HK$293.7 million), showing an increase of HK$72.0 million or 24.5%.

Cost of Goods Sold

The cost of goods sold was HK$1,088.3 million, representing an increase of 49.3% from HK$728.8 million as compared to 2013. The increase was mainly due to rising labour costs by HK$11.5 million or 14.9%, resulting from raise of wages; and increase in material costs of HK$329.5 million or 73.2% mainly resulting from impairment provision for inventory of HK$251.2 million (2013: HK$164.3 million) for items that were identified as obsolete, slow-moving and for inventories with net realizable values lower than their carrying amounts taking into account 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 gross loss and gross loss margin was HK$247.6 million or negative 29.5% (2013: The gross profit and gross profit margin was HK$98.2 million or 11.9%), representing a decrease of HK$345.8 million or 352.0%. The loss was mainly because of (i) weak global demand, where customer orders were more conservative, with the continued research and development efforts in new LED products 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$11.5 million from HK$77.7 million in 2013 (9% of sales ratio) to HK$89.2 million (11% of sales ratio), due to low-level of sales and increase in average wages level; and (iv) impairment provision for inventory of HK$251.2 million (2013: HK$164.3 million).

Other Gains, Losses and Expenses

Other gains, losses and expenses showed a gain of HK$26.0 million in 2014 (2013: loss of HK$15.5 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 New East Ocean Centre, No. 9 Science Museum Road, Tsim Sha Tsui East, Hong Kong amounting to HK$105.8 million. The purchaser of the property is a property holding company and its ultimate beneficial owners are independent unrelated parties (2013: HK$16.0 million); (ii) net allowance for receivables of HK$31.7 million, compared to the net reversal for receivables of HK$23.8 million in 2013; (iii) loss on obligations under onerous contracts in connection with acquisition of property, plant and equipment of nil in 2014 (2013: HK$33.9 million); and (iv) compensation relating to litigation of HK$7.0 million in 2014 (2013: HK$12.3 million).

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 31 March 2014 the amount of impairment losses recognised in respect of property, plant and equipment is HK$323.9 million (2013: HK$396.5 million). Details about impairment losses provided during the year and basis thereon are set out in note 8 to the financial statements.

Operating Expenses

The distribution and selling expenses mainly comprised 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 increased from HK$93.2 million in 2013 to HK$93.9 million in 2014 representing an increase of HK$0.7 million or 0.8%.

The administrative expenses mainly comprised staff costs and Directors remuneration, depreciation charge, professional and legal fee and business tax. The administrative expenses decreased from HK$215.2 million in 2013 to HK$179.9 million in 2014 representing a decrease of HK$35.3 million or 16.4%. The decrease was mainly attributable to: (i) a decrease of HK$22.2 million or 62% in depreciation during the year; and (ii) a decrease of HK$32.4 million or 29.8% in salary during the period, due to about 21% decreased in sales and administrative personnel.

Change in Fair Value of Investment Properties

In 2014, the change in fair value of investment properties recorded an increase of HK$1.8 million (2013: a decrease of HK$0.2 million). Such change was explained by an increase in fair value of an investment property in Guangzhou, the PRC.

Finance Costs

The finance costs decreased to HK$16.7 million in 2014 (2013: HK$17.9 million), owing to repayment of bank borrowing subsequent to the disposal of its Hong Kong office and exhibition hall on ground floor and basement level 1 located at the New East Ocean Centre, No. 9 Science Museum Road, Tsim Sha Tsui East, Hong Kong.

Taxation

For 2014, the Group's tax credit of HK$1.5 million (2013: tax charge HK$2.4 million) included PRC Enterprise Income Tax credit of nil (2013: tax charge HK$0.4 million), tax charge in other overseas jurisdictions of HK$0.2 million (2013: HK$4.9 million), over-provision of taxation in prior years of HK$0.2 million (2013: HK$1.3 million) and deferred taxation of HK$1.5 million (2013: HK$1.5 million).

Loss Attributable to Owners of the Company

For 2014, the loss attributable to owners of the Company amounted to HK$830.7 million (2013: HK$616.8 million). The increase was mainly attributable to (i) impairment losses of HK$323.9 million (2013: HK$396.5 million) recognized in respect of property, plant and equipment; (ii) impairment losses recognized in respect of goodwill of HK$0.7 million (2013: nil) and deposit made on acquisition of available-for-sale investments of HK$8.3 million (2013: nil); (iii) gross margin has shrank due to the surging labour costs and operating expenses; and (iv) allowance for inventories of HK$251.2 (2013: HK$164.3) and allowance for bad and doubtful debts of HK$31.7 million (2013: reversal of allowance HK$23.8 million) in light of the worsening economic conditions. The overall net loss margin increased from 74.6% in 2013 to 98.8% in 2014.

FINANCIAL RESOURCES AND LIQUIDITY

Cash Flows

Cash outflow from operating activities in 2014 was HK$37.7 million (2013: HK$132.2 million). Cash inflow from investing activities in 2014 was HK$255.3 million (2013: HK$85.8 million). Cash outflow from financing activities in 2014 was HK$367.5 million (2013: cash inflow HK$15.8 million). Cash outflow from operating activities in 2014 was mainly due to a decrease in inventories of about HK$344.2 million and decrease in trade and other receivables of about HK$21.8 million. Cash outflow from financing activities was mainly due to decrease in new bank loans raised of about HK$316.7 million in 2014 (2013: HK$567.4 million). An overall net decrease in cash and cash equivalents in 2014 was credit HK$149.8 million (2013: HK$30.6 million). The Group's major financial resources derived from cash generated from investing activities.

Assets and Liabilities

As at 31 March 2014 the Group's current assets and non-current assets were HK$828.1 million (as at 31 March 2013: HK$1,415.4 million) and HK$484.9 million (as at 31 March 2013: HK$1,066.5 million) respectively. The decrease in non-current assets was mainly due to a decrease in property, plant and equipment of HK$491.2 million as a result of impairment loss charged during the year. As at 31 March 2014 the Group's current liabilities and long-term liabilities were HK$495.1 million (as at 31 March 2013: HK$771.3 million) and HK$26.5 million (as at 31 March 2013: HK$132.6 million) respectively. The decrease in current liabilities was mainly due to decrease in new bank loans raised in 2014. As at 31 March 2014 the Group's bank balance and cash was HK$113.4 million (as at 31 March 2013: HK$253.5 million). The Group's gearing ratio decreased from 35.7% as at 31 March 2013 to 28.0% as at 31 March 2014 (Basis: consolidated total bank loans divided by consolidated total equity). The decrease in gearing was mainly due the reduction of bank loan raised and increase in repayment of bank loans in 2014.

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 31 March 2014 the Group had pledged certain of its land and buildings with an aggregate carrying value of HK$80.6 million (as at 31 March 2013: HK$312.4 million), certain of its trade receivables and inventories with an aggregate carrying value of HK$34.1 million (as at 31 March 2013: HK$34.1 million), and also bank deposits of aggregate carrying value of HK$44.4 million (as at 31 March 2013: HK$31.4 million) to secure bank credit facilities granted to the Group.

CAPITAL COMMITMENTS

As at 31 March 2014 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$16.0 million (as at 31 March 2013: HK$42.5 million); ii) acquisition of an associate of nil (as at 31 March 2013:HK$0.6 million); and iii) acquisition of an available-for-sale investment of nil (as at 31 March 2013: HK$3.2 million).

CONTINGENT LIABILITIES

At the end of the Review 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 31 March 2014 the issued share capital of the Company was HK$93,931,969 (as at 31 March 2013: HK$93,931,969), divided into 939,319,694 (2013: 939,319,694) ordinary shares of HK$0.10 each.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

On 10 June 2013, Melrose Holdings Limited, a wholly-owned subsidiary of the Company and Goldic Holdings Limited, an independent third party, entered into the sale and purchase agreement for the disposal of the property on ground floor and basement level 1 at the New East Ocean Centre, No. 9 Science Museum Road, Tsim Sha Tsui East, Hong Kong at a consideration of HK$238,000,000. The disposal was completed on 8 August 2013.

BUSINESS REVIEW

Currently, the global lighting industry is going through a transformation period towards LED. Under the combined forces of domestic and overseas market demands and domestic industry policies, the LED lighting products market in China has developed at a faster pace. With the gradual shift of global LED production centers towards China, it has become the world's fastest growing country in terms of the development of semiconductor lighting industry. As the notion of energy-saving and environmental protection took root in public's consciousness, the "green" attribute of LED lighting became widely-accepted by the market. However, LED lighting industry is still a budding industry, especially with regard to lighting applications industry which is characterized by a fierce price competition among numerous enterprises. As a result, most LED lighting applications enterprises record increased incomes but stagnant profits. In addition, LED lighting products vary considerably in quality with significant price discrepancies which leave room for the LED lighting products market to carry out further industry consolidation. On the other hand, the domestic market demand for traditional lighting decreased drastically under the onslaught of LED lighting market.

In light of the list of challenges faced by the industry, namely the slow recovery of global economy, the European sovereign debt crisis, fierce market competition, the throes of reform began to be felt by China, the slowdown of China's economy, rising inflation, reduced quantitative easing and surging interest rates, market performance will inevitably be impaired, and it is expected that the industry will continue to face harsh challenges ahead. Going forward, the Group will diversify its customer base and continue to implement its conservative strategies, including, among others, only accepting orders with high profit margins, adopting stringent cost-controlling measures, and carefully conducting its operation in the volatile environment.

Currently, lighting utilized 13% of the total power used domestically in China, and if all incandescent lights were replaced with highly efficient lighting products, 48 billion kWh of power would be saved each year. It is expected that in 2014, the LED-driven chip industry in the mainland region will increase around 50%, and the increase in product shipments should maintain at 80%. The global LED applications market has a chance to maintain a rapid growth of more than 40% in 2014. The LED market is blessed with rapid growth opportunity, on one hand, benefiting from the proliferation of "anti-incandescent" policies on a global scale, the market share of energy-saving lights and LED lights will increase rapidly; on the other hand, with LED lights' reduced cost and increased efficiency, LED's quality-price ratio will improve significantly in comparison with energy-saving lights, which is expected to translate into an increase in LED's global market penetration from its current rate of 10% to 50% in 2016. As a major global supplier and brand-owner of LED applications products, the Group is poised to benefit from the prospering industry to the greatest extent.

The optimistic outlook towards LED's downstream industries is based on two major reasons, with the first being the U.S. requiring some states to drastically raise their standards for energy-efficiency and the second being Japan forbidding the sale of fluorescent lights, which caused Panasonic to announce to stop producing fluorescent lights by 2015 and completely replace them with LED. In its latest published research report, LED inside predicts that the global shipments of LED lighting products in 2014 will increase 68% compared with 2013. In particular, the North-American region is expected to increase 72% while the increase in usage rate of LED lighting products in the Chinese Mainland market is expected to reach 86%. Meanwhile, with policy support, the LED manufacturers in the mainland market will improve significantly faster, possibly inaugurating a new phase in terms of industry consolidation and technological advancement, which means the development this year will bode well for the prediction that LED lighting market will reach the size of hundreds of billions.

With the prominent rise of the LED lighting market, the Group has also adjusted its strategic deployment. During the Review Period, the Group increased the investment in LED product research and development, boosted technological revamping, and created LED products of various types and greater competitive edge, so as to deal with the intense competition in the LED lighting market. However, with the raging price war in the LED lighting market, the profit margins of LED products became lower than that of traditional lighting products. Currently, the Group has a comprehensive portfolio of LED products to fully suit the various needs of customers. In addition, the Group has progressively started its strategic cooperation with Tsinghua Tongfang Co.,Ltd. to realize the integration of upstream and downstream products and thus increases its product competitiveness.

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 2013 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 venues including postal savings banks, classrooms and telecommunication offices. 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 China's market will gradually become a major profit stream 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 industrial scale. In response to the demand arising from the growing sales opportunities in the LED lighting products market, the Group has re-deployed its resources so that more resources are being applied to expand our global sales network. With the technical breakthroughs achieved 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 has exceeded 90 lm/W and; LED tunnel lights and street lights has 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 in energy-saving and emission reduction of LED lighting products. 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 energy saving and environmental protection around the world, LED applications are increasing, especially in terms of volume and usage 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 LED street-lights were well-recognized for their high lighting efficiency and good optical design. A large scale replacement of traditional street lights by the Group's LED street lights are taking place in Sweden, Canada, Peru, India and the U.S.A. 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 indoor areas of luxury cruise ships in Miami, U.S., Hooters, a U.S. fast food restaurant and Fuente de la Republica in Mexico.

PRODUCTION FACILITIES AND CAPACITY

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.

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 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 in 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 exceeded 160 lm/W, and the brightness of wafers has reached 2,700 mcd, 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 control management, the Company has obtained 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.

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$840.7 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 16 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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. This also demonstrates Neo-Neon Yinyu's strong R&D capacity in LED.

As solid-state lighting technology continues to develop, the Chip On Board ("COB") packaging technology becomes increasingly important. Currently, 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 Surface Mount Device ("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 160 lm/W and general lighting efficiency up to 135 lm/W. In addition, new COB structure avoids costs of materials including bracket, Printed Circuit Board ("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%.

TRADE RECEIVABLE MANAGEMENT

As at 31 March 2014, the Group's receivables were HK$135.7 million (31 March 2013: HK$128.1 million), representing an increase of HK$7.6 million; in which the amount of receivables due within 180-360 days increased to HK$32.9 million. The increase was mainly due to a 1.7% increase in turnover during the period review, 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. During the Review Period, allowance for bad and doubtful debts of HK$31.7 million (2013: reversal of allowance HK$23.8 million) was made basing on an aging analysis as 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 52.5% to HK$348.6 million from HK$734.1 million as at 31 March 2013. In March 2014, the Group made provision for inventories of HK$251.2 million (March 2013: HK$164.3 million) for items that were identified as obsolete, slow-moving and for inventories with net realizable values lower than their carrying amounts taking into account 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 31 March 2014, the Group's total number of employees was approximately 3,400 (31 March 2013: 3,500). In order to optimize production processes, besides the increase of the number of high technology and research personnel, the number of other staff has 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

In 2013, the era of LED lighting commenced officially. Following the technological improvement and the aggravated market competition, the price difference between LED lighting products and the traditional lighting products will decrease further. As the recognition of LED lighting by consumers expedites, the commercial and civil LED lighting markets will continue to grow extensively. Furthermore, the current LED lighting remains at the energy-saving and on-going lighting quality improvement stage. Smart lighting is the trend of the semi-conductor lighting development. In future, in line with the gradual mature of the LED lighting technology, the smart lighting market will be opened gradually. At present, various provincial governments of China have required the new construction of the public lighting projects to adopt the LED lighting and will fulfil the full coverage of the LED lighting in the public domain before 2015. It is expected that more provinces and cities will join the array of full LED lighting coverage. As referred to in the "Twelfth Five-year Project Plan for the Development of Semi-conductor Technology", promulgated by the Ministry of Technology of the PRC, it is expected that the LED lighting products will secure 30% market share of the general lighting market by 2015. In addition, according to the PRC timetable for prohibiting the use of the incandescent lamps, the import and sales of the incandescent lamps above 60W for ordinary lighting purpose will be prohibited in October 2014, and the import and sales of the incandescent lamps above 15W for ordinary lighting purpose will be prohibited in October 2016. It will also provide even greater potential for the development of the LED lighting market. Closely following the market development, we will also further explore the channels and the products and continue to promote and upgrade the brand awareness, so as to grasp the trend of the LED lighting market.

Looking ahead, LED lighting products have represented the direction of development of the next generation of light sources. Changes in market conditions caused by new technologies, emergence of new competitors, consolidations among our customers and competitors as well as change in regulatory requirements can bring volatilities to our business. Meeting all these challenges require consistent operational planning and shrewd execution and investment in innovative and enhance product mix that serves the needs of our customers globally. 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. The Group will continue to focus on innovation and customize service to achieve high reliability and integrity, as well as continuing to enhance the market competitiveness of LED lighting products. We will apply new technology to further optimize the function, improve the technique and lower the cost of products in mass production, so as to make our LED products more competitive in the market.

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.

FINAL DIVIDEND

No dividend will be paid for the year ended 31 March 2014 (2013: Nil).

EVENT AFTER THE REPORTING PERIOD

Acquisition of Tivoli, LLC.

On 8 May 2014, Neo-Neon LED USA Holdings Limited and American Lighting Inc. (the “Purchasers”), both of which are wholly-owned subsidiaries of the Company and Targetti Poulsen USA Inc. (the “Vendor”) entered into an acquisition agreement. Pursuant to the acquisition agreement, the Purchasers agreed to acquire and the Vendor agreed to sell 50% issued share capital of Tivoli, LLC. at the consideration of US$3,000,000 (equivalent to approximately HK$23,271,000), to be funded by the existing general working capital of the Group (the “Acquisition”). Completion of the Acquisition took place on 15 May 2014. Details of the Acquisition were contained in the announcement of the Company dated 8 May 2014.

Tsinghua Tongfang’s Conditional Subscription of the Shares in the Company

On 19 March 2014, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe in cash for, an aggregate of 1,000,000,000 Subscription Shares, at the subscription price of HK$0.90 per Subscription Share. The Subscription Shares represent (i) approximately 106.5% of the issued share capital of the Company; and (ii) approximately 51.6% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the total number of issued shares other than the allotment and issue of the Subscription Shares since the date of the Subscription Agreement and up to completion).

According to the letter from the Subscriber (the “Letter From the Subscriber”) contained in the circular dated 16 May 2014 jointly issued by the Company and the Subscriber (the “Circular”), the Subscriber, a company incorporated in the Cayman Islands, mainly engages in investment holdings and is an indirectly wholly-owned subsidiary of Tsinghua Tongfang Co., Ltd. (“Tsinghua Tongfang”). Tsinghua Tongfang is a company listed on The Shanghai Stock Exchange with stock code 600100. The major shareholder of Tsinghua Tongfang is Tsinghua Holdings Co., Ltd. (清華控股有限公司), a wholly-owned subsidiary of Tsinghua University.

The principal activities of Tsinghua Tongfang are mainly divided into twelve core divisions including computer, smart pad, multi-media television, digitalized city, internet of things application, micro-electronics, knowledge network, digital communication & equipment, security system, semiconductor & illuminating, environment protection and energy saving. Tsinghua Tongfang has been listed on the “100 Top Scientific and Technological Enterprises of China (中國科技百強)” and “100 Top Chinese Enterprises in Electronic Information (中國電子信息百強)”.

According to the Letter From the Subscriber, the Subscriber intends to continue the principal businesses of the Group and (i) by leveraging on the experience and resources of the Subscriber (and its affiliates), to further develop and expand its business scale of lighting products in the global LED lightings market and enhance its capability of acceptance and fulfillment of sales orders; (ii) to consolidate the resources in the upstream and downstream supply chains and strengthen the costs control with the aim of lowering its production costs and enhancing the Group’s profitability and competitive advantages; and (iii) by leveraging on the Subscriber's (and its affiliates) experience and resources in the areas of multi-media television industry, computer industry, intelligent building industry and lighting industry, to enhance the application usage of its LED lighting products. This may involve any forms of cooperation between the Group and the Subscriber (and its affiliates).

According to the letter from the Board contained in the Circular, all the Directors, except Mr. Ben FAN and other Directors whom may be retained by the Subscriber, will resign from the Board with effect from (i) the completion date of the Subscription Agreement; or (ii) the earliest date permitted by the Securities and Futures Commission of Hong Kong according to the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"), whichever is later. As such, the Board will comprise nine Directors, including (i) four executive Directors nominated by the Subscriber, one of which will be appointed as the chairman of the Board; (ii) one retained executive Director, namely Mr. Ben FAN; (iii) one non-executive Director nominated by the Subscriber; and (iv) three independent non-executive Directors. The Directors to be nominated by the Subscriber have not yet been determined. Further announcement(s) will be made by the Company as to any changes in the composition of the Board as and when appropriate and in compliance with the relevant requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Takeovers Code.

On 10 June 2014, the Company held the EGM for the purposes of considering two ordinary resolutions. The first ordinary resolution to approve, confirm and ratify the Subscription Agreement was duly passed by the independent shareholders at the EGM by way of poll. The second ordinary resolution to approve the waiver in respect of the obligation on the part of the Subscriber and parties acting in concert with it to make a mandatory general offer to the shareholders of the Company for all the securities of the Company was not passed by the independent shareholders at the EGM by way of poll.

On 18 June 2014, the THTF Board, approved, among other things, that the Subscriber will agree to proceed with the Subscription subject to certain conditions, including the relevant resolutions having been passed at the shareholders' meeting of Tsinghua Tongfang and financing of the transaction having been obtained by the Subscriber and according to the announcement dated 2 July 2014 published by the Subscriber, on 1 July 2014, the THTF Board held another meeting and passed, among other things, a resolution to authorize the THTF Board, or the chairman of the THTF Board as and when applicable, to decide whether or not to proceed with the Subscription and/or make any adjustment to the proposed terms in relation to the Subscription, including waiving certain condition in the event that such condition is not fulfilled. Details of these resolutions are set out in the announcement dated 18 June 2014 jointly issued by the Company and the Subscriber and the announcement dated 2 July 2014 issued by the Subscriber.

Shareholders and potential investors of the Company should be aware that completion of the Subscription Agreement is subject to the satisfaction (or waiver, as the case may be) of the conditions set out in the Subscription Agreement and the section headed "Conditions Precedent" in the Circular and the additional conditions mentioned above. Accordingly, the Subscription may or may not proceed.

Further announcement(s) will be made to inform shareholders and potential investors of the Company of any further developments regarding the Subscription as and when appropriate.

Further details of the Subscription were contained in the Circular and the announcements dated 25 March 2014, 10 June 2014 and 18 June 2014 jointly issued by the Company and the Subscriber and the announcement dated 2 July 2014 issued by the Subscriber.

DIRECTORS' REPORT

The Directors are pleased to present their annual report and the audited financial statements for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year end 31 March 2014 are set out in the Consolidated Statement of Comprehensive Income on page 52. No dividend will be paid for the year ended 31 March 2014 (2013: 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 12 August 2014 (Tuesday), the register of members of the Company will be closed from Friday, 8 August 2014 to Tuesday, 12 August 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 7 August 2014. The record date for the entitlement to attend the AGM will be on Tuesday, 12 August 2014.

PROPERTY, PLANT AND EQUIPMENT

Movements during the year in the Group's property, plant and equipment are set out in note 15 to the consolidated financial statements.

Movements during the year in the Group's investment properties are set out in note 14 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 31 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 of the financial statement.

	Attributable to owners of the Company											
	Share capital	Share premium	Capital redemption reserve (Note (i))	Special reserve (Note (ii))	Other reserve (Note (iii))	Share compensation reserve (Note (iv))	Share options reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 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)
Other comprehensive income	–	–	–	–	–	–	–	2,880	–	2,880	32	2,912
Total comprehensive income 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 31 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
Loss for the year	–	–	–	–	–	–	–	–	(830,658)	(830,658)	(1,650)	(832,308)
Other comprehensive income	–	–	–	–	–	–	–	40,047	–	40,047	7	40,054
Total comprehensive income for the year	–	–	–	–	–	–	–	40,047	(830,658)	(790,611)	(1,643)	(792,254)
Recognition of equity-settled share based payments	–	–	–	–	–	–	5,655	–	–	5,655	–	5,655
At 31 March 2014	93,932	1,683,128	312	53,856	(9,307)	48,100	77,383	354,060	(1,516,727)	784,737	6,697	791,434

(i) Capital redemption reserve represents the amount by which the issued share capital of the Company is diminished through the repurchase of shares. During the year ended 31 March 2013, 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.

(ii) The special reserve represents the differences between the nominal amount of the shares issued by the Company and the Group's former holding company, 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.

(iii) 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.

(iv) Share compensation reserve represents the difference of fair value of certain NNH's shares (the "NNH 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 NNH Shares in 2004.

(v) The reserves available for distribution to shareholders by the Company as at 31st March 2014 is nil (2013: nil).

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. SUEN Man Tak, Stephen (Appointed on 23 August 2013)
Mr. WENG Shih Yuan
Mr. WONG Kon Man, Jason
Ms. LIU Sheng Ping
Mr. ZHAO Shan Xiang (Retired on 12 August 2013)

In accordance with Article 87(1) of the Company's articles of association (the "Articles"), Ms. Michelle WONG and Mr. FAN Pong Yang will retire by rotation at the AGM and, being eligible, will offer themselves for re-election.

In accordance with Article 86(3) of the Articles, Mr. SUEN Man Tak, Stephen will retire at the AGM and, being eligible, will offer himself for re-election.

Details of the retiring 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 2014 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 8 and page 9 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 interim report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ben FAN, Ms. Michelle WONG and Mr. FAN Pong Yang has entered into a service agreement with the Company for three years from 10 August 2012, and may be terminated by either party by giving not less than three months' written notice. Each of Mr. Ben FAN, Ms. Michelle WONG and Mr. FAN Pong Yang is entitled to the remuneration of HK$1.00, HK$10,000 and HK$60,000 per month payable on a twelve-month basis respectively. A discretionary bonus may be decided by the Board provided that the total amount payable to all Directors for such year shall not exceed 10% of the consolidated profit after taxation and minority interests (and after payment of such bonus) but before extraordinary items of the relevant year (the "Profit") and provided that the Profit exceeds HK$50 million.

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 12 September 2012 and may be terminated by either party by giving not less two months' written notice. Mr. SUEN Man Tak, Stephen entered into a letter of appointment with the Company for a term of three years commencing from 23 August 2013 and may be terminated by either party by giving not less than two months' written notice. Each of Mr. WONG Kon Man, Jason, Ms. LIU Sheng Ping, Mr. WENG Shih Yuan and SUEN Man Tak is entitled to the annual remuneration of HK$144,000.

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.

The Company has received from each of the independent non-executive Directors a confirmation of his/her 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 31 March 2014, 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 as set out in Appendix 10 of the Listing Rules (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 31 March 2014.

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

As at 31 March 2014, 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				Number of Underlying Shares Held under Equity Derivatives	Total	Percentage of Total Issued Share Capital of the Company as at 31 March 2014
		Personal Interests (Note 1)	Family Interests	Corporate Interests	Other Interests			
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	**1.892%**
Mr. WENG Shih Yuan	Ordinary	246,500	–	–	–	300,000[4]	546,500	**0.058%**
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 31 March 2014, 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 31 March 2014, 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 31 March 2014
The Subscriber(2)	Beneficial owner	1,000,000,000	**106.5%**
Tsinghua Tongfang(2)	Interest of controlled corporation	1,000,000,000	**106.5%**
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".

(2) 1,000,000,000 shares of the Company were held by the Subscriber, which was wholly-owned by Resuccess Investments Limited ("Resuccess"). The entire issued share capital of Resuccess was wholly-owned Tsinghua Tongfang. Each of Resuccess and Tsinghua Tongfang was deemed to be interested in 1,000,000,000 shares of the Company under the SFO.

Save as mentioned above, as at 31 March 2014, 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 31 March 2014 are set out in note 37 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.

DIRECTORS' REPORT

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 01.04.2013	Forfeited/ Lapsed during the year	Outstanding as at 31.3.2014
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	5,999,500	(29,500)	5,970,000
	01.02.2008	5.03	01.02.2008 – 31.01.2016	1,606,000	(84,500)	1,521,500
	29.02.2008	5.90	28.02.2008 – 28.02.2016	1,417,500	–	1,417,500
	13.07.2009	2.19	13.07.2009 – 12.07.2017	8,390,000	(480,000)	7,910,000
	22.01.2010	6.75	22.01.2010 – 21.01.2018	8,590,000	(1,445,000)	7,145,000
	23.07.2010	4.51	23.07.2010 – 22.07.2018	1,100,000	(50,000)	1,050,000
	19.08.2011	1.95	19.08.2011 – 18.08.2015	11,200,000	(510,000)	10,690,000
	14.12.2012	1.99	14.12.2012 – 13.12.2016	10,473,000	–	10,473,000
				50,386,000	(2,949,000)	47,437,000

The weighted average exercise price of options forfeited during the year and outstanding at the end of the reporting period is HK$4.92 (2013: HK$3.50) and HK$3.94 (2013: HK$4.00), respectively.

No share option was granted during the year ended 31 March 2014.

During the year ended 31 March 2013, options were granted on 14 December 2012 with an aggregate estimated fair value of HK$9,139,000. The weighted average exercise price of options granted during 31 March 2013 is HK$1.99. The fair values were calculated using the binomial option pricing model. The inputs into the model were as follows:

	Share options granted on 14 December, 2012
Number of share options	10,873,000
Grant date share price per share	1.99
Exercise price per share	1.99
Expected volatility	63.23%
Risk-free interest rate	0.27%
Expected dividend yield	2.48%
Suboptimal exercise factor	4.00

During the year, the Group recognised the net expense of HK$5,655,000 (2013: HK$9,748,000) 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 32 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 31 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	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$
September 2012	3,121,000	1.72	1.59	5,216,000

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 10 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 31 March 2014.

SUFFICIENCY OF PUBLIC FLOAT

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

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the largest supplier accounted for 5.1% of the Group's purchases and the five largest suppliers accounted for 16.2% of the Group's total purchases. The largest customer accounted for 7.2% of the Group's turnover and the five largest customers accounted for 18.6% 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 36 to 49 of this annual report.

AUDITOR

The Company changed its auditors to KPMG from Deloitte Touche Tohmatsu during the year.

KPMG will retire and will seek for re-election at the AGM.

On behalf of the Board

Ben FAN
Chairman

Hong Kong, 25 June 2014

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed in maintaining high standards of corporate governance ("CG"). The Board believes that commitment in CG practices will definitely add value to the Company's Shareholders in long term. For the year ended 31 March 2014 ("FY2014"), 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.

The Board of Directors ("Board") considers that good CG is central to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board will continuously review and improve the CG practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

With a view to further improve the Company's corporate governance practices, the following actions were taken in 2013:

- Appointment of an additional independent non-executive director with appropriate professional accounting qualifications and financial management experience with regulation entities to further broaden the collective knowledge, perspective and skill of the Board.

- As a result, all members of the Audit Committee are independent non-executive directors and 2 out of 4 members have appropriated professional accounting qualifications and financial management experience.

- Introduction of a program of continuous professional development for directors by internal training to the Board.

- To establish a Regulatory Compliance Committee under the Board to review and monitor dealings of the Company with the compliance issues.

- To adopt board diversity policy to recognize and embrace the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 Model Code during the year ended 31 March 2014.

THE 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.

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 8 to 9 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 Chief Executive Officer

Mr. Ben FAN is the Chairman. On 12 July 2010, Mr. Tseng Jinsui resigned as the chief executive officer of the Company ("CEO") 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 2013 and August 2013 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 FY2014.

During the year, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills in accordance with code provision A.6.5 contained in the CG Code. 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 provision 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	✓
Ms. LIU Sheng Ping	✓
Mr. SUEN Man Tak, Stephen	✓
Executive Directors	
Mr. Ben FAN *(Chairman and Chief Executive Officer)*	✓
Ms. Michelle WONG	✓
Mr. FAN Pong Yang	✓

Business Model and Strategy

Neo-Neon Holdings Limited, a company listed on the 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 34 years.

Due to tremendous advancements in technologies, vertical integration model, the vision and focus of our 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, milestones were achieved in the expansion of the product line and channel expansion efforts. Neo-Neon is currently in process of establishing new research and development centers in various metropolitan areas around China and Taiwan to expand its research and development 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 through our annual reports.

The Board will always strive, so far as it is practical, to follow and adhere to the public 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 us. The Board and senior management recognise their responsibility to represent the interests of the Shareholders and to enhance Shareholder value.

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 four committees, namely the audit committee, the remuneration committee, the nomination committee and regulatory compliance committee.

Appointment and Re-election

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

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

A Director appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Mr. Zhao Shan Xiang retired at the annual general meeting held on 12 August 2013 and did not offer himself for re-election. Mr. SUEN Man Tak, Stephen was appointed as INED on 23 August 2013.

Mr. SUEN Man Tak, Stephen entered into a letter of appointment with the Company for a term of three years commencing from 23 August 2013 and may be terminated by either party by giving two months' written 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.

In accordance with Article 87(1) of the Articles of Association, Ms. Michelle WONG, and Mr. FAN Pong Yang shall retire by rotation at the AGM and, being eligible, offer themselves for re-elections at the AGM.

In accordance with Article 86(3), Mr. SUEN Man Tak, Stephen will retire at the AGM and, being eligible, will offer himself for re-election.

The Nomination Committee of the Company has assessed the independence of the independent non-executive Director to be re-elected, being Mr. SUEN Man Tak, Stephen. The Company has received from Mr. SUEN Man Tak, Stephen his annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers that Mr. SUEN Man Tak, Stephen is independent to the Company.

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 FY2014, twelve (12) Board meetings were held with attendance details shown in the followings:

Directors	Board Meetings attended/held in FY2014
Mr. Ben FAN	**11/12**
Ms. Michelle WONG	**11/12**
Mr. FAN Pong Yang	**11/12**
Mr. WONG Kon Man, Jason	**9/12**
Mr. WENG Shih Yuan	**9/12**
Ms. LIU Sheng Ping	**9/12**
Mr. SUEN Man Tak, Stephen	**9/12**
Mr. ZHAO Shan Xiang	**0/12**

During the FY2014, meetings of the Audit Committee, Remuneration Committee, Nomination Committee, Regulatory Compliance Committee and Shareholders attended by the Directors were as follows:

	Attendance/Number of Meetings				
	Annual General Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Regulatory Compliance Committee
Mr. Ben FAN	1/1	N/A	N/A	N/A	N/A
Ms. Michelle WONG	1/1	N/A	1/1	1/1	2/2
Mr. FAN Pong Yang	1/1	N/A	N/A	N/A	N/A
Mr. WONG Kon Man, Jason	1/1	4/4	1/1	1/1	N/A
Mr. WENG Shih Yuan	0/1	4/4	1/1	1/1	2/2
Ms. LIU Sheng Ping	1/1	4/4	1/1	1/1	2/2
Mr. SUEN Man Tak, Stephen	0/1	4/4	0/1	0/1	2/2
Mr. ZHAO Shan Xiang	0/1	N/A	N/A	N/A	N/A

BOARD'S COMMITTEES

The Board has established four committees, namely audit committee, remuneration committee, nomination committee and regulatory compliance 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
- Discussing with the external auditors the nature and scope of the audit and significant accounting and audit issues
- Connected transactions
- Managing and overseeing with external auditors
- Follow up the development of the internal audit department's work and management's response

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 KPMG and thus recommended the Board for the approval of the 2014 financial statements.

In FY2014, AC held four meetings with 100% attendance by all AC members to meet its responsibilities in its review of the half-yearly and annual results and internal control system on its other duty under the Code.

(b) Remuneration Committee

The remuneration committee ("RC") currently comprises of four 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 approving the terms of executive Directors' service contracts. In FY2014, one RC meetings were held, with 80% 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.

The remuneration of the senior management (comprising ED) of the Company for FY2014 by band is set out below:

	2014	2013
Up to HK$500,000	**8**	8
HK$500,001 to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	1
	12	12

Details of the Directors' emoluments for the FY2014 are disclosed in note 11 to the financial statements contained in this annual report.

Disclosure of the remuneration of the senior management on pages 10 and 11.

(c) Nomination Committee

The nomination committee ("NC") currently comprises of four 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 roles of the Nomination Committee are:

1. Establish a formal and transparent procedure for the appointment or reappointment of Directors.

2. Make recommendations to the Board for new appointments or reappointments of Executive and Non-executive Directors.

3. Evaluate the performance of Directors and determine if they should be reappointed.

4. To be responsible for significant issues concerning the nomination of Directors during the year.

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 FY2014, NC held one meeting with 80% attendance by all NC members to appoint a new Director who was a matter for consideration by the Nomination Committee and decision by the whole Board with consideration in respect to every proposed appointee's knowledge, experience and their possible contribution to the Company before his appointment as the Company's Director. The Newly appointed Directors was given a copy of the Company's Director's Manual, which stipulated Director's roles and responsibilities, by the legal and company secretarial department for his reference.

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 FY2014, one NC meeting was held, with 80% attendance by all committee members.

(d) Regulatory Compliance Committee

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

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

Members of the Committee act in good faith in the interests of the Company as a whole in making business judgments for the Company's commitment in maintaining high standards of CG and complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Chairman of the Committee must be an independent non-executive director with appropriate expertise and he/she shall be appointed and removed by a decision of the Board.

The duties of the RCC 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.

1. review and monitor Inside Information and dealings of the Group with connected parties/connected persons to ensure all dealings with connected parties/connected persons are conducted on an arm's length basis in accordance with relevant rules and legislation. The RCC should report to the Board, identifying and making recommendations on any matters where action or improvement is needed within the scope of this framework;

2. focus particularly on an appropriate compliance framework of the Company's announcements and publication is in compliance with relevant rules and legislation, and consider any significant or unusual items that are, or may need to be, reflected in the announcements and reporting in a timely manner and report to and discuss with the Directors and deal with the compliance issues;

3. provide adequate guidance and training for management of the Company to make proper attention to compliance issues and to perform their duties in accordance with relevant rules and legislation. Oversight of the Group's financial reporting system, internal controls, business policies and practices, and monitoring systems to ensure commercial activities are conducted in compliance with relevant rules and legislation; and

4. the RCC shall have no executive powers with regard to its findings and recommendations except where expressly authorised by the Board.

The RCC comprises independent non-executive Directors in majority. The chairman of the RCC is an independent non-executive Director who was previously a former director of enforcement of Securities and Futures Commission and is currently a practicing barrister with certified public accountant qualification and law enforcement experience in securities and futures industries.

The RCC 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 RCC 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 RCC may seek independent professional advice to perform its duties if necessary, and the expenses arising there from shall be borne by the Company.

AUDITOR'S REMUNERATION

The existing auditor, KPMG, of the Company has provided the Group audit services in FY2014. The remuneration charged by KPMG in FY2014 was shown below.

Audit services in FY2014

	HK$
Annual Audit	**1,900,000**

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 Board and management held its half-year and annual review of internal controls as required under C.2.1 of the CG code. The AC meetings provided an opportunity for direct communication between AC members and the Company's management and internal audit manager. The Company regarded the annual AC meeting as an important event in which the Chairman and all members of AC would make an effort to attend. External auditors were also invited to attend the Company's AC meetings and were also available to assist the Directors in addressing queries from external auditors relating to the conduct of the audit and the preparation and content of their auditor report.

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 50 to 51 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 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 (Block B, 12/F. Eldex Industrial Building, 21 Ma Tau Wai Road, Hung Hom, Kowloon, Hong Kong). The extraordinary general meeting 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 extraordinary general meeting, 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 Mr. Philip Chan who will direct the enquiries to the Board for handling. The contact details are as follows:

Address:	Block B, 12/F. Eldex Industrial Building, 21 Ma Tau Wai Road, Hung Hom, 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

INDEPENDENT AUDITOR'S REPORT
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 (together the "Group") set out on pages 52 to 127, which comprise the consolidated statement of financial position as at 31 March 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 preparation of 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. This report is made solely to you, as a body, 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 judgement, 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 31 March 2014 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.

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

25 June 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014
(Expressed in Hong Kong Dollar ("HK$"))

	Note	2014 HK$'000	2013 HK$'000
Turnover	6	**840,700**	827,039
Cost of goods sold		**(1,088,251)**	(728,803)
Gross (loss)/profit		**(247,551)**	98,236
Other income		**19,111**	19,959
Other gains and losses	7(a)	**52,460**	15,345
Other expenses	7(b)	**(26,470)**	(30,804)
Impairment losses recognised in respect of			
– property, plant and equipment	8	**(323,908)**	(396,452)
– goodwill		**(741)**	–
– available-for-sale investments	20(a)	**(46)**	(946)
– deposits made on acquisition of available-for-sale investment	20(c)	**(8,293)**	–
Distribution and selling expenses		**(93,888)**	(93,195)
Administrative expenses		**(179,883)**	(215,210)
Finance costs	9	**(16,747)**	(17,894)
Change in fair value of investment properties		**1,841**	(204)
Share of losses of associates		**(123)**	(3,926)
Share of (loss)/profit of a jointly controlled entity		**(9,614)**	3,024
Loss before taxation	10	**(833,852)**	(622,067)
Taxation credit/(expense)	12	**1,544**	(2,426)
Loss for the year		**(832,308)**	(624,493)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
– exchange differences arising on translation		**40,054**	6,443
– reclassification of translation reserve on disposal of a foreign operation		**–**	(3,531)
Other comprehensive income for the year		**40,054**	2,912
Total comprehensive income for the year		**(792,254)**	(621,581)
Loss for the year attributable to			
– owners of the Company		**(830,658)**	(616,834)
– non-controlling interests		**(1,650)**	(7,659)
		(832,308)	(624,493)
Total comprehensive income for the year attributable to			
– owners of the Company		**(790,611)**	(613,954)
– non-controlling interests		**(1,643)**	(7,627)
		(792,254)	(621,581)
		HK cents	HK cents
Loss per share	13		
– Basic		**(88.4)**	(65.7)
– Diluted		**(88.4)**	(65.7)

The notes on pages 58 to 127 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014
(Expressed in Hong Kong Dollar ("HK$"))

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Investment properties	14	19,017	17,176
Property, plant and equipment	15	334,173	825,398
Prepaid lease payments	16	76,135	75,045
Goodwill		–	741
Intangible assets	17	8,857	13,765
Interests in associates	18	628	4,402
Interest in a jointly controlled entity	19	21,663	31,277
Available-for-sale investments	20	3,950	5,503
Deposits made on acquisition of property, plant and equipment		19,263	82,396
Deposit made on formation of an associate	18	1,204	2,471
Deposit made on acquisition of available-for-sale investment	20	–	8,293
		484,890	1,066,467
Current assets			
Inventories	21	348,627	734,065
Trade and other receivables	22	272,243	267,475
Amounts due from non-controlling shareholders		–	2,471
Loan receivable	23	44,246	72,903
Tax recoverable	12	5,256	1,750
Investments held-for-trading	24	–	51,910
Pledged bank deposits	25	44,411	31,354
Cash and cash equivalents	25	113,357	253,508
		828,140	1,415,436
Current liabilities			
Trade and other payables	26	267,886	291,456
Amount due to a director	27	–	9,078
Taxation payable		5,474	8,839
Bank borrowings repayable within one year	28	221,743	461,879
		495,103	771,252
Net current assets		333,037	644,184
Total assets less current liabilities		817,927	1,710,651
Non-current liabilities			
Bank borrowings	28	–	101,522
Government grants	29	20,118	23,206
Deferred taxation	30	6,375	7,890
		26,493	132,618
Net assets		791,434	1,578,033

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014
(Expressed in Hong Kong Dollar ("HK$"))

	Note	**2014 HK$'000**	2013 HK$'000
Capital and reserves			
Share capital	31	**93,932**	93,932
Reserves		**690,805**	1,475,761
Equity attributable to owners of the Company		**784,737**	1,569,693
Non-controlling interests		**6,697**	8,340
Total equity		**791,434**	1,578,033

Approved and authorised for issue by the board of directors on 25 June 2014.

MICHELLE WONG
Director

FAN PONG YANG
Director

The notes on pages 58 to 127 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014
(Expressed in Hong Kong Dollar ("HK$"))

	Attributable to owners of the Company											
	Share capital	Share premium	Capital redemption reserve (Note (i))	Special reserve (Note (ii))	Other reserve (Note (iii))	Share compensation reserve (Note (iv))	Share options reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 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)
Other comprehensive income	–	–	–	–	–	–	–	2,880	–	2,880	32	2,912
Total comprehensive income 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 31 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
At 1 April 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
Loss for the year	–	–	–	–	–	–	–	–	(830,658)	(830,658)	(1,650)	(832,308)
Other comprehensive income	–	–	–	–	–	–	–	40,047	–	40,047	7	40,054
Total comprehensive income for the year	–	–	–	–	–	–	–	40,047	(830,658)	(790,611)	(1,643)	(792,254)
Recognition of equity-settled share based payments	–	–	–	–	–	–	5,655	–	–	5,655	–	5,655
At 31 March 2014	**93,932**	**1,683,128**	**312**	**53,856**	**(9,307)**	**48,100**	**77,383**	**354,060**	**(1,516,727)**	**784,737**	**6,697**	**791,434**

Notes:

(i) Capital redemption reserve represents the amount by which the issued share capital of the Company is diminished through the repurchase of shares. During the year ended 31 March 2013, 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.

(ii) The special reserve represents the differences between the nominal amount of the shares issued by the Company and the Group's former holding company, 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.

(iii) 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.

(iv) 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.

The notes on pages 58 to 127 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2014
(Expressed in Hong Kong Dollar ("HK$"))

	2014 HK$'000	2013 HK$'000
Operating activities		
Loss before taxation	**(833,852)**	(622,067)
Adjustments for:		
Interest income	**(8,204)**	(10,238)
Finance costs	**16,747**	17,894
Share of losses of associates	**123**	3,926
Share of loss/(profit) of a jointly controlled entity	**9,614**	(3,024)
Gain on disposal of a subsidiary	**–**	(4,532)
Loss on disposal of an associate	**3,837**	238
Gain on disposal of investments held-for-trading	**(420)**	–
Depreciation and amortisation	**83,886**	177,013
Amortisation of prepaid lease payments	**1,790**	1,917
Change in fair value of investment properties	**(1,841)**	204
Gain on disposal of property, plant and equipment, and prepaid lease payments	**(105,823)**	(32,275)
Impairment losses in respect of long-lived assets	**332,988**	397,398
Loss on obligation under onerous contracts	**–**	33,874
Amortisation of government grants	**(1,617)**	(6,393)
Net allowance/(reversal of allowance) for inventories	**41,225**	(112,169)
Net allowance/(reversal of allowance) for bad and doubtful debts	**31,655**	(23,777)
Loss on written off of trade and other receivables	**–**	1,787
Equity-settled share based payments	**5,655**	9,748
Effect of foreign exchange rate changes	**1,376**	834
Operating cash flows before movements in working capital	**(422,861)**	(169,642)
Decrease in inventories	**344,213**	72,920
(Increase)/decrease in trade and other receivables	**(21,810)**	66,643
Decrease/(increase) in investments held-for-trading	**52,445**	(38,360)
Increase/(decrease) in trade and other payables	**13,683**	(78,295)
Government grant received for research and development projects	**–**	19,083
Cash used in operations	**(34,330)**	(127,651)
Income tax paid	**(3,336)**	(4,508)
Net cash used in operating activities	**(37,666)**	(132,159)

The notes on pages 58 to 127 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2014
(Expressed in Hong Kong Dollar ("HK$"))

	2014 HK$'000	2013 HK$'000
Investing activities		
Interest received	8,204	10,238
Placement of pledged bank deposits	(41,946)	(28,795)
Release of pledged bank deposits	28,889	–
Purchase of property, plant and equipment	(33,480)	(41,348)
Purchase of lease prepayment	(1,268)	–
Proceeds from disposal of property, plant and equipment, and prepaid lease payments	266,463	79,088
Purchase of intangible assets	(3,931)	–
Investments in associates	–	(2,774)
Repayment from/(advance to) non-controlling shareholders	2,471	(2,471)
Cash received from/(increase in) loan receivable	28,657	(36,018)
Proceeds from disposal of a subsidiary	–	91,828
Proceeds from disposal of an associate	–	25,833
Investment in available-for-sale investments	–	(9,812)
Proceeds from disposal of deposit made on formation of an associate	1,267	–
Net cash generated from investing activities	255,326	85,769
Financing activities		
Bank loans raised	316,678	567,356
Repayment of bank loans	(658,336)	(528,489)
Interest paid	(16,747)	(17,894)
Purchase of additional interests in a subsidiary	–	(152)
Contributions from a non-controlling shareholder of a subsidiary	–	4,130
Borrowings from a director	–	9,078
Repayment of borrowings to a director	(9,078)	(13,000)
Shares repurchased and cancelled	–	(5,216)
Net cash (used in)/generated from financing activities	(367,483)	15,813
Net decrease in cash and cash equivalents	(149,823)	(30,577)
Cash and cash equivalents at the beginning of the year	253,508	283,626
Effect of foreign exchange rate changes	9,672	459
Cash and cash equivalents at the end of the year	113,357	253,508

The notes on pages 58 to 127 form part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

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 40. 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 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 March 2014 comprise the Group's interest in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment property (see note 2(j)); and

– financial instruments classified as available-for-sale or as trading securities (see note 2(q)).

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 3.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies

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

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Annual Improvements to HKFRSs 2009-2011 Cycle
- Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of other new or amended HKFRSs are discussed below:

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these consolidated financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, ***Interests in joint ventures***, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 5. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

The adoption of the amendments does not have any impact on the Group's financial statements because the Group has not made any retrospective restatement during the periods presented.

Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these consolidated financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

(d) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Changes in the Group's ownership interests in existing subsidiaries *(Continued)*

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 recognised 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.

(e) 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 are measured in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations".

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Business combinations *(Continued)*

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.

(f) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investments in associates *(Continued)*

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

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

(h) 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Joint ventures *(Continued)*

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

(i) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) 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.

(j) 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.

(k) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Property, plant and equipment *(Continued)*

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost which includes all development expenditure and other direct costs, attributable to such projects, less any recognised impairment loss.

They are not depreciated until completion of construction and the asset is ready for intended use. Cost of completed construction works is transferred to the appropriate category of property, plant and equipment.

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

For the leasehold land and buildings in Hong Kong, the cost of leasehold land and buildings is depreciated over their estimated useful lives of 50 years. The cost of buildings in the People's Republic of China ("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.

(l) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) 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.

(n) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Intangible assets *(Continued)*

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.

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.

(o) 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.

(p) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) 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.

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, amounts due from non-controlling shareholders, pledged bank deposits and cash and cash equivalents) 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 fair value through profit or loss

Financial assets at fair value through profit or loss ("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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments *(Continued)*

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).

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments *(Continued)*

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.

(r) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

(s) 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Taxation *(Continued)*

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) 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.

(u) 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 the accumulated losses.

(v) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) 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).

(w) 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.

(x) 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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Estimated impairment of property, plant and equipment

When there is indication that property, plant and equipment may be impaired, the Group estimates the recoverable amount of the relevant asset or the cash-generating unit ("CGU") to which the asset belongs. The amount of the impairment loss is measured as the difference between the asset's carrying amount and its recoverable amount. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of 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 31 March 2014, the carrying amount of property, plant and equipment is HK$334,173,000 net of accumulated depreciation and impairment of HK$2,214,920,000 (2013: HK$825,398,000 net of accumulated depreciation and impairment of HK$1,822,820,000). Details about impairment losses provided during the year and basis thereon are set out in note 8.

Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the recoverable amount of the relevant cash-generating units to which 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 31 March 2014, the carrying amount of intangible assets are HK$8,857,000 (net of accumulated amortisation and impairment loss of HK$132,592,000). As at 31 March 2013, the carrying amount of intangible assets are HK$13,765,000 (net of accumulated amortisation and impairment loss of HK$123,759,000). Details of the recoverable amount calculation are disclosed in note 17.

3 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 impairment loss of allowance for doubtful debts of HK$31,655,000 (31 March 2013: net reversal of allowance for doubtful debts of HK$23,777,000) for the year ended 31 March 2014 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 31 March 2014 are HK$135,666,000 net of allowance for bad and doubtful debts of HK$90,542,000 (2013: HK$128,145,000 net of allowance for bad and doubtful debts of HK$72,131,000).

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 31 March 2014 amounted to HK$454,960,000 (2013: HK$406,399,000). 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 31 March 2014 is HK$348,627,000 (2013: HK$734,065,000).

Taxation

As detailed in note 12, 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 consolidated 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 (2013: nil) as the directors of the Company are of the opinion 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$90,720,000. Accordingly, no additional provision for Hong Kong Profits Tax is considered necessary in respect of the tax audit.

4 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 year, 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.

5 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
FVTPL (Investments held-for-trading)	**–**	51,910
Loans and receivables (including cash and cash equivalents)	**364,615**	518,085
Available-for-sale investment	**3,950**	5,503
Financial liabilities		
Amortised cost	**429,556**	772,114

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, available-for-sale investment, loan receivables, amounts due from non-controlling shareholders, investments held-for-trading, pledged bank deposits, cash and cash equivalents, 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 and interest rate 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.

5 FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

(i) Currency risk

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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**2,274,364**	2,777,487	**3,293,731**	2,933,155
Renminbi ("RMB")	**363,554**	316,662	**739,237**	631,159
United States dollar ("US$")	**1,222,753**	1,256,408	**1,478,729**	2,407,239
Euro	**1,023**	2,812	**688**	489
New Taiwan dollar ("NT$")	**31,361**	25,521	**14,480**	11,353
Great British Pound ("GBP")	**7,795**	7,801	**9,874**	7,789
Japanese Yen ("JPY")	**3,632**	3,632	**4,606**	3,632

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.

5 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 years ended 31 March 2014 and 31 March 2013 where HK$, RMB and US$ strengthen 5% against the functional currency of the respective group entities. For a 5% weakening of HK$, RMB and US$ against the functional currency of the respective group entities, there would be an equal and opposite impact on the loss for the years ended 31 March 2014 and 31 March 2013.

	HK$ impact		RMB impact		US$ impact	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Increase in loss for the year	**(50,968)**	(7,783)	**(18,874)**	(15,725)	**(12,799)**	(57,542)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year 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.

5 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 London Inter-Bank Offered Rate arising from the Group's HK$ and US$ denominated borrowings.

The Group's cash and cash equivalents have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on cash and cash equivalents. The Directors consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing cash and cash equivalents 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 28 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 year. At the end of the year, for variable-rate bank loans, the analysis is prepared assuming the amount of asset and liability outstanding at the end of the year was in deposit accounts or outstanding for the whole period.

If interest rates had been 30 basis points (2013: 30 basis points) higher and all other variables were held constant, the potential effect on loss for the year ended 31 March 2014 and 2013 is as follows:

	2014 **HK$'000**	2013 HK$'000
Increase in loss for the year	**488**	1,690

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

5 FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk management

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

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. 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 31 March 2014						
Non-derivative financial liabilities						
Trade and other payables	**–**	**37,408**	**150,987**	**19,418**	**207,813**	**207,813**
Bank loans	**1.91**	**–**	**225,988**	**–**	**225,988**	**221,743**
		37,408	**376,975**	**19,418**	**433,801**	**429,556**
At 31 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

5 FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

The Group's principal financial assets are trade and other receivables, loan receivables, amounts due from non-controlling shareholders, pledged bank deposits and cash and cash equivalents, 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, 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 non-controlling shareholders 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 mainly 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 17.4% (2013: 13.3%) and 46.5% (2013: 33.4%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the trading of LED products business.

The Group has concentration of credit risk in loan receivables as 100% (2013: 100%) 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.

5 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 31 March 2013, all the investments held-for-trading totaling HK$51,910,000 are fair valued at Level 1. There were no transfers among 3 levels during the current year and prior period.

6 TURNOVER AND SEGMENT INFORMATION

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

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

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

6 TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

	2014 **HK$'000**	2013 HK$'000
Segment revenue		
LED decorative lighting	**448,700**	416,180
LED general illumination lighting	**263,061**	273,201
Incandescent decorative lighting	**69,165**	70,584
Entertainment lighting	**48,271**	58,337
All others	**11,503**	8,737
	840,700	827,039
Segment results		
LED decorative lighting	**(412,848)**	(289,363)
LED general illumination lighting	**(189,441)**	(145,150)
Incandescent decorative lighting	**(135,568)**	(108,314)
Entertainment lighting	**(74,877)**	(35,792)
All others	**(5,341)**	(1,581)
	(818,075)	(580,200)
Unallocated expenses	**(27,155)**	(30,231)
Unallocated other gains, losses and expenses	**29,642**	1,347
Unallocated interest income	**6,379**	6,017
Finance costs	**(16,747)**	(17,894)
Change in fair value of investment properties	**1,841**	(204)
Share of losses of associates	**(123)**	(3,926)
Share of (loss)/profit of a jointly controlled entity	**(9,614)**	3,024
Loss before taxation	**(833,852)**	(622,067)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment loss represents the loss incurred 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, share of loss of associates and share of (loss)/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.

6 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:

	2014 HK$'000	2013 HK$'000
Segment assets		
LED decorative lighting	**774,626**	1,253,836
LED general illumination lighting	**341,498**	604,890
Incandescent decorative lighting	**82,132**	302,539
Entertainment lighting	**34,552**	114,829
All others	**4,792**	7,653
Total segment assets	**1,237,600**	2,283,747
Unallocated assets	**75,430**	198,156
Consolidated assets	**1,313,030**	2,481,903
Segment liabilities		
LED decorative lighting	**147,834**	151,114
LED general illumination lighting	**89,837**	99,198
Incandescent decorative lighting	**20,546**	25,629
Entertainment lighting	**13,484**	21,182
All others	**1,659**	3,172
Total segment liabilities	**273,360**	300,295
Unallocated liabilities	**248,236**	603,575
Consolidated liabilities	**521,596**	903,870

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. 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.

6 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:

	2014	2013
	HK$'000	HK$'000
United States of America ("USA")	**197,915**	180,992
PRC	**144,452**	213,139
Netherlands	**27,507**	26,573
France	**32,432**	38,985
Russia	**72,649**	73,616
Other countries*	**365,745**	293,734
	840,700	827,039

* 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 years ended 31 March 2014 and 2013.

Information about major customers

There were no customers who individually contribute over 10% of the total sales of the Group for the years ended 31 March 2014 and 2013.

6 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 31 March 2014								
Additions to non-current segment assets during the year	**49,480**	**31,412**	**9,255**	**5,323**	**1,268**	**96,738**	**–**	**96,738**
Depreciation and amortisation	**43,567**	**25,542**	**6,716**	**4,687**	**1,117**	**81,629**	**2,257**	**83,886**
Net allowance for bad and doubtful debts	**16,895**	**9,905**	**2,604**	**1,818**	**433**	**31,655**	**–**	**31,655**
Gain on disposal of property, plant and equipment	**56,480**	**33,113**	**8,706**	**6,076**	**1,448**	**105,823**	**–**	**105,823**
Allowance for inventories	**134,054**	**78,593**	**20,664**	**14,422**	**3,436**	**251,169**	**–**	**251,169**
Equity-settled share based payments	**2,760**	**1,769**	**465**	**325**	**78**	**5,397**	**258**	**5,655**
Impairment loss recognised in respect of								
– property, plant and equipment	**154,652**	**36,267**	**86,861**	**46,128**	**–**	**323,908**	**–**	**323,908**
– deposits made on acquisition of available-for-sale investment	**–**	**–**	**–**	**–**	**–**	**–**	**8,293**	**8,293**
Transfer of impairment of onerous contracts upon receipts of property, plant and equipment	**6,349**	**15,635**	**10,475**	**1,191**	**–**	**33,650**	**–**	**33,650**
Compensation relating to litigation	**6,173**	**792**	**–**	**–**	**–**	**6,965**	**–**	**6,965**
Year ended 31 March 2013								
Additions to non-current segment assets during the year	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 losses recognised in respect 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

7(a) OTHER GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Gain on disposal of property, plant and equipment	105,823	15,987
Gain on disposal of prepaid lease payments	–	16,288
Net (allowance for)/reversal of allowance for bad and doubtful debts	(31,655)	23,777
Loss on written off of trade and other receivables	–	(1,787)
Increase/(decrease) in fair value of investments held-for-trading	420	(300)
Net exchange loss	(18,174)	(9,179)
Loss on obligations under onerous contracts in connection with acquisition of property, plant and equipment	–	(33,874)
Gain on disposal of a subsidiary	–	4,532
Loss on disposal of an associate	(3,837)	(238)
Others	(117)	139
	52,460	15,345

7(b) OTHER EXPENSES

	2014 HK$'000	2013 HK$'000
Research and development costs, net (note 29)	19,505	13,873
Compensation relating to litigation*	6,965	12,255
Others	–	4,676
	26,470	30,804

7(b) 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 1 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 25 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). Heshan Lide is in the process of appeal and 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 7 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 has been fully settled during the year ended 31 March 2014.

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. On 27 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.

In January 2014, a supplier filed a claim to Heshan People's Court against Heshan Lide for the dispute on settlement of accounts payable. According to the indictment, the plaintiff requested the Group to pay RMB611,000 (equivalent to HK$775,000). The amount was fully provided for in the consolidated financial statements.

In March 2014, a customer filed a claim to Tangshan People's Court against Heshan Yinyu for the dispute on a sales contract. According to the indictment, the plaintiff requested the Group to pay RMB4,883,000 (equivalent to HK$6,190,000). The amount was fully provided for in the consolidated financial statements.

8 IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT

The impairment losses by CGUs are as follows:

	2014 HK$'000	2013 HK$'000
CGU1 (note 1)	**46,128**	24,168
CGU2 (note 2)	**86,861**	91,393
CGU3 (note 3)	**36,267**	79,906
CGU4 (note 4)	**154,652**	200,985
Total	**323,908**	396,452

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: CGU3 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: CGU4 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 31 March 2014, 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 ("2014 Valuation Report"), there are impairment losses of HK$46,128,000 as at 31 March 2014 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.

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

CGU1 *(Continued)*

The projected period was 4 years (2013: 5 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 7% for year ended 31 March 2015, 5% for year ended 31 March 2016, and 3% for the year ended 31 March 2017 and 31 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 15.08% (2013:16.06%) 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.

CGU2

For the year ended 31 March 2014, 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 2014 Valuation Report, there are impairment losses of HK$86,861,000 as at 31 March 2014 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 7 years (2013: 8 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 ending 31 March 2015, 0% for year ending 31 March 2016, and 3% for year ending 31 March 2017 to 31 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 15.08% (2013:16.06%) 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.

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

CGU3

For the year ended 31 March 2014, 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 2014 Valuation Report, there are impairment losses of HK$36,267,000 as at 31 March 2014 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 which lead to the decrease in selling price in the market.

The projected period was 7 years (2013: 8 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 13% for the year ended 31 March 2015, 6% for year ended 31 March 2016, and 3% for year ended 31 March 2017 to 31 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 15.08% (2013:16.06%) 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 31 March 2014, 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 2014 Valuation Report, there are impairment losses of HK$154,652,000 as at 31 March 2014 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 which lead to the decrease in selling price in the market.

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

CGU4 *(Continued)*

The projected period was 7 years (2013: 8 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 13% for the year ended 31 March 2015, 6% for year ended 31 March 2016, and 3% for year ended 31 March 2017 to 31 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 15.08% (2013:16.06%) 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.

9 FINANCE COSTS

	2014 **HK$'000**	2013 HK$'000
Interest on bank borrowings		
– wholly repayable within five years	**16,747**	15,025
– not wholly repayable within five years	**–**	2,869
	16,747	17,894

10 LOSS BEFORE TAXATION

	2014 HK$'000	2013 HK$'000
Loss before taxation has been arrived at after charging:		
Directors' remuneration		
– current year	**7,076**	7,295
– waived during the year	**(5,400)**	(5,400)
	1,676	1,895
Other staff's retirement benefits scheme contributions	**165**	280
Other staff's equity-settled share based payments	**5,397**	9,275
Other staff costs	**196,900**	190,897
	204,138	202,347
Less: Staff costs included in research and development costs	**(10,090)**	(6,469)
	194,048	195,878
Depreciation of property, plant and equipment	**75,057**	170,412
Less: Depreciation included in research and development costs	**(1,022)**	(1,813)
	74,035	168,599
Auditor's remuneration		
– audit service	**1,900**	2,600
– non-audit services	**–**	1,300
	1,900	3,900
Amortisation of intangible assets	**8,829**	6,601
Cost of inventories recognised as an expense including cost of materials used for research and development purpose of HK$4,713,000 included in other expense (2013: HK$8,154,000)	**1,092,964**	736,957
Operating lease rentals in respect of		
– prepaid lease payments	**1,790**	1,917
– rented premises	**7,514**	4,993
and after crediting:		
Interest income from		
– bank deposits	**1,825**	4,221
– loan receivable	**6,379**	6,017
	8,204	10,238
Property rental income before deduction of negligible outgoings	**4,525**	1,441

11 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2014						2013					
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Equity-settled share based payments HK$'000	Waived during the year HK$'000	Total HK$'000	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Equity-settled share based payments HK$'000	Waived during the year HK$'000	Total HK$'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	–	78	–	798	–	720	–	205	–	925
Independent non-executive directors												
– Mr. Weng Shih Yuan	–	144	–	54	–	198	–	144	–	94	–	238
– Mr. Zhao Shan Xiang[1]	–	53	–	58	–	111	–	144	–	94	–	238
– Mr. Wong Kon Man, Jason	–	144	–	34	–	178	–	144	–	40	–	184
– Ms. Liu Sheng Ping	–	144	–	34	–	178	–	144	–	40	–	184
– Mr. Suen Man Tak, Stephen[2]	–	87	–	–	–	87	–	–	–	–	–	–
	–	6,812	6	258	(5,400)	1,676	–	6,816	6	473	(5,400)	1,895

1 Mr. Zhao Shan Xiang resigned on 12 August 2013.

2 Mr. Suen Man Tak was appointed as independent non-executive director on 23 August 2013 after Mr. Zhao Shan Xiang resigned on 12 August 2013.

11 DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

The five highest paid individuals included one (2013: nil) director of the Company, details of whose emoluments are set out above. The emoluments of the remaining four (2013: five) highest paid employees are as follows:

	2014	2013
	HK$'000	HK$'000
Employees		
– basic salaries and allowances	**3,092**	6,454
	3,092	6,454

Their emoluments were within the following bands:

	2014	2013
Up to HK$1,000,000	**3**	–
HK$1,000,001 to HK$1,500,000	**1**	5

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 four 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 waived their emoluments totalling HK$5,400,000 for the year (2013: HK$5,400,000).

12 TAXATION

	2014 HK$'000	2013 HK$'000
Taxation in the consolidated statement of comprehensive income represents:		
PRC Enterprise Income Tax ("PRC EIT")	–	379
Taxation in other overseas jurisdictions	169	4,877
Over-provision of taxation in prior years	(198)	(1,320)
	(29)	3,936
Deferred taxation (Note 30)	(1,515)	(1,510)
	(1,544)	2,426

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 two entities were entitled to reduced EIT rate at 15% as they were officially endorsed as High-New Technology Enterprise till 31 December 2013 and 31 December 2014.

Under the PRC EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. At 31 March 2014 and 31 March 2013, there were no remaining retained profits earned by these PRC subsidiaries since 1 January 2008, therefore there are no related deferred tax liabilities recognised.

Dividends paid to the non-resident shareholder of a Taiwan company are generally subject to withholding tax of 20%.

Pursuant to the relevant laws and regulations in Vietnam, a subsidiary in Vietnam was entitled to exemption from Vietnam income tax for three years from the first profit-making year in 2008 plus seven years of 50% Vietnam income tax reduction, and the preferential tax rate of 15% for twelve years from the first year the subsidiary in Vietnam generated revenue in 2008.

Tax audit conducted by the Inland Revenue Department ("IRD") in Hong Kong.

IRD is conducting a tax audit to the Group for the year of assessment back from 2005/06.

On 26 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 31 December 2005, against certain subsidiaries of the Company. The Group lodged objections to the IRD against these estimated assessments.

12 TAXATION *(Continued)*

On 15 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 31 December 2006, against certain subsidiaries of the Company. The Group lodged objections to the IRD against these estimated assessments.

On 14 March 2014 and 29 April 2014, the IRD additionally issued estimated profits tax assessments in aggregate of HK$28,425,000 relating to the year of assessment 2007/08, that is, for the financial year ended 31 December 2007, 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"). At 31 March 2014, the Group purchased TRCs totaled HK$5,250,000, which have been recorded as tax recoverable.

The directors of the Company are of the opinion 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$90,720,000 at 31 March 2014. 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:

	2014	2013
	HK$'000	HK$'000
Loss before taxation	**(833,852)**	(622,067)
Tax at the applicable income tax rate of 25% (2013:25%)	**208,463**	155,517
Tax effect of share of results of associates	**(31)**	(982)
Tax effect of share of results of a jointly controlled entity	**(2,404)**	756
Tax effect of expenses not deductible for tax purposes	**(3,528)**	(2,632)
Tax effect of income not taxable for tax purposes	**27,370**	2,560
Tax effect of tax losses not recognised	**(52,626)**	(13,705)
Tax effect of temporary difference not recognised	**(104,693)**	(141,115)
Effect of different tax rates on subsidiaries operating in other jurisdictions	**(71,205)**	(4,145)
Over-provision in prior years	**198**	1,320
Actual tax credit (expense)	**1,544**	(2,426)

13 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:

	2014 HK$'000	2013 HK$'000
Loss for the year attributable to owners of the Company	**(830,658)**	(616,834)

	Number of shares 2014 '000	 2013 '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**939,320**	938,251

The equity-settled share options were not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 March 2014 and 2013.

14 INVESTMENT PROPERTIES

	HK$'000
At 1 April 2012	17,380
Decrease in fair value recognised in profit or loss	(204)
At 31 March 2013	17,176
Increase in fair value recognised in profit or loss	1,841
At 31 March 2014	19,017

	2014 HK$'000	2013 HK$'000
The carrying value of investment properties comprises:		
Properties held under medium-term leases in the PRC	**19,017**	17,176

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 an independent external valuer. 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 income approach by taking into account the net rental income of the property derived from the existing lease and/or achievable in the existing market with due allowance for the reversionary income potential of the leases. At 31 March 2014 and 2013, the Group is yet to obtain the property certificates of the investment properties.

15 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Vehicles HK$'000	Moulds HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 April 2012	698,525	78,175	369,472	25,018	128,536	1,165,517	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 33)	(24,427)	–	(3,226)	–	–	–	(65,811)	(93,464)
At 31 March 2013	707,264	79,568	367,133	22,886	134,955	1,167,357	169,055	2,648,218
Currency realignment	11,913	1,166	8,893	166	2,718	25,370	409	50,635
Additions	–	1,489	4,820	280	1,467	6,367	77,116	91,539
Disposals	(142,589)	(479)	(10,367)	(2,603)	–	(73,153)	(12,108)	(241,299)
Transfers	127,396	–	49,970	–	–	–	(177,366)	–
At 31 March 2014	**703,984**	**81,744**	**420,449**	**20,729**	**139,140**	**1,125,941**	**57,106**	**2,549,093**
Depreciation and impairment								
At 1 April 2012	246,185	61,139	279,434	21,070	104,121	543,451	5,715	1,261,115
Currency realignment	563	103	818	13	244	1,355	14	3,110
Charge 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 losses 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 33)	(6,107)	–	(2,664)	–	–	–	–	(8,771)
At 31 March 2013	254,136	75,349	344,322	21,427	129,632	904,894	93,060	1,822,820
Currency realignment	6,164	1,054	8,587	156	2,579	20,645	959	40,144
Charge for the year	22,222	1,903	13,646	1,125	3,761	32,400	–	75,057
Impairment losses recognised in profit and loss	143,805	–	20,167	–	2,382	131,740	25,814	323,908
Impairment losses recognised in prior year in connection with obligation under onerous contracts	6,382	–	–	–	–	–	27,268	33,650
Transfers	74,807	–	19,214	–	–	–	(94,021)	–
Eliminated on disposals	(9,878)	(363)	(3,967)	(2,603)	–	(61,386)	(2,462)	(80,659)
At 31 March 2014	**497,638**	**77,943**	**401,969**	**20,105**	**138,354**	**1,028,293**	**50,618**	**2,214,920**
Carrying values								
At 31 March 2013	453,128	4,219	22,811	1,459	5,323	262,463	75,995	825,398
At 31 March 2014	**206,346**	**3,801**	**18,480**	**624**	**786**	**97,648**	**6,488**	**334,173**

15 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%
Vehicles	20%
Moulds	20%
Plant and machinery	10%

The carrying value of property interests which are held under medium-term leases comprises:

	2014 **HK$'000**	2013 HK$'000
Land and buildings in Hong Kong	**–**	122,524
Buildings in the PRC	**136,267**	266,941
Land and buildings in Vietnam	**13,665**	–
Land and buildings in Dubai	**44,914**	45,506
Land and buildings in United Kingdom	**11,500**	18,157
	206,346	453,128
Properties included in construction in progress held under medium-term prepaid lease payments in the PRC	**6,488**	75,995
	212,834	529,123

The Group has pledged certain of its buildings with aggregate carrying values of HK$80,631,000 (2013: HK$312,438,000) at the end of the reporting period to secure the credit facilities granted to the Group.

At 31 March 2014, property certificates of the Group's properties with an aggregate net book value of HK$29,288,000 are yet to be obtained.

16 PREPAID LEASE PAYMENTS

	2014 HK$'000	2013 HK$'000
Carrying value		
At the beginning of the year	**75,045**	119,182
Currency realignment	**1,612**	(39)
Additions	**1,268**	–
Disposals	**–**	(35,929)
Disposal of a subsidiary (note 33)	**–**	(6,252)
Amortisation for the year	**(1,790)**	(1,917)
At the end of the year	**76,135**	75,045
The carrying value of medium-term prepaid lease payments are situated in		
– the PRC	**66,980**	65,609
– Vietnam	**9,155**	9,436
	76,135	75,045

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$24,777,000 (2013: HK$19,842,000) at the end of the reporting period to secure the credit facilities granted to the Group.

17 INTANGIBLE ASSETS

	Customer relationship HK$'000	Licenses, patent and trademarks HK$'000	Non-compete agreements HK$'000	Total HK$'000
Cost				
At 1 April 2012	22,554	109,850	5,175	137,579
Currency realignment	(3)	(52)	–	(55)
Additions	–	–	–	–
At 31 March 2013	22,551	109,798	5,175	137,524
Currency realignment	(1)	(2)	(3)	(6)
Additions	–	3,931	–	3,931
At 31 March 2014	**22,550**	**113,727**	**5,172**	**141,449**
Amortisation and impairment				
At 1 April 2012	20,152	93,621	3,364	117,137
Currency realignment	(3)	24	–	21
Amortisation for the year	899	4,429	1,273	6,601
At 31 March 2013	21,048	98,074	4,637	123,759
Currency realignment	1	2	1	4
Amortisation for the year	726	7,569	534	8,829
At 31 March 2014	**21,775**	**105,645**	**5,172**	**132,592**
Carrying values				
At 31 March 2014	**775**	**8,082**	**–**	**8,857**
At 31 March 2013	1,503	11,724	538	13,765

The above intangible assets are amortised on a straight line basis over the following periods:

Customer relationship	5-8 years
Licenses and patent	3-8 years
Trademark	4-5 years
Non-compete agreements	3-8 years

18 INTERESTS IN ASSOCIATES AND DEPOSIT MADE ON FORMATION OF AN ASSOCIATE

	2014 HK$'000	2013 HK$'000
Unlisted investments, at cost	**955**	8,629
Share of net assets	**(327)**	(4,227)
	628	4,402
Deposit made on acquisition of an associate (Note)	**1,204**	2,471

The associates are individually and in aggregate not significant to the Group's financial condition or results of operations.

Note: The amount represents the deposit paid to an independent third party for formation of a new company in PRC. The Group will own 10% equity interest of the new company.

19 INTEREST IN A JOINTLY CONTROLLED ENTITY

	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	**15,600**	15,600
Share of net assets	**6,063**	15,677
	21,663	31,277

The Group's investment in jointly controlled entity at the end of the reporting period represents its 50% (2013: 50%) equity interest in Tivoli, LLC which was incorporated in the United States of America and engaged in trading of lighting products.

19 INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

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:

	2014 **HK$'000**	2013 HK$'000
Total assets	**62,688**	73,406
Total liabilities	**(19,359)**	(10,296)
Net assets	**43,329**	63,110
Group's share of net assets of a jointly controlled entity	**21,663**	31,277
Revenue	**88,078**	74,466
(Loss)/profit for the year	**(19,227)**	6,073
Group's share of (loss)/profit of a jointly controlled entity for the year	**(9,614)**	3,024

On 8 May 2014, the Group has entered into an agreement (the "Acquisition Agreement") with the shareholder of Tivoli LLC to acquire the remaining 50% equity interests of this jointly controlled entity at a consideration of US$3,000,000 (equivalent to approximately HK$23,271,000).

20 AVAILABLE-FOR-SALE INVESTMENTS

	2014 **HK$'000**	2013 HK$'000
Unlisted equity investments, at cost:		
– equity investments in PRC (Note a)	**4,942**	4,942
– equity investment in France (Note b)	**–**	1,507
Impairment loss recognised	**(992)**	(946)
	3,950	5,503
Deposit made on acquisition of available-for-sale investment (Note c)	**–**	8,293

20 AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Note:

(a) At 31 March 2014 and 2013, the amounts represented 4.8% and 10.0% 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$46,000 (2013: HK$946,000) was recognised in relation to the available-for-sale investments in PRC.

(b) At 31 March 2013, the amount represented 5.0% equity interest of a private entity incorporated in France which is engaged in the trading of LED products in France. The Group has disposed the investment during the year ended 31 March 2014.

(c) At 31 March 2013, the amounted represented the deposit paid to an independent third party for formation of a new company in PRC which the Group planned to own its 19.9% equity interest. During the year ended 31 March 2014, the investment plan was suspended and the Group's management recognised impairment loss amounted to HK$8,293,000 thereon as the deposit is considered not recoverable.

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.

21 INVENTORIES

	2014 HK$'000	2013 HK$'000
Raw materials	**62,167**	98,728
Work in progress	**140,616**	476,382
Finished goods	**145,844**	158,955
	348,627	734,065

Movement in the allowance for inventories:

	2014 HK$'000	2013 HK$'000
At beginning of the year	**406,399**	517,996
Currency realignment	**7,336**	572
Utilisation during the year	**(209,944)**	(276,474)
Allowances made during the year	**251,169**	164,305
At the end of the year	**454,960**	406,399

At 31 March 2014, certain finished goods with a carrying value of approximately HK$19,781,000 (2013: HK$19,760,000) were pledged to certain banks to secure the credit facilities granted to the Group.

22 TRADE AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	214,508	190,645
Bills receivables	11,700	9,631
Less: Allowance for bad and doubtful debts	(90,542)	(72,131)
	135,666	128,145
Deposits paid to suppliers	30,739	34,699
Value added tax recoverable	7,623	12,383
Value added tax refundable on export sales	71,280	60,073
Other receivables	26,935	32,175
	272,243	267,475

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

	2014 HK$'000	2013 HK$'000
0 to 60 days	51,338	41,834
61 to 90 days	11,955	13,758
91 to 180 days	39,467	48,169
181 to 360 days	32,906	24,384
	135,666	128,145

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$32,906,000 (2013: HK$24,384,000) 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.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

22 TRADE AND OTHER RECEIVABLES *(Continued)*

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:

	2014 HK$'000	2013 HK$'000
At beginning of the year	**72,131**	146,428
Net impairment loss recognised/(reversal) on receivables	**31,655**	(23,777)
Amounts written off as uncollectible	**(13,244)**	(50,520)
At the end of the year	**90,542**	72,131

Included in the allowance for doubtful debts are trade receivables with an aggregate balance of HK$90,542,000 (2013: HK$72,131,000) 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.

At 31 March 2014, certain trade receivables with a carrying value of approximately HK$14,339,000 (2013: HK$14,325,000) were pledged to certain banks to secure the credit facilities granted to the Group.

23 LOAN RECEIVABLE

The loan receivable carries fixed interest rate of 6% (2013: 6%) per annum and is repayable on demand. All of the loan receivable at 31 March 2014 was received subsequently after the year end.

24 INVESTMENTS HELD-FOR-TRADING

	2014 HK$'000	2013 HK$'000
Equity securities listed in United States	**–**	15,629
Equity securities listed in Hong Kong	**–**	15,667
Gold, silver and platinum contracts held-for-trading	**–**	20,614
	–	51,910

25 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents comprise cash and bank deposits with an original maturity of three months or less.

26 TRADE AND OTHER PAYABLES

	2014 HK$'000	2013 HK$'000
Trade payables	**104,753**	122,186
Bills payables	**7,848**	6,554
	112,601	128,740
Customers' deposits	**35,613**	33,014
Payroll and welfare payables	**18,927**	22,399
Payables for acquisition of property, plant and equipment	**44**	3,647
Other taxes payables	**21,729**	22,645
Obligation under onerous contract in connection with acquisition of property, plant and equipment	**2,731**	36,381
Other payables	**76,241**	44,630
	267,886	291,456

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

	2014 HK$'000	2013 HK$'000
0 to 30 days	**45,080**	16,848
31 to 60 days	**11,330**	11,047
61 to 90 days	**13,102**	35,462
91 to 180 days	**9,258**	40,803
181 to 360 days	**14,525**	13,556
More than 360 days	**19,306**	11,024
	112,601	128,740

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.

27 AMOUNT DUE TO A DIRECTOR

At 31 March 2013, the amount due to a director of the Company, Ms. Michelle Wong, was unsecured, interest-free and was repayable on demand. Ms. Michelle Wong is the spouse of Mr. Ben Fan who is a substantial shareholder of the Company. The amount was repaid during the year ended 31 March 2014.

28 BANK BORROWINGS

	2014 HK$'000	2013 HK$'000
Bank loans		
– secured	**142,014**	468,906
– unsecured	**79,729**	94,495
	221,743	563,401

Secured bank loans are repayable* as follows:

	2014 HK$'000	2013 HK$'000
Within one year	**221,743**	461,879
Between one to two years	**–**	13,619
Between two to five years	**–**	21,776
After five years	**–**	66,127
	221,743	563,401
Less: Amounts due within one year shown under current liabilities	**(221,743)**	(461,879)
Amounts shown under non-current liabilities	**–**	101,522

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

At 31 March 2014, included in the above bank borrowings are fixed-rate bank borrowings of HK$58,942,000 (2013: HK$46,460,000), which are repayable within one year from the end of the year.

28 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:

	2014 HK$'000	2013 HK$'000
Effective interest rates (per annum)		
Fixed-rate borrowings	**3.07% to 7.80%**	5.33%
Variable-rate borrowings	**1.68% to 6.60%**	1.33% to 5.48%

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

	2014 HK$'000	2013 HK$'000
RMB	**–**	344,530
US$	**93,247**	110,795

29 GOVERNMENT GRANTS

During the year ended 31 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 31 March 2014, HK$1,617,000 (2013: HK$6,393,000) of the government grants have been released to profit or loss to net off with research and development expenses. The remaining balance of government grants received are deferred as the Group has not fulfilled the conditions attaching to such grants.

30 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 HK$'000	Fair value adjustment on intangible assets HK$'000	Others HK$'000	Total HK$'000
At 1 April 2012	3,298	6,102	–	9,400
Credited to profit or loss for the year	–	(1,362)	(148)	(1,510)
At 31 March 2013	3,298	4,740	(148)	7,890
Credited to profit or loss for the year	–	(1,515)	–	(1,515)
At 31 March 2014	**3,298**	**3,225**	**(148)**	**6,375**

31 SHARE CAPITAL

	Authorized		Issued and fully paid	
	Number of shares	Amount HK$'000	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each				
– at 1 April 2012	5,000,000,000	500,000	942,440,694	94,244
– shares repurchased and cancelled	–	–	(3,121,000)	(312)
– at 31 March 2013 and 31 March 2014	5,000,000,000	500,000	939,319,694	93,932

During the year end 31 March 2013, 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$0.1 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid 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.

32 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 20 November 2006 for the primary purpose of providing incentives to and recognising significant contributions from 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 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 31 March 2014, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 47,437,000 (2013: 50,386,000), representing 5.1% (2013: 5.4%) 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.

32 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	Exercise price per share HK$	Outstanding at 31.3.2012	Granted during the year	Forfeited/ lapsed during the year	Outstanding at 31.3.2013	Granted during the year	Forfeited/ lapsed during the year	Outstanding at 31.3.2014
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	10,000	–	–	10,000	–	(10,000)	–
	1.2.2008	1.2.2008-31.1.2009	1.2.2009-31.1.2016	5.03	10,000	–	–	10,000	–	(10,000)	–
	1.2.2008	1.2.2009-31.1.2010	1.2.2010-31.1.2016	5.03	10,000	–	–	10,000	–	(10,000)	–
	1.2.2008	1.2.2010-31.1.2011	1.2.2011-31.1.2016	5.03	10,000	–	–	10,000	–	(10,000)	–
	1.2.2008	1.2.2011-31.1.2012	1.2.2012-31.1.2016	5.03	10,000	–	–	10,000	–	(10,000)	–
	22.1.2010	Nil	22.1.2010-21.1.2018	6.75	80,000	–	–	80,000	–	(40,000)	40,000
	22.1.2010	22.1.2010-21.1.2011	22.1.2011-21.1.2018	6.75	80,000	–	–	80,000	–	(40,000)	40,000
	22.1.2010	22.1.2011-21.1.2012	22.1.2012-21.1.2018	6.75	80,000	–	–	80,000	–	(40,000)	40,000
	22.1.2010	22.1.2012-21.1.2013	22.1.2013-21.1.2018	6.75	80,000	–	–	80,000	–	(40,000)	40,000
	22.1.2010	22.1.2013-21.1.2014	22.1.2014-21.1.2018	6.75	80,000	–	–	80,000	–	(40,000)	40,000
	14.12.2012	Nil	14.12.2012-13.12.2016	1.99	–	133,333	–	133,333	–	(33,333)	100,000
	14.12.2012	14.12.2012-13.12.2013	14.12.2013-13.12.2016	1.99	–	133,333	–	133,333	–	(33,333)	100,000
	14.12.2012	14.12.2013-13.12.2014	14.12.2014-13.12.2016	1.99	–	133,334	–	133,334	–	(33,334)	100,000
Employees	15.2.2007	Nil	15.2.2007-14.2.2015	8.72	1,088,900	–	(133,800)	955,100	–	(5,900)	949,200
	15.2.2007	15.2.2007-14.2.2008	15.2.2008-14.2.2015	8.72	1,729,900	–	(133,800)	1,596,100	–	(5,900)	1,590,200
	15.2.2007	15.2.2008-14.2.2009	15.2.2009-14.2.2015	8.72	1,283,233	–	(133,800)	1,149,433	–	(5,900)	1,143,533
	15.2.2007	15.2.2009-14.2.2010	15.2.2010-14.2.2015	8.72	1,283,233	–	(133,800)	1,149,433	–	(5,900)	1,143,533
	15.2.2007	15.2.2010-14.2.2011	15.2.2011-14.2.2015	8.72	1,283,234	–	(133,800)	1,149,434	–	(5,900)	1,143,534
	1.2.2008	Nil	1.2.2008-31.1.2016	5.03	618,200	–	(25,500)	592,700	–	(16,900)	575,800
	1.2.2008	1.2.2008-31.1.2009	1.2.2009-31.1.2016	5.03	278,825	–	(25,500)	253,325	–	(16,900)	236,425
	1.2.2008	1.2.2009-31.1.2010	1.2.2010-31.1.2016	5.03	278,825	–	(25,500)	253,325	–	(16,900)	236,425
	1.2.2008	1.2.2010-31.1.2011	1.2.2011-31.1.2016	5.03	278,825	–	(25,500)	253,325	–	(16,900)	236,425
	1.2.2008	1.2.2011-31.1.2012	1.2.2012-31.1.2016	5.03	278,825	–	(25,500)	253,325	–	(16,900)	236,425

32 SHARE OPTION SCHEME *(Continued)*

Equity-settled share option scheme *(Continued)*

Type of participants	Date of grant	Vesting period	Exercisable	Exercise price per share HK$	Outstanding at 31.3.2012	Granted during the year	Forfeited/ lapsed during the year	Outstanding at 31.3.2013	Granted during the year	Forfeited/ lapsed during the year	Outstanding at 31.3.2014
Employees	29.2.2008	Nil	28.2.2008-28.2.2016	5.90	291,500	–	(3,000)	288,500	–	–	288,500
	29.2.2008	28.2.2008-28.2.2009	28.2.2009-28.2.2016	5.90	285,250	–	(3,000)	282,250	–	–	282,250
	29.2.2008	28.2.2009-28.2.2010	28.2.2010-28.2.2016	5.90	285,250	–	(3,000)	282,250	–	–	282,250
	29.2.2008	28.2.2010-28.2.2011	28.2.2011-28.2.2016	5.90	285,250	–	(3,000)	282,250	–	–	282,250
	29.2.2008	28.2.2011-28.2.2012	28.2.2012-28.2.2016	5.90	285,250	–	(3,000)	282,250	–	–	282,250
	13.7.2009	Nil	13.7.2009-12.7.2017	2.19	1,740,200	–	(62,200)	1,678,000	–	(96,000)	1,582,000
	13.7.2009	13.7.2009-12.7.2010	13.7.2010-12.7.2017	2.19	1,740,200	–	(62,200)	1,678,000	–	(96,000)	1,582,000
	13.7.2009	13.7.2010-12.7.2011	13.7.2011-12.7.2017	2.19	1,740,200	–	(62,200)	1,678,000	–	(96,000)	1,582,000
	13.7.2009	13.7.2011-12.7.2012	13.7.2012-12.7.2017	2.19	1,740,200	–	(62,200)	1,678,000	–	(96,000)	1,582,000
	13.7.2009	13.7.2012-12.7.2013	13.7.2013-12.7.2017	2.19	1,740,200	–	(62,200)	1,678,000	–	(96,000)	1,582,000
	22.1.2010	Nil	22.1.2010-21.1.2018	6.75	1,779,500	–	(61,500)	1,718,000	–	(289,000)	1,429,000
	22.1.2010	22.1.2010-21.1.2011	22.1.2011-21.1.2018	6.75	1,779,500	–	(61,500)	1,718,000	–	(289,000)	1,429,000
	22.1.2010	22.1.2011-21.1.2012	22.1.2012-21.1.2018	6.75	1,779,500	–	(61,500)	1,718,000	–	(289,000)	1,429,000
	22.1.2010	22.1.2012-21.1.2013	22.1.2013-21.1.2018	6.75	1,779,500	–	(61,500)	1,718,000	–	(289,000)	1,429,000
	22.1.2010	22.1.2013-21.1.2014	22.1.2014-21.1.2018	6.75	1,779,500	–	(61,500)	1,718,000	–	(289,000)	1,429,000
	23.7.2010	Nil	23.7.2010-22.7.2018	4.51	430,000	–	(210,000)	220,000	–	(10,000)	210,000
	23.7.2010	23.7.2010-22.7.2011	23.7.2011-22.7.2018	4.51	430,000	–	(210,000)	220,000	–	(10,000)	210,000
	23.7.2010	23.7.2011-22.7.2012	23.7.2012-22.7.2018	4.51	430,000	–	(210,000)	220,000	–	(10,000)	210,000
	23.7.2010	23.7.2012-22.7.2013	23.7.2013-22.7.2018	4.51	430,000	–	(210,000)	220,000	–	(10,000)	210,000
	23.7.2010	23.7.2013-22.7.2014	23.7.2014-22.7.2018	4.51	430,000	–	(210,000)	220,000	–	(10,000)	210,000
	19.8.2011	Nil	19.8.2011-18.8.2015	1.95	4,886,667	–	(1,153,333)	3,733,334	–	(170,000)	3,563,334
	19.8.2011	19.8.2011-18.8.2012	19.8.2012-18.8.2015	1.95	4,886,667	–	(1,153,333)	3,733,334	–	(170,000)	3,563,334
	19.8.2011	19.8.2012-18.8.2013	19.8.2013-18.8.2015	1.95	4,886,666	–	(1,153,334)	3,733,332	–	(170,000)	3,563,332
	14.12.2012	Nil	14.12.2012-13.12.2016	1.99	–	3,491,000	–	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	–	–	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	–	–	3,491,000
					45,453,000	10,873,000	(5,940,000)	50,386,000	–	(2,949,000)	47,437,000

32 SHARE OPTION SCHEME *(Continued)*

Equity-settled share option scheme *(Continued)*

The weighted average exercise price of options forfeited during the year and outstanding at the end of the reporting period is HK$4.92 (2013: HK$3.50) and HK$3.94 (2013: HK$4.00), respectively.

No share option was granted during the year ended 31 March 2014.

During the year ended 31 March 2013, options were granted on 14 December 2012 with an aggregate estimated fair value of HK$9,139,000. The weighted average exercise price of options granted during 31 March 2013 is HK$1.99. The fair values were calculated using the binomial option pricing model. The inputs into the model were as follows:

	Share options granted on 14 December 2012
Number of share options	10,873,000
Grant date share price per share	1.99
Exercise price per share	1.99
Expected volatility	63.23%
Risk-free interest rate	0.27%
Expected dividend yield	2.48%
Suboptimal exercise factor	4.00

During the year, the Group recognised the expense of HK$5,655,000 (2013: HK$9,748,000) in relation to share options granted after taking into consideration the effect of revision of estimates due to forfeiture of unvested share options.

33 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

34 OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the year, 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:

	2014 HK$'000	2013 HK$'000
Within one year	2,733	3,501
In the second to fifth year inclusive	6,686	7,960
Over five years	5,581	7,821
	15,000	19,282

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

The Group as lessor

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

	2014 HK$'000	2013 HK$'000
Within one year	1,595	2,495
In the second to fifth year inclusive	2,125	1,158
Over five years	478	465
	4,198	4,118

35 CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:

	2014 HK$'000	2013 HK$'000
– acquisition of property, plant and equipment	15,967	42,463
– 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$2,731,000 as at 31 March 2014 (2013: HK$36,381,000) is included in trade and other payables in respect of the acquisition of property, plant and equipment. The amount of HK$15,967,000 (2013: HK$42,463,000) presented above represents capital expenditure contracted net of provision for onerous contract and deposits paid.

36 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 its 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.

37 RELATED PARTY TRANSACTIONS

During the year, the Group sold goods totalling HK$274,000 (2013: HK$2,585,000) to a jointly controlled entity.

The Company's directors represented the Group's key management and their emoluments for the year are set out in note 11.

At 31 March 2013, the amount due to a director was HK$9,078,000, which is set out in note 27.

38 INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2014 HK$'000	2013 HK$'000
Assets and liabilities		
Interests in subsidiaries	**609,764**	1,092,225
Cash and cash equivalents	**1,753**	993
Other current liabilities	**(4,155)**	(5,903)
Net assets	**607,362**	1,087,315
Capital and reserves		
Share capital	**93,932**	93,932
Reserves	**513,430**	993,383
Total equity	**607,362**	1,087,315

At 31 March 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was nil (2013: nil).

39 SUBSEQUENT EVENTS

On 8 May 2014, the Group has entered into an agreement (the "Acquisition Agreement") with the shareholder of Tivoli LLC to acquire the remaining 50% equity interests of this jointly controlled entity at a consideration of US$3,000,000 (equivalent to approximately HK$23,271,000).

On 10 June 2014, the Company held an Extraordinary General Meeting (the "EGM") for the purpose of considering two ordinary resolutions. The first ordinary resolution to approve, confirm and ratify conditional subscription agreement dated 19 March 2014 entered into between the Company and THTF Energy-Saving Holdings Limited (the "Subscriber") in relation to the subscription (the "Subscription") by the Subscriber of 1,000,000,000 ordinary shares with par value of HK$0.1 each of the Company at a total consideration of HK$900 million was duly passed by the shareholders at the EGM by way of poll. The second ordinary resolution to approve the waiver in respect of the obligation on the part of the Subscriber and parties acting in concert with it to make a mandatory general offer to the shareholders of the Company for all the securities of the Company was not passed by the shareholders at the EGM by way of poll.

On 18 June 2014, the board of directors of Tongfang Company Ltd ("Tongfang"), the ultimate controlling shareholder of the Subscriber, approved, among other things, that the Subscriber will agree to proceed with the Subscription subject to certain conditions, including the relevant resolutions having been passed at the shareholders' meeting of Tongfang and financing of the transaction having been obtained by the Subscriber. At the date of this report, the Subscription has not been completed yet.

40 PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are indirectly wholly-owned by the Company, at 31 March 2014 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
Neo-Neon Holdings (BVI) Limited	Incorporated	British Virgin Islands	USD1,000,000	Investment holding
Neo-Neon Enterprises Limited	Incorporated	Hong Kong	10,000 shares	Trading of lighting products
Billion Choice Trading Ltd.	Incorporated	British Virgin Islands	USD1	Investment holding
Heshan Lide Electronic Enterprise Limited	Wholly foreign owned enterprise	PRC	USD286,147,796	Manufacture and sales of lighting products
Star Bright International (Macao Commercial Offshore) Limited	Incorporated	Macau	MOP100,000	Trading of lighting products
Neo-Neon LED Lighting International Limited	Incorporated	Samoa	USD10,000	Trading of lighting products
Mitcham Profits Limited	Incorporated	British Virgin Islands	USD1	Provision of marketing services
Cashware Technology Limited	Incorporated	British Virgin Islands	USD1	Provision of research and development services
Heshan Yinyu Illumination Co., Ltd.	Domestic Limited Liability Company	PRC	CNY50,000,000	Manufacture and sales of lighting products
American Lighting, Inc.	Incorporated	USA	USD2,472,436	Trading of lighting products

FINANCIAL SUMMARY

	Year ended 31 December,	For the period from 1 January, 2010 to 31 March	Year ended 31 March		
	2009	2011	2012	2013	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	1,111,460	1,710,451	1,083,835	827,039	**840,700**
Profit (loss) before taxation	154,596	114,860	(1,450,683)	(622,067)	**(833,852)**
Taxation (expense) credit	2,351	(2,674)	19,696	(2,426)	**1,544**
Profit (loss) for the year	156,947	112,186	(1,430,987)	(624,493)	**(832,308)**
Attributable to					
– owners of the Company	157,989	116,608	(1,430,437)	(616,834)	**(830,658)**
– non-controlling interests	(1,042)	(4,422)	(550)	(7,659)	**(1,650)**
	156,947	112,186	(1,430,987)	(624,493)	**(832,308)**

	As at 31 December,	As at 31 March			
	2009	2011	2012	2013	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	3,962,637	4,784,537	3,010,471	2,481,903	**1,313,030**
Total liabilities	(728,020)	(1,239,645)	(819,367)	(903,870)	**(521,596)**
Net assets	3,234,617	3,544,892	2,191,104	1,578,033	**791,434**
Equity attributable to owners of the Company	3,228,923	3,527,949	2,179,280	1,569,693	**784,737**
Non-controlling interests	5,694	16,943	11,824	8,340	**6,697**
Total equity	3,234,617	3,544,892	2,191,104	1,578,033	**791,434**