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Neo-Neon Holdings Limited
真明麗控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1868)

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL PERIOD FROM 1ST JANUARY, 2010 TO 31ST MARCH, 2011

ANNUAL RESULTS

The board of directors (the "Board") of Neo-Neon Holdings Limited ("Neo-Neon" or the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the period from 1st January, 2010 to 31st March, 2011 with comparative figures for the year ended 31st December 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1ST JANUARY, 2010 TO 31ST MARCH, 2011

	Notes	**1.1.2010 to 31.3.2011** ***HK$'000***	1.1.2009 to 31.12.2009 *HK$'000*
Turnover	*4*	**1,710,451**	1,111,460
Cost of goods sold		**(1,128,130)**	(729,567)
Gross profit		**582,321**	381,893
Other income		**22,201**	17,646
Other gains, losses and expenses	*5*	**(17,424)**	18,032
Distribution and selling expenses		**(134,759)**	(75,739)
Administrative expenses		**(322,234)**	(200,710)
Finance costs		**(11,403)**	(5,852)
Change in fair value of investment properties		**2,472**	4,937
Gain on deemed disposal of partial interest in an associate		**–**	13,186
Share of losses of an associate		**(6,708)**	(6)
Share of profits of a jointly controlled entity		**394**	1,209
Profit before taxation	*6*	**114,860**	154,596
Taxation	*7*	**(2,674)**	2,351
Profit for the period/year		**112,186**	156,947

	Notes	**1.1.2010 to 31.3.2011 *HK$'000***	1.1.2009 to 31.12.2009 *HK$'000*
Other comprehensive income			
– exchange differences arising on translation		**103,418**	3,982
– reclassification adjustment relating to disposal of subsidiaries		**–**	3
– share of other comprehensive income of a jointly controlled entity		**–**	91
		103,418	4,076
Total comprehensive income for the period/year		**215,604**	161,023
Profit for the period/year attributable to			
– owners of the Company		**116,608**	157,989
– non-controlling interests		**(4,422)**	(1,042)
		112,186	156,947
Total comprehensive income for the period/year attributable to			
– owners of the Company		**220,026**	162,065
– non-controlling interests		**(4,422)**	(1,042)
		215,604	161,023
		HK cents	*HK cents*
Earnings per share			
– Basic	*9*	**12.7**	19.5
– Diluted		**12.7**	19.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST MARCH 2011

	Notes	**31.3.2011 HK$'000**	*31.12.2009 HK$'000*
Non-current assets			
Investment properties		**68,479**	61,736
Property, plant and equipment		**1,702,963**	1,223,977
Prepaid lease payments		**117,664**	86,160
Goodwill		**106,796**	–
Intangible assets		**127,344**	6,968
Interest in an associate		**14,225**	20,933
Interest in a jointly controlled entity		**24,928**	24,236
Deposits made on acquisition of property, plant and equipment		**111,895**	111,043
		2,274,294	1,535,053
Current assets			
Inventories		**1,419,674**	810,247
Trade and other receivables	*10*	**545,664**	257,360
Investments held-for-trading		**121,102**	391,312
Pledged bank deposits		**52,371**	2,269
Bank balances and cash		**371,432**	903,968
		2,510,243	2,365,156
Assets held for sale		**–**	62,428
		2,510,243	2,427,584
Current liabilities			
Trade and other payables	*11*	**384,390**	171,596
Taxation		**7,667**	6,000
Current portion of long-term bank loans		**778,586**	521,402
		1,170,643	698,998
Net current assets		**1,339,600**	1,728,586
Total assets less current liabilities		**3,613,894**	3,263,639
Non-current liabilities			
Long-term bank loans		**28,078**	29,022
Government grants		**9,681**	–
Deferred taxation		**31,243**	–
		69,002	29,022
Net assets		**3,544,892**	3,234,617
Capital and reserves			
Share capital		**94,244**	91,333
Reserves		**3,433,705**	3,137,590
Equity attributable to equity holders of the Company		**3,527,949**	3,228,923
Non-controlling interests		**16,943**	5,694
Total equity		**3,544,892**	3,234,617

Notes:

1. GENERAL

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

During the current financial period, the reporting period end date of the Group and the Company was changed from 31st December to 31st March because the directors of the Company determined to take into account the seasonality factors of lighting product, in which from May to September, is usually the major lighting product peak seasons, to enable the Company to better utilise its resources and facilitate better planning and operational processes of the Company. Accordingly, the consolidated financial statements for the current period cover the fifteen-month period from 1st January 2010 to 31st March 2011. The corresponding comparative amounts shown for the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a twelve-month period from 1st January 2009 to 31st December 2009 and therefore may not be comparable with amounts shown for the current period.

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

In the current period, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC)* – Int 17	Distributions of non-cash assets to owners

* IFRIC represents the IFRS Committee.

HKFRS 3 (as revised in 2008) Business combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1st January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current period.

HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

As a result of the application of HKFRS 3 (as revised in 2008), the Group has recognised HK$883,000 of acquisition-related costs in administrative expenses in the consolidated statement of comprehensive income resulting in a decrease in the profit for the period. Previously these costs would have been accounted for as part of the cost of the acquisition, resulting in additional goodwill of the same amount in the consolidated statement of financial position.

In the current period, the application of HKFRS 3 (as revised in 2008) has affected the purchase of subsidiaries, as follows:

- Less goodwill recognised as at 31st March, 2011, amounting to HK$883,000.
- Decrease in profit for the period from 1st January, 2010 to 31st March, 2011, amounting to HK$883,000.
- Decrease in earnings per share of HK$0.0961 cent and decrease in diluted earnings per share of HK$0.0959 cent for the period from 1st January, 2010 to 31st March, 2011 respectively.

Amendments to HKAS 7 Statement of Cash Flows
(as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to HKAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in HKAS 38 "Intangible assets" for capitalisation as part of an internally generated intangible asset in the consolidated statement of cash flows. This change has been applied retrospectively.

Specifically, development costs paid in the current period that do not qualify for capitalisation as intangible assets of HK$22,841,000 are included in cash flows from operating activities in the consolidated statement of cash flows. Development costs of HK$29,490,000 paid in 2009 have been reclassified from investing to operating activities in the consolidated statement of cash flows for consistent presentation.

Amendment to HKAS 17 "Leases"

As part of Improvements to HKFRSs issued in 2009 HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as land use rights in the statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The application of the amendment HKAS 17 has had no effect on the financial statements of the Group for the current or prior accounting periods.

The application of the other new and revised HKFRSs had no effect on the Group's accounting policies and the consolidated financial statements.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised 2009)	Related Party Disclosures[6]
HKAS 27 (Revised 2011)	Separate Financial Statements[4]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2011
[7] Effective for annual periods beginning on or after 1 February 2010

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

HKFRS 9 is effective for annual periods beginning on or after 1st January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st April 2013. Based on the Group's financial assets and financial liabilities as at 31st March 2011 the directors anticipate that the application of the new standard is not expected to have significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities.

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

4. TURNOVER AND SEGMENT INFORMATION

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

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

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

Segment revenue and results

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

	1.1.2010 to 31.3.2011	1.1.2009 to 31.12.2009
	HK$'000	*HK$'000*
Segment revenue		
LED decorative lighting	**868,543**	604,511
LED general illumination lighting	**377,876**	96,343
Incandescent decorative lighting	**279,234**	269,079
Entertainment lighting	**132,648**	108,979
All others	**52,150**	32,548
	1,710,451	1,111,460
Segment results		
Profit from operations		
LED decorative lighting	**120,348**	101,977
LED general illumination lighting	**49,661**	19,852
Incandescent decorative lighting	**22,299**	48,783
Entertainment lighting	**8,286**	15,845
All others	**1,629**	8,599
Segment results	**202,223**	195,056
Unallocated expenses	**(54,694)**	(71,966)
Unallocated other gains, losses and expenses	**(17,424)**	18,032
Finance costs	**(11,403)**	(5,852)
Change in fair value of investment properties	**2,472**	4,937
Gain on deemed disposal of partial interest in an associate	**–**	13,186
Share of losses of an associate	**(6,708)**	(6)
Share of profits of a jointly controlled entity	**394**	1,209
Profit before taxation	**114,860**	154,596

Segment profit represents the profit earned by each segment without allocation of unallocated expenses, other gains or losses and expenses, finance costs, change in fair value of investment properties, gain on deemed disposal of partial interest in an associate, share of losses of an associate and share of profits of a jointly controlled entity. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	1.1.2010 to 31.3.2011 *HK$'000*	1.1.2009 to 31.12.2009 *HK$'000*
Segment assets		
LED decorative lighting	**2,157,581**	2,077,370
LED general illumination lighting	**854,080**	287,984
Incandescent decorative lighting	**851,634**	748,917
Entertainment lighting	**481,344**	304,990
All others	**211,164**	45,159
Total segment assets	**4,555,803**	3,464,420
Unallocated corporate assets	**228,734**	498,217
Consolidated assets	**4,784,537**	3,962,637
Segment liabilities		
LED decorative lighting	**199,067**	92,762
LED general illumination lighting	**87,073**	16,122
Incandescent decorative lighting	**64,595**	45,029
Entertainment lighting	**28,742**	18,237
All others	**12,580**	5,446
Total segment liabilities	**392,057**	177,596
Unallocated corporate liabilities	**847,588**	550,424
Consolidated liabilities	**1,239,645**	728,020

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

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

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

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:								
Period from 1st January 2010 to 31st March 2011								
Capital additions	**409,065**	**190,760**	**120,569**	**66,964**	**26,326**	**813,684**	**49,789**	**863,473**
Depreciation and amortisation	**100,525**	**35,178**	**33,010**	**15,681**	**6,165**	**190,559**	**11,821**	**202,380**
Net allowance for bad and doubtful debts	**14,774**	**2,355**	**6,576**	**2,663**	**795**	**27,163**	**–**	**27,163**
Gain on disposal of property, plant and equipment	**(358)**	**(233)**	**(651)**	**(264)**	**(79)**	**(1,585)**	**(1,103)**	**(2,688)**
Allowance for inventories	**23,096**	**3,681**	**10,281**	**4,164**	**1,243**	**42,465**	**–**	**42,465**
Equity-settled share based payments	**13,119**	**2,298**	**6,419**	**2,600**	**776**	**25,212**	**1,680**	**26,892**
Year ended 31st December 2009								
Capital additions	189,663	33,885	53,404	21,629	5,335	303,916	32,248	336,164
Depreciation and amortisation	73,568	12,654	35,342	14,314	4,228	140,106	5,831	145,937
Net allowance for bad and doubtful debts	5,471	1,579	1,941	1,122	634	10,747	–	10,747
Loss on disposal of property, plant and equipment	1,509	295	825	334	100	3,063	346	3,409
Reversal of allowance for inventories	(10,847)	(1,729)	(4,786)	(1,955)	(626)	(19,943)	–	(19,943)
Equity-settled share based payments	5,417	920	2,266	1,041	310	9,954	662	10,616

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:

	Results	
	1.1.2010 to 31.3.2011 *HK$'000*	1.1.2009 to 31.12.2009 *HK$'000*
United States of America ("USA")	**586,610**	409,740
PRC	**409,800**	148,613
Netherlands	**80,195**	102,925
France	**74,263**	42,018
Russia	**52,126**	41,647
Other countries	**507,457**	366,517
	1,710,451	1,111,460

Information about major customers

There are no customers who individually contribute over 10% of the total sales of the Group for both periods.

5. OTHER GAINS, LOSSES AND EXPENSES

	1.1.2010 to 31.3.2011 *HK$'000*	1.1.2009 *to* 31.12.2009 *HK$'000*
Compromise and legal fee relating to a settled litigation *(note i)*	**(10,412)**	–
Gain (loss) on disposal of property, plant and equipment	**2,688**	(3,409)
Gain on disposal of an asset held for sale	**43,188**	–
Impairment loss recognised in respect of prepaid lease payments	**–**	(1,568)
Impairment loss recognised in respect of intangible assets	**–**	(4,455)
Net allowance for bad and doubtful debts	**(27,163)**	(10,747)
Research and development costs	**(26,163)**	(32,301)
Loss on liquidation of subsidiary	**–**	(404)
Increase in fair value of investments held-for-trading	**9,340**	66,087
Government grants *(note ii)*	**–**	5,673
Net exchange loss	**(8,902)**	(844)
	(17,424)	18,032

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

(ii) Government grants of RMB5,000,000 (equivalent to HK$5,673,000) were granted to the Group to recognise the achievements of the Group in LED technology development in Guangdong province. The government grants had no conditions or contingencies attached to them and they were non-recurring in nature.

6. PROFIT BEFORE TAXATION

	1.1.2010 to 31.3.2011 *HK$'000*	1.1.2009 *to* 31.12.2009 *HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration		
– current period/year	**10,987**	7,764
– waived during the period/year	**(6,870)**	(5,496)
	4,117	2,268
– waiver of prior year's remuneration	**–**	(4,294)
	4,117	(2,026)
Other staff's retirement benefits scheme contributions	**9,765**	6,750
Other staff's equity-settled share based payments	**24,661**	10,556
Other staff costs	**245,969**	186,161
	284,512	201,441
Less: Staff costs included in research and development costs	**(9,111)**	(7,264)
	275,401	194,177
Depreciation of property, plant and equipment	**196,334**	143,480
Less: Depreciation included in research and development costs	**(3,322)**	(2,811)
	193,012	140,669
Amortisation of intangible assets included in administrative expenses	**6,046**	2,457
Cost of inventories recognised as an expense including allowance for inventories of HK$42,465,000 (2009: reversal of allowance for inventories of HK$19,943,000)	**1,128,130**	729,567
Operating lease rentals in respect of		
– prepaid lease payments	**2,582**	1,681
– rented premises	**6,864**	1,930
and after crediting:		
Dividend income from listed investments held-for-trading	**6,997**	2,878
Interest income	**5,496**	6,875
Property rental income before deduction of negligible outgoings	**3,725**	2,846

7. TAXATION

	1.1.2010 to 31.3.2011 *HK$'000*	1.1.2009 to 31.12.2009 *HK$'000*
The credit (charge) comprises:		
PRC Enterprise Income Tax ("EIT")	**(2,314)**	(1,254)
(Under) overprovision of PRC EIT in prior years	**(881)**	9,588
Taxation in other overseas jurisdictions	**(208)**	–
	(3,403)	8,334
Underprovision of Hong Kong Profits Tax in prior years	**(310)**	–
Deferred taxation	**1,039**	(5,983)
	(2,674)	2,351

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

The Company's PRC subsidiaries are subject to EIT at 25% for the period except that one of which was officially endorsed as a High-New Technology Enterprise in December 2008 for the next three years. Pursuant to the EIT Law, a High-New Technology Enterprise shall be entitled to a preferential tax rate of 15% from 1st January 2010 to 31st December 2010.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January 2008 onwards. At 31st March 2011 and at 31st December 2009 there were no remaining retained profits earned by these PRC subsidiaries since 1st January 2008 therefore there are no deferred tax liabilities recognised.

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

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

8. DIVIDENDS

	1.1.2010 to 31.3.2011 *HK$'000*	1.1.2009 to 31.12.2009 *HK$'000*
Dividends		
– interim dividends of 2.8 Hong Kong cents (2009: 1.4 Hong Kong cents) per share paid	**25,682**	12,013
– final dividends of 3.5 Hong Kong cents (2008: 1.1 Hong Kong cents) per share paid	**32,046**	8,373
	57,728	20,386
– proposed final dividends of 3.2 Hong Kong cents (2009: 3.5 Hong Kong cents) per share	**30,158**	31,966

The final dividend proposed by the directors for the period is subject to approval by the shareholders in the forthcoming annual general meeting and is calculated on the basis of 942,440,694 (2009: 913,328,500) shares in issue as at the date of this report.

9. EARNINGS PER SHARE

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

	1.1.2010 to 31.3.2011	1.1.2009 to 31.12.2009
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**116,608**	157,989

	Number of shares	
	1.1.2010 to 31.3.2011	1.1.2009 to 31.12.2009
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**919,032**	810,288
Effect of dilutive potential ordinary shares – share options	**1,617**	14
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**920,649**	810,302

10. TRADE AND BILLS RECEIVABLES

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

	31.3.2011	31.12.2009
	HK$'000	*HK$'000*
Age		
0 to 60 days	**194,315**	71,806
61 to 90 days	**33,087**	18,751
91 to 180 days	**78,769**	30,999
181 to 360 days	**73,958**	40,717
Over 1 year	**8,925**	8,045
	389,054	170,318

11. TRADE AND BILLS PAYABLES

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

	31.3.2011	31.12.2009
	HK$'000	*HK$'000*
Age		
0 to 30 days	**121,304**	42,772
31 to 60 days	**25,646**	22,046
61 to 90 days	**32,152**	7,382
91 to 120 days	**38,428**	5,454
121 days to 360 days	**21,248**	19,201
	238,778	96,855

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the period from 1st January, 2010 to 31st March, 2011 the Group's turnover was HK$1,710.5 million (2009: HK$1,111.5 million), representing an increase of 53.9%. Gross profit of the Group was HK$582.3 million for 2011 (2009: HK$381.9 million), showing a increase of 52.5%. Profit attributable to owners of the Company increased from HK$158.0 million in 2009 to HK$116.6 million in 2011. Basic earnings per share was HK cents 12.7 for 2011 (2009: HK cents 19.5).

Turnover

(a) By product category

(i) LED decorative lighting products

The Group's turnover from LED in decorative lighting recorded HK$868.5 million in 2011 (2009: HK$604.5 million), showing an increase of 43.7%. With the completion of LED production factory and continued R&D efforts in new LED products, the Group continued to expand its market share in LED-based decorative lighting products and play as the market leader in the aforesaid industry.

(ii) LED general illumination lighting products

The turnover from LED in general illumination lighting amounted to HK$377.9 million in 2011 (2009: HK$96.3 million), showing a huge increase of 292.4%, China has increased 175.8% from this product. 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$279.2 million in 2011 (2009: HK$269.1 million), showing an increase of 3.8%. Following the announcement of impending abandonment of incandescent-based lighting products by many developed countries, the incandescent lighting products will be gradually replaced in our sales mix by the green LED decorative lighting products.

(iv) Entertainment lighting products

The entertainment lighting made a turnover of HK$132.6 million in 2011 (2009: HK$109.0 million), showing an increase of 21.6%. 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$74.3 million for 2011 (2009: HK$42.0 million), representing an increase of HK$32.3 million or 76.9%. The turnover from the PRC was HK$409.8 million in 2011 (2009: HK$148.6 million), showing an increase of HK$261.2 million or 175.8%, major growth of LED general illumination lighting products. The turnover from United States of America recorded HK$586.6 million for 2011 (2009: HK$409.7 million), representing an increase of HK$176.9 million or 43.2%. The turnover from other countries reached HK$507.5 million in 2011 (2009: HK$366.5 million), showing an increase of HK$141.0 million or 38.5%.

Cost of Goods Sold and Gross Profit Margin

The cost of goods sold was HK$1,128.1 million in 2011 (2009: HK$729.6 million), increased by HK$398.5 million or 54.6%. The increase was mainly attributable to: (i) an increase in material costs by HK$253.1 million or 55.4%, (ii) an increase in labour costs and subcontracting costs of HK$76.8 million or 61.3%, and (iii) an increase in depreciation of HK$27.1 million or 30.2% resulted from additions of moulds and machinery catering for the expansion of production capacity. The increase in material costs was mainly due to rising raw material prices for most of the time in 2011. As the cost of goods sold recorded an increase of 54.6% exceeding the increase in sales of 53.9%, the Group's gross profit margin was still having 34.0% in 2011 (2009: 34.4%).

Other Income

Other incomes was HK$22.2 million in 2011 (2009: HK$17.6 million), representing an increase of HK$4.6 million or 26.1%, mainly due to an increase of dividend income from investment in securities.

Other Gains, Losses and Expenses

Other gains, losses and expenses showed a loss of HK$17.4 million in 2011 (2009: a gain of HK$18.0 million). The decrease was mainly due to an increase in fair value of listed investments held-for-trading of HK$66.1 million in 2009 compared to an increase in fair value of listed investments held-for-trading of HK$9.3 million in 2011, partly offset by a net exchange loss from HK$0.8 million in 2009 to a net exchange loss HK$8.9 million in 2011 and Gain on disposal of an asset held for sale of HK$43.2 million (2009: nil).

Operating Expenses

The distribution and selling expenses mainly compose of staff costs, promotion and advertising, freight and transportation, agency and custom costs, rent and rates and allowance for bad and doubtful debt. To expand the base, overseas office was increased to 16 countries and regions. In response to the sales opportunity of Chinese market, the Group increased Chinese sales networks and flagship. The distribution and selling expenses increased from HK$75.7 million in 2009 to HK$134.8 million in 2011 representing an increase of HK$59.1 million or 78.1%.

The administrative expenses mainly compose of staff costs and directors remuneration, depreciation charge, professional and legal fee, research and development costs, business tax. Due to MOCVD increased 14 sets, the management of high technology and research was increased accordingly and removed factory to Vietnam caused the increasing of management staff. The administrative expenses increased from HK$200.7 million in 2009 to HK$322.2 million in 2011 representing an increase of HK$121.5 million or 60.5%.

Change in Fair Value of Investment Properties

In 2011 the change in fair value of investment properties recorded an increase of HK$2.5 million (2009: an increase in fair value of HK$4.9 million). Such change was explained by (i) an increase in fair value of an investment property in Guangzhou, the PRC, in 2011 of HK$1.5 million (2009: an increase in fair value of HK$1.5 million), and (ii) an increase in fair value of HK$1.0 million (2009: an increase in fair value of HK$3.4 million) for an investment property in Taiwan acquired in 2011.

Finance Costs

The finance costs was HK$11.4 million in 2011 (2009: HK$5.9 million), representing an increase of HK$5.5 million or 93.2%. The increase was mainly due to an increase of new bank loans, amounted HK$534.8 million, in 2011 for financing the working capital, an investment property and plan and machinery.

Interest in an Associate

The Group's investment in an associate at the end of the reporting period represents its 34.57% equity interest in Luminaire Holdings Inc. which was incorporated in the British Virgin Islands and acts as an investment holding company on operations for the manufacturing and distribution of LED chips. The total consideration paid is US$1,000,000 (equivalent to approximately HK$7,753,000).

Taxation

For 2011 the Group's tax charge of HK$2.7 million (2009: tax credit of HK$2.4 million) included profit tax charge of HK$2.3 million (2009: HK$1.3 million), deferred taxation of HK$1.0 million (2009: HK$5.9 million), offset by underprovision of PRC income tax in prior years of HK$0.9 million (2009: overprovision of HK$9.6 million).

Profit Attributable to Owners of the Company

For 2011 the profit attributable to owners of the Company amounted to HK$116.6 million (2009: HK$158.0 million). The decrease was mainly attributable to an increase in gross profit, increase in other income, distribution and selling expenses and administrative expenses and finance costs, decrease in fair value of listed investments held-for-trading and share of losses of an associate. The overall net profit margin decreased from 14.1% in 2009 to 6.6% in 2011.

FINANCIAL RESOURCES AND LIQUIDITY

Cash Flows

Cash inflow from operating activities in 2011 was credit HK$82.0 million (2009: HK$2.6 million). Cash outflow from investing activities in 2011 was HK$648.9 million (2009: HK$321.6 million). Cash inflow from financing activities in 2011 was HK$192.4 million (2009: HK$758.9 million). Cash outflow from investing activities in 2011 was mainly due to additions of property, plant and machinery and deposits paid on acquisition of property, plant and equipment of about HK$714.3 million. Cash inflow from financing activities was mainly due to new bank loans of HK$534.8 million and issued shares HK$8.4 million raised in 2011. An overall net increase in cash and cash equivalents in 2011 was credit HK$538.5 million (2009: HK$439.8 million). The Group's major financial resources derived from cash generated from financing activities.

Assets and Liabilities

As at 31st March 2011 the Group's current assets and non-current assets were respectively HK$2,510.2 million (as at 31st December 2009: HK$2,427.6 million) and HK$2,274.3 million (as at 31st December 2009: HK$1,535.1 million). The increase in non-current assets was mainly due to an increase in property, plant and equipment of HK$479.0 million. As at 31st March 2011 the Group's current liabilities and long-term liabilities were respectively HK$1,170.6 million (as at 31st December 2009: HK$699.0 million) and HK$69.0 million (as at 31st December 2009: HK$29.0 million). The increase in current liabilities was mainly due to new bank loans of HK$534.8 million raised in 2011. As at 31st March 2011 the Group's bank balance and cash was HK$371.4 million (as at 31st December 2009: HK$904.0 million). The Group's gearing ratio increased from 17.0% as at 31st December 2009 to 22.8% as at 31st March 2011 (Basis: consolidated total bank loans divided by consolidated total equity). The increase in gearing was mainly due to an increase of new bank loans in 2011 for financing the working capital, an investment property and plan and machinery.

The existing cash resources are sufficient for the Group to meet its business requirements.

FOREIGN EXCHANGE RISK

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

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

CHARGE OF ASSETS

As at 31st March 2011 the Group has pledged one of its investment properties with a fair value of HK$52,240,000 (as at 31st December 2009: HK$46,972,000), certain of its land and buildings with an aggregate carrying value of HK$127,766,000 (as at 31st December 2009: HK$194,842,000) and also bank deposits of aggregate carrying value of HK$52,371,000 (as at 31st December 2009: HK$2,269,000) to secure bank credit facilities granted to the Group.

CAPITAL COMMITMENTS

As at 31st March 2011 the Group has capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment of HK$169.3 million (as at 31st December 2009: HK$201.3 million), acquisition of land use rights in PRC of nil million (as at 31st December 2009: HK$22.5 million) and Yangzhou investment projects of nil million (as at 31st December 2009: HK$150.0 million).

CONTINGENT LIABILITIES

As at 31st March 2011 the Group did not have any material contingent liabilities.

CAPITAL STRUCTURE

As at 31st March 2011 the issued share capital of the Company was HK$94,244,069 (as at 31st December 2009: HK$91,332,850), divided into 942,440,694 (2009: 913,328,500) ordinary shares of HK$0.10 each.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

During the year under review, the Company apart from acquired American Lighting, HCI and Neo-Neon Europe. There was no material disposal and significant investment.

BUSINESS REVIEW

The era of light emitting diode ("LED") indoor home lighting has dawned. LED has distinct advantages over traditional lighting products in respect of energy saving and environmental protection. LED can achieve 40%-60% of energy savings as compared to fluorescent tubes save 90% as compared to the tungsten lamps. If all the illumination alters to the LED lighting, the world can save EURO120 billion electricity expenses and reduce 630 million tons of carbon dioxide emissions annually. That is to say, we can save 1.8 billion barrels of crude oil per year. In addition, the advantages of LED products include longer usage life, better luminous efficiency, larger illumination area, adjustable light color, etc. Therefore, governments of many countries have introduced polices to restrict or ban the production and sale of incandescent lamps, and strongly advocated the application of LED lamps.

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

Production Facilities and Capacity

The LED products gradually replaced incandescent-based lighting in our sales mix. We proactively reinforced the Group's continued effort at research and development (R&D), and strove towards green lighting technology in future. Following the expansion of LED packaging plant in 2010, the Group reached a production capacity of 800 million LEDs per month. Our high-power LED emitter can achieve 120 lumens per watt, attaining the highest mass-production level in the LED industry. We continued our R&D effort in replacing existing HID and halogen light bulbs by high-power LED emitter so as to increase the variety and flexibility in entertainment lighting applications. In respect of general LED-based lighting, we firstly produced the whole series of LED white-light illumination products, including LED streetlights, LED T8 tubes, LED downlights and LED bulbs.

By the end of 2010, the Company newly added 14 metal organic chemical vapour depositors ("MOCVD") and the related packing production line. Thus, as at the end of December 2010, there were nineteen (19) sets in total for the production of LED wafers and chips. After completion of installation and testing, the production capacity will increase from 15,000 chips per month (two (2) inches) in 2009 to 45,000 chips per month (two (2) inches) by the end of July 2011. It is expected that the increased production capacity of chips will not only satisfy the demand of our LED packaging production and shorten delivery time to end customers under such integrated supply chain, but also allow the external sales of chips in 2011 to increase to above 50% of the total production output, thereby enabling the Company to seize more market opportunities.

Currently, the brightness of self-produced LED chips of Neo-Neon has already exceeded 1201m/W and that of wafers and chips produced by chip factories has risen to 2700mcd, both of which have reached the internationally advanced level. In comparison with large foreign factories, all the technical staff of chip factories of Neo-Neon graduated from higher institutions with master or bachelor degrees, and all the production processes were of the highest international standard. As such, its production capacity was able to keep at a very stable level, and the LED chips produced were of high stability and consistency, so that it received a large number of orders from large domestic and foreign factories and its products were the selected products for use. The R&D team is conducting the R&D on the process of putting fluorescent powder directly on photonic crystal and vertically structural chips. It is expected to make a breakthrough in future.

The wafer products currently produced by the Company are mainly blue and green LED wafers with high brightness, which are primarily used in high-brightness LED Duralights, white-light illumination products, outdoor screens, indoor screens and high-brightness decorative lighting with blue and green light. Other cheaper red and yellow LED wafers are purchased externally. Our procurement ratio, which is mainly determined based on the clients' requirements and market demand, was less than 20%.

To better consolidate its production capacity and cope with the ever-rising labour cost in the PRC after the implementation of new Labour Law, the Group completed the transfer of incandescent lighting and decorative lighting production lines (which involve labour-intensive process) to a 1,200-mu plant in Thái Bình Province of Vietnam in consideration of the intense competition, low technology and labour-intensive production, concessionary electricity tariff and other favourable policies there. For one thing, the Group could then employ labors at a lower wage in Vietnam to continue the production of traditional lighting devices, so that the market status of Neo-Neon can be maintained. For another, the vacated plant and spared resources in Heshan could be better utilized to set up a facility that vertically integrates the functions of R&D, production, sales of LED products as well as project design and construction, in pursuit of higher efficiency and cost-effectiveness. The Group completed the construction of plant in 3 phases in 2010, which occupied a total area of 90,000 square meters. Currently, the Vietnam plant has employed more than 2,100 employees. The Group will develop it into the largest LED lighting production base in Asia, and further expand the production scale of Vietnam plant in 2011.

Quality Control

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

Sales and Distribution

The Group maintained a sales team of over 210 staff members with offices in 16 countries and regions including the PRC, Korea, Taiwan, Hong Kong, Macau, Vietnam, Malaysia, Dubai, UK, Thailand, Netherlands, Germany, Russia, USA and Brazil. The Group planned to establish flagship showrooms in Shanghai (already established), Tianjin and Chongqing. We are confident that, through our constant consolidation of market resources and the best use of various resources by mergers within the industry, Neo-Neon can keep its industry leading role in the competitive LED market and constantly enlarge its LED market share in the future!

RESEARCH AND DEVELOPMENT

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

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

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

Trade Receivable Management

As at 31st March, 2011, the Group's receivable were HK$389.1 million (31st December 2009: HK$170.3 million), representing an increase of HK$218.8 million; in which the amount of receivables due within 180-360 days rose to HK$74.0 million. The rise was mainly due to a 53.9% increase in turnover resulting from the rapid market expansion during the period under review, the extension of credit period to 180 days for facilitating some creditworthy long-term clients' plans for business development, and the long payment periods of certain large projects at low risk (such as Yangzhou Streetlight Project) under relevant contracts.

Inventory Management

The Group operated an integrated industry chain that covered more than ninety percent of the production process in the whole business chain. During the period under review, the Group's inventory balances increased to HK$1,419.7 million from HK$810.2 million at the beginning of the year, an increase of approximately 75.2%, which was mainly due to a number factors. Firstly, turnover rose by 53.9% that resulted in an increased inventory. Secondly, the production capacity of chips and packaging plant increased from 15,000 pieces/month to 45,000 pieces/month which led to an increase in relevant materials by 140 million. Thirdly, in order to control the material price rise, we placed a one-off bulk order for materials at a preferential price so that the increase of material cost were controlled within a controllable range. Looking ahead, the Group will monitor its inventory management policy so as to give quicker response to customer orders and speed up inventory turnover. A number of internal management measures were also implemented which, as per the Group's expectation, will reap the benefits in the coming fiscal year.

EMPLOYEES AND REMUNERATION POLICY

As at 31st March 2011, the Group's total number of employees was approximately 9,200 (31st December 2009: 6,505). Due to MOCVD increased 14 sets, the management of high technology and research was increased accordingly. The basic remunerations of the employees are determined with reference to the industry remuneration benchmark, the employees' experience and their performance. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each director. Apart from the basic remuneration and statutory benefits required by laws, the Group provides discretionary bonus based upon the Group's results and the individual performance of the staff.

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

FUTURE PLANS AND PROSPECTS

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

We already established four major operation centers and logistics and warehousing bases in Shanghai, Tianjin, Chongqing and Heshan of Guangdong. To satisfy the demand arising from increasing sales opportunities in the PRC market, the Group set up 30 branches and allocated more resources for the expansion of our footholds in the mainland. Also, we will further establish provincial operation centers in the provincial capitals in the PRC, so that we can extend our influence in the Greater China market. There are 50 cities in the country participating in the launch of "10 Cities, 10,000 Streetlights" programme. Wuhan-Guangzhou High-speed Rail was commissioned at the end of last year, and Neo-Neon was responsible for the LED tunnel lighting along the route of the high-speed rail. Furthermore, in the 2010 Shanghai World Expo, Neo-Neon won the orders of lighting application for its LED products in the open ceremony and seven theme galleries, including Expo Cultural Centre, which became the biggest winner in Shanghai World Expo. In Guangzhou Asian Games, our Yingyu green LED energy-saving lighting products were used in the key construction projects (such as Sea Sand Island, Guangzhou Tower and the urban landscape lighting in the central axis of Guangzhou) as well as tens of venues and facilities including Asian Games Town and University Town. In respect of general lighting, our white LED interior lighting products were widely used in the office lighting of Guangdong Provincial Department of Science and Technology, Jiangmen Administration Center and the building of China Mobile Jiangmen Company, and the energy-efficient lighting renovation projects for indoor venues including post offices and banks, classrooms and telecommunication offices. In particular, advertising and promotion, urban lighting, venue construction, municipal projects, large malls, road traffic, hotels and restaurants, shopping centers, department stores, hospitals and entertainment projects will undergo large-scale construction, renovation and expansion, which will bring ample room for the market growth of LED industry.

Today, LED luminous efficiency is much higher than incandescent lamps, the world has started to pay attention to the third revolution of LED, so called "the technology of lighting up the future", and the resulting lighting field. As different countries in Europe and America will replace the incandescent light bulbs by LED from 2012, Neo-Neon will get the upper hand in the cost competition due to its competitive edges of economy of scale and integrated production model, not to mention its geographical advantage in the PRC. Our growth in the next year will be driven by the following:

1. **LED general illumination lighting** – In 2011 we generated a turnover of 292.2% higher than 2009. We can offer preferential prices of top-performance products in the market as our technological expertise is at the cutting-edge of the lighting industry. A good news is that we have successfully launched LED general illumination lighting products for home use through Home Depot, one of the largest DIY stores whose orders involves millions of US Dollars. It sufficiently proves the era of LED-based general lighting for home use has entered. In view of this, the growth of this industry will expectedly accelerate in 2011 and thereafter.

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

3. **Entertainment lighting** – As we have developed high-power LED emitters to replace existing HIDs and halogen light bulbs, these super high-tech bulbs can be flexibly applied to the entertainment lighting industry in different aspects.

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of HK$0.032 per ordinary share to shareholders whose names appear on the Register of Members of the Company on 11 August 2011. The final dividend will be paid approximately in late August 2011. Including the interim dividend of HK$0.028 per ordinary share paid to the shareholders in November 2010, total dividend paid to the shareholders for the year ended 31st March 2011 will be HK$0.060 per ordinary share.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of the Company will be held on 5th August 2011 (Friday) with the AGM notice be published and dispatched to the shareholders as soon as practicable in accordance with the Company's articles of association and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 11th August, 2011 to Monday, 15th August, 2011, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrars in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 10th August, 2011.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period ended 31st March 2011 neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors of the Company. Following specific enquiry by the Company, all the Directors have confirmed in writing that they have complied with the required standard as set out in the code of conduct during FY2011.

AUDIT COMMITTEE

An Audit Committee has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises three Independent Non-executive Directors of the Company. The Audit Committee has reviewed the Group's annual results for the year ended 31st March 2011.

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

Scope of work of Deloitte Touche Tohmatsu

The figures in respect of the Company's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the period from 1st January, 2010 to 31st March, 2011 as set out in the Preliminary Announcement have been agreed by the Company's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Company's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the preliminary announcement.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules. In the opinion of the Board, the Company has complied with the Code throughout the financial period ended 31st March 2011.

PUBLICATION OF ANNUAL RESULTS AND 2011 ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.neo-neon.com). The 2011 Annual Report will be dispatched to the Company's shareholders and will be available in the websites of the Stock Exchange and the Company in due course.

By order of the Board
NEO-NEON HOLDINGS LIMITED
Ben FAN
Chairman

Hong Kong, 29th June 2011

As at the date of this announcement, the directors of the Company are:

Executive Directors:
Mr Ben FAN
Ms Michelle WONG
Mr FAN Pong Yang

Independent non-executive Directors:
Mr WU Tak Lung
Mr WENG Shih Yuan
Mr ZHAO Shan Xiang