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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 YEAR ENDED 31ST MARCH, 2012

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 year ended 31st March, 2012 (2012) with comparative figures for the period from 1st January, 2010 to 31st March, 2011 (2011) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH, 2012

	Notes	**1.4.2011 to 31.3.2012** ***HK$'000***	1.1.2010 to 31.3.2011 *HK$'000*
Turnover	*4*	**1,083,835**	1,710,451
Cost of goods sold		**(1,668,401)**	(1,128,130)
Gross (loss) profit		**(584,566)**	582,321
Other income		**7,104**	22,201
Other gains, losses and expenses	*5*	**(157,379)**	(17,424)
Impairment losses recognised in respect of			
– property, plant and equipment		**(148,451)**	–
– goodwill		**(106,055)**	–
– intangible assets		**(90,745)**	–
Distribution and selling expenses		**(114,137)**	(140,805)
Administrative expenses		**(252,619)**	(316,188)
Finance costs		**(17,895)**	(11,403)
Change in fair value of investment properties		**17,628**	2,472
Share of losses of associates		**(6,893)**	(6,708)
Share of profits of a jointly controlled entity		**3,325**	394
(Loss) Profit before taxation	*6*	**(1,450,683)**	114,860
Taxation credit (expense)	*7*	**19,696**	(2,674)
(Loss) Profit for the year/period		**(1,430,987)**	112,186

	Notes	**1.4.2011 to 31.3.2012** *HK$'000*	1.1.2010 to 31.3.2011 *HK$'000*
Other comprehensive income			
– exchange differences arising on translation		**105,987**	103,418
Total comprehensive (expense) income for the year/period		**(1,325,000)**	215,604
(Loss) Profit for the year/period attributable to			
– owners of the Company		**(1,430,437)**	116,608
– non-controlling interests		**(550)**	(4,422)
		(1,430,987)	112,186
Total comprehensive (expense) income for the year/period attributable to			
– owners of the Company		**(1,324,844)**	220,026
– non-controlling interests		**(156)**	(4,422)
		(1,325,000)	215,604
		HK cents	*HK cents*
(Loss) Earnings per share			
– Basic	*9*	**(151.8)**	12.7
– Diluted		**(151.8)**	12.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST MARCH 2012

	Notes	31.3.2012 HK$'000	31.03.2011 HK$'000
Non-current assets			
Investment properties		**17,380**	68,479
Property, plant and equipment		**1,430,840**	1,702,963
Prepaid lease payments		**119,182**	117,664
Goodwill		**741**	106,796
Intangible assets		**20,442**	127,344
Interests in associates		**38,561**	14,225
Interest in a jointly controlled entity		**28,253**	24,928
Deposits made on acquisition of property, plant and equipment		**115,325**	111,895
		1,770,724	2,274,294
Current assets			
Inventories		**648,069**	1,419,674
Trade and other receivables	*10*	**255,152**	545,664
Amount due from an associate		**36,885**	–
Investments held-for-trading		**13,550**	121,102
Pledged bank deposits		**2,465**	52,371
Bank balances and cash		**283,626**	371,432
		1,239,747	2,510,243
Current liabilities			
Trade and other payables	*11*	**255,035**	384,390
Amount due to a director		**13,000**	–
Taxation		**7,657**	7,667
Current portion of long-term bank loans		**415,760**	778,586
		691,452	1,170,643
Net current assets		**548,295**	1,339,600
Total assets less current liabilities		**2,319,019**	3,613,894
Non-current liabilities			
Long-term bank loans		**108,087**	28,078
Government grants		**10,428**	9,681
Deferred taxation		**9,400**	31,243
		127,915	69,002
Net assets		**2,191,104**	3,544,892
Capital and reserves			
Share capital		**94,244**	94,244
Reserves		**2,085,036**	3,433,705
Equity attributable to equity holders of the Company		**2,179,280**	3,527,949
Non-controlling interests		**11,824**	16,943
Total equity		**2,191,104**	3,544,892

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 and certain of its shares are listed as Depositary Receipts of Taiwan Stock Exchange.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

During the prior 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 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 fifteen-month period from 1st January, 2010 to 31st March, 2011 whilst the consolidated financial statements for the current period cover the twelve-month year ended 31st March, 2012, 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 year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
Amendments to HK(IFRIC) – INT 14	Prepayments of a minimum funding requirement
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in the consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRS	Annual improvements to HKFRSs 2009-2011 cycle[2]
Amendments to HKFRS 7	Disclosures – Transfers of financial assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[2]
HKFRS 9	Financial instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
Amendments to HKAS 1	Presentation of items of other comprehensive income[5]
Amendments to HKAS 12	Deferred tax – Recovery of underlying assets[4]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[6]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[2]

[1] Effective for annual periods beginning on or after 1st July, 2011.
[2] Effective for annual periods beginning on or after 1st January, 2013.
[3] Effective for annual periods beginning on or after 1st January, 2015.
[4] Effective for annual periods beginning on or after 1st January, 2012.
[5] Effective for annual periods beginning on or after 1st July, 2012.
[6] Effective for annual periods beginning on or after 1st January, 2014.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value 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 was presented in profit or loss.

The directors of the Company expect that HKFRS 9 will be adopted in the Group's consolidated financial statements for the year ending 31st March, 2016. Based on the Group's financial assets and liabilities as at 31st March, 2012, the directors of the Company anticipate that the application of the new standard is not expected to have material impact on the consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special purpose entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures" and HK(SIC) – Int 13 "Jointly controlled entities – Non-monetary contributions by venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1st January, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors of the Company expect that these standards will be adopted in the Group's consolidated financial statements for the year ending 31st March, 2014. The directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1st April, 2013. The application of these five standards is unlikely to have significant impact on amounts reported in the consolidated financial statements.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted. The directors of the Company expect that these standards will be adopted in the Group's consolidated financial statements for the year ending 31st March, 2014. Except for more extensive disclosure, the directors of the Company anticipate that the application of the new standard is unlikely to have material impact on the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1st July, 2012. The directors of the Company expect that these standards will be adopted in the Group's consolidated financial statements for the year ending 31st March, 2014. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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 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/period.

Segment revenue and results

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

	1.4.2011 to 31.3.2012 *HK$'000*	1.1.2010 to 31.3.2011 *HK$'000*
Segment revenue		
LED decorative lighting	**554,829**	868,543
LED general illumination lighting	**319,030**	377,876
Incandescent decorative lighting	**103,992**	279,234
Entertainment lighting	**85,453**	132,648
All others	**20,531**	52,150
	1,083,835	1,710,451
Segment results		
(Loss) profit from operations		
LED decorative lighting	**(724,664)**	83,945
LED general illumination lighting	**(416,686)**	36,522
Incandescent decorative lighting	**(135,824)**	26,988
Entertainment lighting	**(111,610)**	12,820
All others	**(26,817)**	5,041
	(1,415,601)	165,316
Unallocated expenses	**(19,508)**	(17,787)
Unallocated other gains, losses and expenses	**(11,739)**	(17,424)
Finance costs	**(17,895)**	(11,403)
Change in fair value of investment properties	**17,628**	2,472
Share of losses of associates	**(6,893)**	(6,708)
Share of profits of a jointly controlled entity	**3,325**	394
(Loss) profit before taxation	**(1,450,683)**	114,860

Segment (loss) profit represents the (loss) 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, share of losses of associates and share of profits of a jointly controlled entity. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	1.4.2011 to 31.3.2012	1.1.2010 to 31.3.2011
	HK$'000	*HK$'000*
Segment assets		
LED decorative lighting	**1,472,180**	2,157,581
LED general illumination lighting	**846,513**	854,080
Incandescent decorative lighting	**275,931**	851,634
Entertainment lighting	**226,741**	481,344
All others	**54,477**	211,164
Total segment assets	**2,875,842**	4,555,803
Unallocated assets	**134,629**	228,734
Consolidated assets	**3,010,471**	4,784,537
Segment liabilities		
LED decorative lighting	**134,475**	199,067
LED general illumination lighting	**77,324**	87,073
Incandescent decorative lighting	**25,205**	64,595
Entertainment lighting	**20,712**	28,742
All others	**4,976**	12,580
Total segment liabilities	**262,692**	392,057
Unallocated liabilities	**556,675**	847,588
Consolidated liabilities	**819,367**	1,239,645

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

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

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

Other segment information

	LED decorative lighting *HK$'000*	LED general illumination lighting *HK$'000*	Incandescent decorative lighting *HK$'000*	Entertainment lighting *HK$'000*	All others *HK$'000*	Segment-total *HK$'000*	Unallocated amount *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:								
Year ended 31st March 2012								
Capital additions	**35,633**	**20,489**	**6,679**	**5,488**	**1,319**	**69,608**	**4,442**	**74,050**
Depreciation and amortisation	**102,826**	**40,446**	**37,952**	**15,837**	**3,805**	**200,866**	**13,049**	**213,915**
Allowance for bad and doubtful debts	**63,937**	**36,764**	**11,984**	**9,847**	**2,366**	**124,898**	**–**	**124,898**
Gain on disposal of property, plant and equipment	**(11,359)**	**(6,532)**	**–**	**–**	**–**	**(17,891)**	**–**	**(17,891)**
Allowance for inventories	**30,683**	**17,643**	**254,677**	**161,984**	**1,136**	**466,123**	**–**	**466,123**
Equity-settled share based payments	**7,447**	**4,282**	**1,396**	**1,147**	**276**	**14,548**	**927**	**15,475**
Impairment of property, plant and equipment	**–**	**–**	**(103,130)**	**(45,321)**	**–**	**(148,451)**	**–**	**(148,451)**
Impairment of goodwill	**–**	**(16,322)**	**–**	**(89,733)**	**–**	**(106,055)**	**–**	**(106,055)**
Impairment of intangible asset	**–**	**(3,663)**	**–**	**(87,082)**	**–**	**(90,745)**	**–**	**(90,745)**
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
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

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	
	1.4.2011 to 31.3.2012 *HK$'000*	1.1.2010 to 31.3.2011 *HK$'000*
United States of America ("USA")	**334,451**	586,610
PRC	**286,861**	409,800
Netherlands	**38,219**	80,195
France	**36,721**	74,263
Russia	**34,479**	52,126
Other countries	**353,104**	507,457
	1,083,835	1,710,451

Information about major customers

There are no customers who individually contribute over 10% of the total sales of the Group for the year ended 31st March, 2012 and for the period from 1st January, 2010 to 31st March, 2011.

5. OTHER GAINS, LOSSES AND EXPENSES

	1.4.2011 to 31.3.2012	1.1.2010 to 31.3.2011
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**17,891**	2,688
Gain on deemed disposal of partial interest in an associate	**305**	–
Gain on disposal of an asset held for sale*	**–**	43,188
Net allowance for bad and doubtful debts	**(124,898)**	(27,163)
Research and development costs	**(18,099)**	(26,163)
(Decrease) Increase in fair value of investments held-for-trading	**(2,374)**	9,340
Net exchange loss	**(10,943)**	(8,902)
Loss on obligations under onerous contracts in connection with acquisition of property, plant and equipment**	**(20,742)**	–
Compromise and legal fee relating to a settled litigation***	**–**	(10,412)
Others	**1,481**	–
	(157,379)	(17,424)

* On 31st December, 2009, the Group entered into a preliminary sale and purchase agreement with an independent third party to dispose of its land and building in Hong Kong with a carrying value of HK$62,428,000 for a consideration of HK$106,800,000. The disposal was completed on 30 September 2010. The gain on disposal of the property, after deducting the relevant selling expenses, is HK$43,188,000 which is recognised in profit or loss in prior period.

** The obligations under onerous contracts for acquisition of property, plant and equipment amounting to HK$20,742,000 were recognised in relation to the impairment losses in respect of capital commitments for acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements (note 30). The total contract amount for respective property, plant and equipment is HK$104,557,000.

*** 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.

6. (LOSS) PROFIT BEFORE TAXATION

	1.4.2011 to 31.3.2012 *HK$'000*	1.1.2010 to 31.3.2011 *HK$'000*
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration		
– current year/period	**7,442**	10,987
– waived during the year/period	**(5,400)**	(6,870)
	2,042	4,117
Other staff's retirement benefits scheme contributions	**7,556**	9,765
Other staff's equity-settled share based payments	**14,885**	24,661
Other staff costs	**274,255**	245,969
	298,738	284,512
Less: Staff costs included in research and development costs	**(5,602)**	(9,111)
	293,136	275,401
Depreciation of property, plant and equipment	**196,392**	196,334
Less: Depreciation included in research and development costs	**(2,042)**	(3,322)
	194,350	193,012
Amortisation of intangible assets included in distribution and selling expenses	**17,523**	6,046
Cost of inventories recognised as an expense including allowance for inventories of HK$466,123,000 and cost of materials used for research and development purpose of HK$9,204,000 (2011: HK$42,465,000 and HK$12,752,000)	**1,677,605**	1,140,882
Operating lease rentals in respect of		
– prepaid lease payments	**2,651**	2,582
– rented premises	**5,211**	6,864
and after crediting:		
Dividend income from listed investments held-for-trading	**407**	6,997
Interest income	**2,961**	5,496
Property rental income before deduction of negligible outgoings	**815**	3,725

7. TAXATION

	1.4.2011 to 31.3.2012	1.1.2010 to 31.3.2011
	HK$'000	*HK$'000*
The credit (charge) comprises:		
PRC Enterprise Income Tax ("EIT")	**–**	(2,314)
Underprovision of PRC EIT in prior years	**(87)**	(881)
Taxation in other overseas jurisdictions	**(2,133)**	(208)
	(2,220)	(3,403)
Underprovision of Hong Kong Profits Tax in prior years	**–**	(310)
Deferred taxation	**21,916**	1,039
	19,696	(2,674)

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 year except that one of which was officially endorsed as a High-New Technology Enterprise until 31st December 2013. Pursuant to the EIT Law, a High-New Technology Enterprise shall be entitled to a preferential tax rate of 15% until 31st December 2013.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January 2008 onwards. At 31st March 2012 and at 31st March 2011 there were no remaining retained profits earned by these PRC subsidiaries since 1st January 2008, therefore there are no deferred tax liabilities recognised.

Dividends paid to the non-resident shareholder of a Taiwan company are generally subject to withholding tax of 20%. During the year, a Taiwan subsidiary disposed of its investment property and generated gain therefrom. Withholding tax of 20% was provided on the undistributed earnings of this Taiwan subsidiary.

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

	1.4.2011 to 31.3.2012 *HK$'000*	1.1.2010 to 31.3.2011 *HK$'000*
Dividends		
– interim dividends of Nil Hong Kong cents (2011: 2.8 Hong Kong cents) per share paid	**–**	25,682
– final dividends of 3.5 Hong Kong cents per share paid	**30,158**	32,046
	30,158	57,728
– proposed final dividends of nil Hong Kong cents (2011: 3.2 Hong Kong cents) per share	**–**	30,158

9. (LOSS) EARNINGS PER SHARE

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

	1.4.2011 to 31.3.2012 *HK$'000*	1.1.2010 to 31.3.2011 *HK$'000*
(Loss) Earnings		
(Loss) Earnings for the purposes of basic and diluted (loss) earnings per share	**(1,430,437)**	116,608

	Number of shares	
	1.4.2011 to 31.3.2012 *'000*	1.1.2010 to 31.3.2011 *'000*
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**942,441**	919,032
Effect of dilutive potential ordinary shares – share options	**–**	1,617
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	**942,441**	920,649

The computation of diluted (loss) earning per share for the year does not assume the conversion of the Company's outstanding share options since their exercise would result in decrease in loss per share.

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:

	31.3.2012	31.03.2011
	HK$'000	*HK$'000*
Age		
0 to 60 days	**60,294**	194,315
61 to 90 days	**9,463**	33,087
91 to 180 days	**32,563**	78,769
181 to 360 days	**4,682**	73,958
Over 1 year	**–**	8,925
	107,002	389,054

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:

	31.3.2012	31.03.2011
	HK$'000	*HK$'000*
Age		
0 to 30 days	**44,380**	121,304
31 to 60 days	**15,290**	25,646
61 to 90 days	**6,286**	32,152
91 to 120 days	**15,507**	38,428
121 to 360 days	**6,034**	21,248
Over 1 year	**15,352**	–
	102,849	238,778

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31st March, 2012 the Group's turnover was HK$1,083.8 million (2011: HK$1,710.5 million), representing a decrease of 36.6%. Gross loss of the Group was HK$584.6 million for 2012 (2011: gross profit HK$582.3 million), showing a decrease of 200.4%. Profit attributable to owners of the Company decreased from HK$112.2 million in 2011 to loss HK$1,431.0 million in 2012. Basic loss per share was HK cents 151.8 for 2012 (2011: earnings per share was HK cents 12.7).

Turnover

(a) By product category

(i) LED decorative lighting products

The Group's turnover from LED in decorative lighting recorded HK$554.8 million in 2012 (2011: HK$868.5 million), showing a decrease of 36.1%. With the completion of LED production factory and continued research and development ("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$319.0 million in 2012 (2011: HK$377.9 million), showing a decrease of 15.6%. 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$104.0 million in 2012 (2011: HK$279.2 million), showing a decrease of 62.8%. 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$85.5 million in 2012 (2011: HK$132.6 million), showing a decrease of 35.5%. 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$36.7 million for 2012 (2011: HK$74.3 million), representing a decrease of HK$37.6 million or 50.6%. The turnover from the PRC was HK$286.9 million in 2012 (2011: HK$409.8 million), showing a decrease of HK$122.9 million or 30.0%. The turnover from United States of America recorded HK$334.5 million for 2012 (2011: HK$586.6 million), representing a decrease of HK$252.1 million or 43.0%. The turnover from other countries reached HK$353.1 million in 2012 (2011: HK$507.5 million), showing a decrease of HK$154.4 million or 30.4%.

Cost of Goods Sold and Gross Profit Margin

The cost of goods sold was HK$1,668.4 million in 2012 (2011: HK$1,128.1 million), increased by HK$540.3 million or 47.9%. The increase was mainly attributable to: (i) an increase in material costs by HK$509.4 million or 71.7%, (ii) an increase in labour costs and subcontracting costs of HK$34.5 million or 22.8%, (iii) an increase in depreciation of HK$22.7 million or 19.4% resulted from additions of moulds and machinery catering for the expansion of production capacity, and (iv) allowance for inventories made during the year by HK$466.1 million (2011: HK$42.5 million) The increase in material costs was mainly due to rising raw material prices for most of the time in 2011/2012. As the cost of goods sold recorded an increase of 47.9% exceeding the decrease in sales of 36.6%, the Group's gross loss margin was having 53.9% in 2012 (2011: gross profit margin was having 34.0%).

Other Income

Other incomes were HK$7.1 million in 2012 (2011: HK$22.2 million), representing a decrease of HK$15.1 million or 68.0%, mainly due to a decrease of bank interest income, rental income and dividend income from investment in securities.

Other Gains, Losses and Expenses

Other gains, losses and expenses showed a loss of HK$157.4 million in 2012 (2011: HK$17.4 million). The decrease was mainly due to an increase in fair value of listed investments held-for-trading of HK$9.3 million in 2011 compared to a decrease in fair value of listed investments held-for-trading of HK$2.4 million in 2012, net (allowance) write-back for bad and doubtful debts from HK$27.2 million in 2011 to HK$124.9 million in 2012. Loss on obligations under onerous contracts in connection with acquisition of property, plant and equipment of HK$20.7 million in 2012 (2011: nil).

Operating Expenses

The distribution and selling expenses mainly comprise staff costs, promotion and advertising, freight and transportation, agency and custom costs and rent and rates. To expand the base, overseas office was increased to 16 countries and regions. In response to the sales opportunity of the Chinese market, the Group increased its Chinese sales networks and flagship. The distribution and selling expenses decreased from HK$140.8 million in 2011 to HK$114.1 million in 2012 representing a decrease of HK$26.7 million or 19.0%.

The administrative expenses mainly comprise staff costs and directors remuneration, depreciation charge, professional and legal fee, R&D costs and business tax. Owing to the increase of 14 sets of metal organic chemical vapour depositors ("MOCVD"), the number of high technology and research personnel increased accordingly. The relocation of the factory to Vietnam also led to the increase of management personnel. The administrative expenses decreased from HK$316.2 million in 2011 to HK$252.6 million in 2012 representing a decrease of HK$63.6 million or 20.1%.

Change in Fair Value of Investment Properties

In 2012, the change in fair value of investment properties recorded an increase of HK$17.6 million (2011: HK$2.5 million). Such change was explained by (i) an increase in fair value of an investment property in Guangzhou, the PRC, in 2012 of HK$1.1 million (2011: HK$1.5 million), and (ii) an investment property in Taiwan was sold in 2012 (2011: an increase in fair value of HK$1.0 million).

Finance Costs

The finance costs were HK$17.9 million in 2012 (2011: HK$11.4 million), representing an increase of HK$6.5 million or 57.0%. The increase was mainly attributable to the increase in the amount of bank borrowings and loan interest rates.

Interests in Associates

The Group's investments in associates at the end of the year mainly represents its 33.87% equity interest in Luminaire Holdings Inc. which was incorporated in the British Virgin Islands and acts as an investment holding company on operations for the manufacturing and distribution of LED chips. The total consideration paid is US$1,000,000 (equivalent to approximately HK$7,753,000).

Taxation

For 2012, the Group's tax credit of HK$19.7 million (2011: tax charge of HK$2.7 million) included profit tax charge of nil (2011: HK$2.3 million), deferred taxation of HK$21.9 million (2011: HK$1.0 million), offset by underprovision of PRC income tax in prior years of HK$0.1 million (2011: HK$0.9 million).

Profit Attributable to Owners of the Company

For 2012, the loss attributable to owners of the Company amounted to HK$1,431.0 million (2011: the profit attributable was HK$112.2 million). The decrease was mainly attributable to a decrease in gross profit, decrease in other income, distribution and selling expenses and administrative expenses, decrease in fair value of listed investments held-for-trading and share of losses of an associate. The overall net profit margin decreased from 6.6% in 2011 to overall net loss profit margin of 132.0% in 2012.

FINANCIAL RESOURCES AND LIQUIDITY

Cash Flows

Cash inflow from operating activities in 2012 was HK$204.4 million (2011: cash outflow HK$72.3 million). Cash inflow from investing activities in 2012 was HK$36.1 million (2011: cash outflow HK$658.6 million). Cash outflow from financing activities in 2012 was HK$336.6 million (2011: cash inflow HK$192.4 million). Cash outflow from investing activities in 2012 was mainly due to additions of property, plant and machinery of about HK$51.9 million and deposits paid on acquisition of property, plant and equipment of about HK$60.8 million. Cash inflow from financing activities was mainly due to new bank loans of HK$786.4 million raised in 2012. An overall net increase in cash and cash equivalents in 2012 was credit HK$96.1 million (2011: HK$538.5 million). The Group's major financial resources derived from cash generated from financing activities.

Assets and Liabilities

As at 31st March 2012 the Group's current assets and non-current assets were HK$1,239.7 million (as at 31st March 2011: HK$2,510.2 million) and HK$1,770.7 million (as at 31st March 2011: HK$2,274.3 million) respectively. The decrease in non-current assets was mainly due to an decrease in property, plant and equipment of HK$272.1 million. As at 31st March 2012 the Group's current liabilities and long-term liabilities were HK$691.5 million (as at 31st March 2011: HK$1,170.6 million) and HK$127.9 million (as at 31st March 2011: HK$69.0 million) respectively. The decrease in current liabilities was mainly due to decrease in new bank loans raised in 2012. As at 31st March 2012 the Group's bank balance and cash was HK$283.6 million (as at 31st March 2011: HK$371.4 million). The Group's gearing ratio increased from 22.8% as at 31st March 2011 to 23.9% as at 31st March 2012 (Basis: consolidated total bank loans divided by consolidated total equity). The increase in gearing was mainly due to the fact that reduction of total equity was greater than the reduction of new bank loan raised in 2012.

FOREIGN EXCHANGE RISK

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

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

CHARGE OF ASSETS

As at 31st March 2012 the Group had pledged one of its investment properties with a fair value of nil (as at 31st March 2011: HK$52,240,000), certain of its land and buildings with an aggregate carrying value of HK$226,784,000 (as at 31st March 2011: HK$127,766,000) and also bank deposits of aggregate carrying value of HK$2,465,000 (as at 31st March 2011: HK$52,371,000) to secure bank credit facilities granted to the Group.

CAPITAL COMMITMENTS

As at 31st March 2012 the Group had capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment of HK$83.8 million (as at 31st March 2011: HK$169.3 million).

CONTINGENT LIABILITIES

At the end of the reporting period, certain subsidiaries are parties to various legal claims in their ordinary course of business. In the opinion of the directors of the Company, the ultimate resolution of these claims would not have a significant impact on the Group's results and financial position.

CAPITAL STRUCTURE

As at 31st March 2012 the issued share capital of the Company was HK$94,244,069 (as at 31st March 2011: HK$94,244,069), divided into 942,440,694 (2011: 942,440,694) ordinary shares of HK$0.10 each.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

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

BUSINESS REVIEW

The era of LED for indoor home lighting has dawned. LED gains popularity mainly because governments of many countries have gradually introduced policies to promote the usage of LED lamps (through subsidizing consumers and manufacturers) to save energy and protect the environment; 100W-incandescent lamps have been eliminated in the market due to their low luminous efficiency; and 75W-, 60W- and 40W-incandescent lamps will be banned sooner or later. Obviously, LED has clear-cut advantages over traditional lighting products in terms of energy saving and environmental protection. LED can achieve 40%-60% of energy savings as compared to fluorescent tubes and save 90% as compared to tungsten lamps. In addition, the advantages of LED products include longer usage life, better luminous efficiency, larger illumination area, adjustable light color, etc. Therefore, we see bright market prospects for the LED lighting industry.

The energy-saving and environmental protection industry was ranked the first among the seven strategic emerging industries to be developed in the country's Twelfth Five-year Plan. Among which, the semiconductor lighting industry was classified as an emerging energy-saving industry. Under such favorable environment that exists after major countries have announced their respective schedule to ban the production and usage of incandescent lamps, the LED industry will have plenty of opportunities for rapid development in 2013 to 2015. As the urbanization of China gains pace and consumers continuously seek higher standards of living, there will be greater demand for LED products which will create more opportunities for the Company. It is expected that, the China market will gradually become a major source of the Group's profits and a driving force for the sustained growth of the Group.

Our NEONEON Yingyu LED was favored by all kinds of projects and brought us a number of projects, 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 2011 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. The luxury passenger railway line, WuGuang High-Speed Railway (Changsha section), which commissioned the Group recently, also used NEONEON Yingyu LED streetlights and tunnel lighting.

The Group's LED streetlights are recognized by nations all over the world for their high luminous efficiency and perfect optical design. As such, the Group's LED streetlights also replaced traditional streetlights in Vittorio of Italy, Sweden, Canada, Peru, India and the US in an extensive manner. Furthermore, Netherlands Public Broadcasting, Scotch Whisky Heritage Centre, the inner decoration of luxury cruise in Miami of the US, Hooters (a US fast-food restaurant) and underwater lights of Fuente de la Republica in Mexico all used the Group's super high brightness LED Neonflex for decorative lighting.

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 R&D, and strove towards green lighting technology in future. Following the expansion of LED packaging plant, 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 were the pioneer in producing a whole series of LED white-light illumination products, including LED streetlights, LED T8 tubes, LED downlights and LED bulbs.

Currently, the Company owns nineteen (19) sets of MOCVD and the related packing production line, for the production of LED wafers and chips. The monthly production capacity is 55,000 (two inches) which is expected not only satisfy the demand of our LED packaging production and shorten delivery time to end-customers under such integrated supply chain, it will also allow the external sales of chips 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 our 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 degree, 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. Our R&D team is conducting 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.

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. Currently, the Vietnam plant has employed more than 1,600 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 the future.

Quality Control

The Group is always determined to achieve the objective of "Perfection". It enhanced the quality management through tying the reward and punishment evaluation with quality and facilitating the comprehensive quality management incessantly. The Company has its own quality standard department and has established the Lide Photoelectric Test Center (麗得光電測試中心) with the South China University of Technology. With 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. The Group possesses good brand image and rich customer resources. The Company has long included the brand building in its strategic objectives and is committed to enhancing the Company's brand image 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 maintains a sales team of over 180 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 plans to establish flagship showrooms in Shanghai (already established), Tianjin and Chongqing. We are confident that, through our constant consolidation of market resources and utilisation of various resources by mergers within the industry, our Group is able to maintain 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 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 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 Group 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 customers in such regions as the PRC, Europe, America and Southeastern Asia.

Neo-Neon owns more than 1,000 authorized patents domestically and abroad, and its patented products have covered over 10,000 types of products in various technical aspects including traditional lighting, decorative lighting, commercial lighting, entertainment lighting, audio system, LED chips and LED packaging. Among them, there are over 800 domestic patents and 200 foreign patents, including 50 invention patents, more than 600 utility model patents and more than 400 exterior design patents. The LED Neonflex self-developed by the 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, the Group ranked the first with 212 relevant applications, which accounted for 2.01% of the total applications in the PRC, and other domestic and foreign enterprises were quite far behind to catch up with the Group.

Trade Receivable Management

As at 31st March, 2012, the Group's receivables were HK$107.0 million (31st March, 2011: HK$389.1 million), representing a decrease of HK$282.1 million; in which the amount of receivables due within 180-360 days decreased to HK$4.7 million. The decrease was mainly due to a 36.6% decrease in turnover resulting from the rapid market expansion during the period review, the extension of credit period to 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 (such as Yangzhou Streetlight Project) under relevant contracts.

Inventory Management

The Group operates an integrated industry chain that covers more than ninety percent of the production process in the whole business chain. During the period under review, the Group's inventory balances decreased to HK$648.1 million from HK$1,419.7 million at the beginning of the year, a decrease of approximately 54.3%, which was mainly due to a decrease in turnover by 36.6% when the management had implemented strict inventory management, control measures and obsolete inventories disposal. 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 2012, the Group's total number of employees was approximately 5,000 (31st March 2011: 9,200). Due to increase of 14 sets of MOCVD, the number of high technology and research personnel also 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 also improve overall management quality and business professionalism through on-the-job as well as formal training programmes. This helps to develop team spirit and reinforce a sense of unity and belonging between management and staff. The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees. Most members of senior management have been working for the Group for more than 10 years.

FUTURE PLANS AND PROSPECTS

"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 has set up 30 branches and allocated more resources for the expansion of our footholds in the mainland. In addition, we will further establish provincial operation centers in the provincial capitals in the PRC, so that we can gradually increase our presence in the Greater China market. Since the 2008 Beijing Olympic Games, the 2010 Shanghai World Expo and the 2011 Guangzhou Asian Games, the Group's LED products have won the orders of lighting applications for various major construction projects and facilities, including a number of domestic large-scale exhibitions and main arenas. Among the seven strategic emerging industries highlighted in the Twelfth Five-year Plan, energy-saving and environmental protection industry ranks top. The semiconductor lighting industry is included in the energy-saving and environmental protection industry. Furthermore, some of the world's developed countries have promulgated their timetables for ceasing production and phasing out the use of incandescent lamps. Under such a favourable macro-environment, the LED lighting industry will embrace an opportunity for rapid development in the coming years from 2013 to 2015.

At present, the technologies for manufacturing LED lighting products have become mature, however, their markets have yet to be further expanded. The main reason of unpopularity is that prices of LED lighting products are far too high. The current technologies used in manufacturing alternative LED bulbs can completely meet the technological requirements for the substitution of incandescent lamps. The major obstacles in popularizing LED lightings are high prices and insufficient sales channels. In view of this, the Group, in addition to further deepening vertical integration with an aim to reduce production cost, is continuing to develop and integrate its existing sales channels, as evidenced by the establishment of flagship showrooms in Shanghai, Tianjin, Chongqing, Jiangmen and Hong Kong. Meanwhile, the Group continues, through mergers and acquisitions, to speed up developing the market, establishing operation centers and multi-level marketing models, introducing exclusive sales of famous distributor's branded products and brand franchising as well as developing distribution channels so as to capture advantageous market resources from traditional lighting enterprises. However, this task cannot be accomplished overnight. In the past two years, we have not made much progress in market development, but this actually provided the Company with a good opportunity to make adjustments so as to consolidate its leading position in the industry, to better integrate its branches and to provide more quality before-sales and after-sales services to its existing customers. 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 –** We can offer preferential prices of top-performance products in the market as our technological expertise is at the cutting-edge of the lighting industry. We have successfully launched LED general illumination lighting products for home use through Home Depot, one of the largest DIY stores whose orders involve millions of US Dollars. It sufficiently proves the era of LED-based general lighting for home use has been entered into. In view of this, the growth of this industry will expectedly accelerate in thereafter third.

2. **LED decorative lighting –** Neo-Neon is now the largest lighting manufacturer in the world with over 10 per cent of market share in the global decorative lighting market. Its customers are internationally-renowned manufacturers including HOME DEPOT of the United States. As such, Neo-Neon has already become a leading LED lighting manufacturer, 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

No dividend will be paid for the year ended 31st March, 2012 (2011: final dividends of HK$0.032 per share paid).

ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") of the Company will be held on 10th August 2012 (Friday). The AGM notice will be published and dispatched to the shareholders as soon as practicable in accordance with the Company's articles of association and the Rules Governing the Listing of Securities on the Stock Exchange (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 Wednesday, 8th August, 2012 to Friday, 10th August, 2012, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrars in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7th August, 2012.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31st March 2012 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 the year ended 31st March 2012.

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 2012.

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 year ended 31st March, 2012 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, throughout the financial year ended 31st March 2012, the Company has complied with the Code in force at that time.

PUBLICATION OF ANNUAL RESULTS AND 2012 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 2012 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, 25th June 2012

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