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, 2013

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, 2013 (2013) with comparative figures for the year ended 31st March, 2012 (2012) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH, 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	3	**827,039**	1,083,835
Cost of goods sold		**(728,803)**	(1,668,401)
Gross profit (loss)		**98,236**	(584,566)
Other income		**19,959**	7,104
Other gains and losses	4a	**15,345**	(140,004)
Other expenses	4b	**(30,804)**	(17,375)
Impairment losses recognised in respect of			
– property, plant and equipment		**(396,452)**	(148,451)
– goodwill		**–**	(106,055)
– intangible assets		**–**	(90,745)
Impairment of available-for-sales investments		**(946)**	–
Distribution and selling expenses		**(93,195)**	(114,137)
Administrative expenses		**(215,210)**	(252,619)
Finance costs		**(17,894)**	(17,895)
Change in fair value of investment properties		**(204)**	17,628
Share of losses of associates		**(3,926)**	(6,893)
Share of profit of a jointly controlled entity		**3,024**	3,325
Loss before taxation	5	**(622,067)**	(1,450,683)
Taxation (expense) credit	6	**(2,426)**	19,696
Loss for the year		**(624,493)**	(1,430,987)

	Notes	**2013** **HK$'000**	2012 *HK$'000*
Other comprehensive income			
– exchange differences arising on translation		**6,443**	105,987
– reclassification of translation reserve on disposal of a foreign operation		**(3,531)**	–
Other comprehensive income for the year		**2,912**	105,987
Total comprehensive expense for the year		**(621,581)**	(1,325,000)
Loss for the year attributable to			
– owners of the Company		**(616,834)**	(1,430,437)
– non-controlling interests		**(7,659)**	(550)
		(624,493)	(1,430,987)
Total comprehensive expense for the year attributable to			
– owners of the Company		**(613,954)**	(1,324,844)
– non-controlling interests		**(7,627)**	(156)
		(621,581)	(1,325,000)
		HK cents	*HK cents*
Loss per share	*8*		
– Basic		**(65.7)**	(151.8)
– Diluted		**(65.7)**	(151.8)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST MARCH 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Investment properties		**17,176**	17,380
Property, plant and equipment		**825,398**	1,430,840
Prepaid lease payments		**75,045**	119,182
Goodwill		**741**	741
Intangible assets		**13,765**	20,442
Interests in associates		**4,402**	38,561
Interest in a jointly controlled entity		**31,277**	28,253
Available-for-sale investments		**5,503**	–
Deposits made on acquisition of property, plant and equipment		**82,396**	115,325
Deposit made on formation of an associate		**2,471**	–
Deposit made on formation of available-for-sale investment		**8,293**	–
		1,066,467	1,770,724
Current assets			
Inventories		**734,065**	648,069
Trade and other receivables	9	**267,475**	255,152
Amount due from an associate		**–**	36,885
Amounts due from non-controlling shareholders		**2,471**	–
Loan receivable		**72,903**	–
Tax recoverable		**1,750**	–
Investments held-for-trading		**51,910**	13,550
Pledged bank deposits		**31,354**	2,465
Bank balances and cash		**253,508**	283,626
		1,415,436	1,239,747
Current liabilities			
Trade and other payables	10	**291,456**	255,035
Amount due to a director		**9,078**	13,000
Taxation payable		**8,839**	7,657
Bank borrowings repayable within one year		**461,879**	415,760
		771,252	691,452
Net current assets		**644,184**	548,295
Total assets less current liabilities		**1,710,651**	2,319,019
Non-current liabilities			
Bank borrowings		**101,522**	108,087
Government grants		**23,206**	10,428
Deferred taxation		**7,890**	9,400
		132,618	127,915
Net assets		**1,578,033**	2,191,104
Capital and reserves			
Share capital	11	**93,932**	94,244
Reserves		**1,475,761**	2,085,036
Equity attributable to owners of the Company		**1,569,693**	2,179,280
Non-controlling interests		**8,340**	11,824
Total equity		**1,578,033**	2,191,104

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

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

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

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

Except as described below, the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in the consolidated financial statements.

Amendments to HKAS 12 Deferred Tax: Recovery of underlying assets

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

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

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

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

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

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

* IFRIC represents the International Financial Reporting Interpretation Committee

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

HKFRS 9 Financial instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

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

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

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

Key requirements of these five standards are described below.

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

HKFRS 11 replaces HKAS 31 "Interests in joint ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC) – Int 13 "Jointly controlled entities – Non-monetary contributions by venturers" will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

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

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

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

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

HKFRS 13 Fair value measurement

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

HKFRS 13 is effective for the Group for annual period beginning on 1st April, 2013. The directors anticipate that the application of the new standard will have no material impact on amount reported in the consolidated financial statements but will result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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

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

3. 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.

3. TURNOVER AND SEGMENT INFORMATION – *Continued*

Segment revenue and results

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

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

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

3. **TURNOVER AND SEGMENT INFORMATION – *Continued***

Segment assets and liabilities

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

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

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

- all assets are allocated to reportable and operating segments other than investment properties, interests in associates, interest in a jointly controlled entity, available-for-sale investments, deposit made on acquisition of an associate, deposit made on acquisition of available-for-sale investment, amounts due from non-controlling shareholders, loan receivable, tax recoverable and investments held-for-trading. Assets used jointly by reportable and operating segments are allocated on the basis of the revenues earned by individual reportable and operating segments; and

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

3. TURNOVER AND SEGMENT INFORMATION – *Continued*

Other segment information

	LED decorative lighting *HK$'000*	LED general illumination lighting *HK$'000*	Incandescent decorative lighting *HK$'000*	Entertainment lighting *HK$'000*	All others *HK$'000*	Segment-total *HK$'000*	Unallocated amount *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:								
Year ended 31st March, 2013								
Capital additions	**28,488**	**18,381**	**11,832**	**14,497**	**782**	**73,980**	**688**	**74,668**
Depreciation and amortisation	**84,879**	**37,038**	**33,074**	**12,246**	**1,783**	**169,020**	**7,993**	**177,013**
Net reversal of allowance for bad and doubtful debts	**(11,965)**	**(7,854)**	**(2,029)**	**(1,677)**	**(252)**	**(23,777)**	**–**	**(23,777)**
Gain on disposal of property, plant and equipment	**–**	**(15,987)**	**–**	**–**	**–**	**(15,987)**	**–**	**(15,987)**
Gain on disposal of prepaid lease payments	**–**	**(16,288)**	**–**	**–**	**–**	**(16,288)**	**–**	**(16,288)**
Allowance for inventories	**101,144**	**11,754**	**45,184**	**6,223**	**–**	**164,305**	**–**	**164,305**
Equity-settled share based payments	**4,667**	**3,064**	**792**	**654**	**98**	**9,275**	**473**	**9,748**
Impairment of property, plant and equipment	**(200,985)**	**(79,906)**	**(91,393)**	**(24,168)**	**–**	**(396,452)**	**–**	**(396,452)**
Loss on obligations under onerous contracts in connection with acquisition of property, plant and equipment	**(12,957)**	**(15,734)**	**(4,131)**	**(1,052)**	**–**	**(33,874)**	**–**	**(33,874)**
Transfer of impairment of onerous contracts upon receipt of property, plant and equipment	**–**	**–**	**7,309**	**10,926**	**–**	**18,235**	**–**	**18,235**
Compensation relating to litigation	**(10,909)**	**(1,346)**	**–**	**–**	**–**	**(12,255)**	**–**	**(12,255)**
Year ended 31st March, 2012								
Capital additions	35,633	20,489	6,679	5,488	1,319	69,608	4,442	74,050
Depreciation and amortisation	102,826	40,446	37,952	15,837	3,805	200,866	13,049	213,915
Allowance for bad and doubtful debts	63,937	36,764	11,984	9,847	2,366	124,898	–	124,898
Gain on disposal of property, plant and equipment	(11,359)	(6,532)	–	–	–	(17,891)	–	(17,891)
Allowance for inventories	30,683	17,643	254,677	161,984	1,136	466,123	–	466,123
Equity-settled share based payments	7,447	4,282	1,396	1,147	276	14,548	927	15,475
Impairment of property, plant and equipment	–	–	(103,130)	(45,321)	–	(148,451)	–	(148,451)
Impairment of goodwill	–	(16,322)	–	(89,733)	–	(106,055)	–	(106,055)
Impairment of intangible asset	–	(3,663)	–	(87,082)	–	(90,745)	–	(90,745)
Loss on obligations under onerous contracts in connection with acquisition of property, plant and equipment	–	–	(9,832)	(10,910)	–	(20,742)	–	(20,742)

3. **TURNOVER AND SEGMENT INFORMATION – *Continued***

Geographical information

The analysis of the Group's revenue from external customers is analysed by the geographical area in which the customers are located as follows:

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

* Countries included in this category representing their revenue from external customers is individually less than 10% of the total sales of the Group for the year ended 31st March, 2013 and 31st March, 2012.

Information about major customers

There are no customers who individually contribute over 10% of the total sales of the Group for the year ended 31st March, 2013 and 31st March, 2012.

4a. **OTHER GAINS AND LOSSES**

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

Note:

(a) The obligations under onerous contracts for acquisition of property, plant and equipment amounting to HK$33,874,000 (2012: HK$20,742,000) were recognised in relation to the impairment losses in respect of capital commitments for acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements. The total contract amount for respective property, plant and equipment is HK$78,844,000 (2012: HK$104,557,000).

4b. OTHER EXPENSES

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

* Included in compensation relating to ligation represents the following:

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

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

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

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

5. LOSS BEFORE TAXATION

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

6. TAXATION

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

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

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

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. At 31st March, 2013 and 31st March, 2012, there were no remaining retained profits earned by these PRC subsidiaries since 1st January, 2008, therefore there are no deferred tax liabilities recognised.

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

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

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

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

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

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

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

6. TAXATION – *Continued*

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

7. DIVIDENDS

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

8. LOSS PER SHARE

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

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

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

The computation of diluted loss per share for the year ended 31st March, 2013 and 31st March, 2012 does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

9. TRADE AND OTHER RECEIVABLES

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

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

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

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$24,384,000 (2012: HK$4,682,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on payment pattern of the customers of the Group, trade receivables past due but not impaired are generally collectible. The Group does not hold any collateral over these balances. The average age of these receivables ranges from 181 days to 360 days.

10. TRADE AND OTHER PAYABLES

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

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

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

The average credit period on purchase of goods ranges from 30 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe. For those payables over credit period, the Group negotiated with respective creditors to extend the credit periods.

11. SHARE CAPITAL

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

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

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

The above shares were cancelled upon repurchase.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

Turnover

(a) By product category

(i) LED decorative lighting products

The Group's turnover from LED in decorative lighting recorded HK$416.2 million in 2013 (2012: HK$554.8 million), showing a decrease of 25.0%. With the completion of LED production factory and continued research and development ("R&D") efforts in new LED products, the Group continued to maintain its market share in LED-based decorative lighting products and play as the market leader in the aforesaid industry.

(ii) LED general illumination lighting products

The turnover from LED in general illumination lighting amounted to HK$273.2 million in 2013 (2012: HK$319.0 million), showing a decrease of 14.4%. The market in LED general illumination lighting is enormous with non-unifying standardization. Many large corporations already voiced out their core focus in the market in the coming decades.

(iii) Incandescent decorative lighting products

The incandescent decorative lighting reached a turnover of HK$70.6 million in 2013 (2012: HK$104.0 million), showing a decrease of 32.1%. Following the announcement of impending abandonment of incandescent-based lighting products by many developed countries, the incandescent lighting products will be gradually replaced in our sales mix by the green LED decorative lighting products.

(iv) Entertainment lighting products

The entertainment lighting made a turnover of HK$58.3 million in 2013 (2012: HK$85.5 million), showing a decrease of 31.7%. With gradual replacement of LED components in entertainment lighting products, the variability and multi-featuring were largely enhanced, thus increasing the attractiveness of such entertainment lighting products.

(b) **By geographical region**

The turnover from France recorded HK$39.0 million for 2013 (2012: HK$36.7 million), representing an increase of HK$2.3 million or 6.2%. Due to the weakening global demand and fierce competition in LED lighting industry, the turnover from the PRC was HK$213.1 million in 2013 (2012: HK$286.9 million), showing a decrease of HK$73.7 million or 25.7%. The turnover from United States of America recorded HK$181.0 million for 2013 (2012: HK$334.5 million), representing a decrease of HK$153.5 million or 45.9%. The turnover from other countries reached HK$293.7 million in 2013 (2012: HK$353.1 million), showing a decrease of HK$59.4 million or 16.8%.

Cost of Goods Sold and Gross Profit Margin

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

Other Gains, Losses and Expenses

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

Operating Expenses

The distribution and selling expenses mainly comprise staff costs, promotion and advertising, freight and transportation, agency and custom costs and rent and rates. To expand the base, overseas office was increased to 16 countries and regions. In response to the sales opportunity of the Chinese market, the Group increased its Chinese sales networks and flagship. The distribution and selling expenses decreased from HK$114.1 million in 2012 to HK$93.2 million in 2013 representing a decrease of HK$20.9 million or 18.3%.

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

Change in Fair Value of Investment Properties

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

Finance Costs

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

Interests in Associates

The Group's investments in associates at the end of the year mainly represents its 15.62% (2012: 33.87%) equity interest in Luminaire Holdings Inc. which was incorporated in the British Virgin Islands and acts as an investment holding company on operations for the manufacturing and distribution of LED chips. The total consideration paid is US$1,000,000 (equivalent to approximately HK$7,753,000).

Taxation

For 2013, the Group's tax charge of HK$2.4 million (2012: tax credit of HK$19.7 million) included PRC Enterprise Income Tax charge of HK$0.4 million (2012: nil), deferred taxation of HK$1.5 million (2012: HK$21.9 million), offset by underprovision of PRC income tax in prior years of nil (2012: HK$0.1 million), tax charge in other overseas jurisdictions of HK$4.9 million (2012: HK$2.1 million) and overprovision of taxation in other overseas jurisdictions in prior years of HK$1.3 million (2012: nil).

Loss Attributable to Owners of the Company

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

FINANCIAL RESOURCES AND LIQUIDITY

Cash Flows

Cash outflow from operating activities in 2013 was HK$132.2 million (2012: cash inflow HK$204.4 million). Cash inflow from investing activities in 2013 was HK$85.8 million (2012: HK$36.1 million). Cash inflow from financing activities in 2013 was HK$15.8 million (2012: cash outflow HK$336.6 million). Cash outflow from operating activities in 2013 was mainly due to an increase in inventories of about HK$203.6 million and decrease in trade and other payables of about HK$66.6 million. Cash inflow from financing activities was mainly due to disposal of a subsidiary of HK$91.8 million raised in 2013. An overall net decrease in cash and cash equivalents in 2013 was credit HK$30.6 million (2012: HK$96.1 million). The Group's major financial resources derived from cash generated from investing activities.

Assets and Liabilities

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

FOREIGN EXCHANGE RISK

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

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

CHARGE OF ASSETS

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

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

At the end of the reporting period, certain subsidiaries are parties to various legal claims in their ordinary course of business. In the opinion of the directors 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 2013 the issued share capital of the Company was HK$93,931,969 (as at 31st March 2012: HK$94,244,069), divided into 939,319,694 (2012: 942,440,694) ordinary shares of HK$0.10 each.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

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

BUSINESS REVIEW

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

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

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

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

Our NEONEON and Yingyu brand LED products were favored by a wide variety of engineering projects in the PRC and helped us win a number of project tenders, including landscape lighting projects for large-scale exhibitions and key construction projects and facilities at key venues such as 2008 Beijing Olympics, 2010 Shanghai World Expo and 2012 Guangzhou Asian Games. In addition, the Group also secured various orders from Beijing Tiananmen Tower, Olympic Games Celebration Square, London Gatwick Airport, Japan Narita warehouse, clubs in Las Vegas, WuGuang High-Speed Railway, Qingdao Sports Centre, Shenzhen Universiade and many other projects. We also had many successful projects in Beijing, Shanghai, Guangzhou, Shenzhen, Changsha, Hengyang, Changde, Inner Mongolia, Linfen, Foshan, Zhaoqing, Meizhou, Jiangmen, Heshan and some other districts. In respect of general purpose lighting, our LED indoor white-light illumination products are widely used in office lighting at the Guangdong Science and Technology Department, Jiangmen Administration Centre and Jiangmen Branch building of China Mobile, and in energy-saving lighting projects of indoor spaces including postal savings bank, classrooms and telecommunication office. The Group has recently been appointed as the supplier for the LED street-lighting and tunnel lighting project of the luxury passenger railway line, WuGuang High-Speed Railway. As the urbanization of China gathers pace and consumers continuously seek higher quality of life, there will be greater demand for LED products which will create more opportunities for the Company. It is expected that the China market will gradually become a major source of the Group's profits and a driving force for the sustained growth of the Group.

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

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

Production Facilities and Capacity

We were the pioneer in producing a whole series of LED white-light illumination products, including LED streetlights, LED T8 tubes, LED downlights and LED bulbs. To better consolidate its production capacity and cope with the ever-rising labour cost in the PRC after the implementation of new Labour Law, the Group completed the transfer of incandescent lighting and decorative lighting production lines (which involve labour-intensive process) to a 1,200-mu plant in Thai Binh Province of Vietnam in light of the intense competition, low technology and labour-intensive production nature, as well as concessionary electricity tariff and other favourable policies there. At the same time, it has established production and marketing alliances with various upper- and lower-stream supply chains by means of production integration.

Quality Control

The Group is always determined to achieve the objective of "Perfection". It enhanced the quality management through tying the reward and punishment evaluation with quality and facilitating the comprehensive quality management incessantly. The Company has its own quality standard department and has established the Lide Photoelectric Test Center (麗得光電測試中心) with the South China University of Technology, and has also played a leading role in the drafting of a range of national standards for LED illumination products including LED Streetlights for Road Lighting, Terms and Definitions of General Lighting LED and LED Modules, Test Methods for General Lighting LED Modules, Requirements on Performance of General Lighting Emitting Diode, Requirements on Performance of General Lighting Self-ballasted LED Lamp and LED Lights for Decorative lighting. With strict quality management, the Company was granted ISO9001 Quality System Certification, and its self-developed and self-produced products met various world standards, such as the international safety certifications including UL, ETL, CSA, CUL, CETL, GS, VDE, CE, IMQ, BS and SAA. In addition, it is a UL member and a silver member of International CIE. In 2009, Neo-Neon Group qualified for the certification of "LED Household Lighting" of US Energy-saving Star, which was the first lighting enterprise in Asia to be so recognized.

In respect of domestic certifications, the LED products of the Group have obtained certifications from CCC and CQC and accredited as China Energy-saving Products Certification, making them the new model products meeting the state safety and energy-saving standards. The Group possesses good brand image and rich customer resources. The Company has long included the brand building in its strategic objectives and is committed to enhancing the Company's brand image.Through long-term cooperation, the Company established strategic partnership with a number of DIY enterprises such as Home Depot, Lowes, Juno, CTC and Walmart.

Sales and Distribution

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

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

RESEARCH AND DEVELOPMENT

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

The Group established Lide Huagong Photoelectric Technology Research Institute (麗得華工光電技術研究所), the first photoelectric technology research institution, in Jiangmen city. The Group upgrades the technical level of the R&D team and improves overall management quality and business professionalism through on-the-job training as well as formal training programmes. This helps to develop team spirit and reinforce a sense of unity and belonging between management and staff. The Group implemented performance-based and share-option incentive scheme in order to attract and retain top talents, which in turn created a circle of self-enhancement and continually improved the research and development capability of the Group. Given the LED streetlights of the Group applied the design of the third-generation optical lens (so that the light of LED streetlights can be equally distributed in streets), they can save over 60% of electricity in comparison with the traditional streetlights, which received recognition from various countries around the world. Other than the LED streetlights, other LED application lighting products also received bulk orders from customers in such regions as the PRC, Europe, America and Southeastern Asia.

The Group currently owns more than 1,000 authorized patents domestically and abroad, and its patented products have covered over 10,000 types of products in various technical aspects including traditional lighting, decorative lighting, commercial lighting, entertainment lighting, audio system, LED chips and LED packaging. Among them, there are over 800 domestic patents and 200 foreign patents, including 50 invention patents, more than 600 utility model patents and more than 400 exterior design patents. The LED Neonflex self-developed by the Group was granted patents from over 50 states and certificates jointly issued by six PRC ministries and commissions. With such achievements, the Group has been renowned domestically and internationally. Among 10,566 patent applications related to LED lighting technology in the PRC, the Group ranked the first with 212 relevant applications, which accounted for 2.01% of the total applications in the PRC, and other domestic and foreign enterprises were quite far behind to catch up with the Group. Neo-Neon was recognized as a High-New Technology Enterprise early in 2007.

Trade Receivable Management

As at 31st March, 2013, the Group's receivables were HK$128.1 million (31st March, 2012: HK$107.0 million), representing an increase of HK$21.1 million; in which the amount of receivables due within 180-360 days increased to HK$24.4 million. The increase was mainly due to a 23.7% decrease in turnover resulting from the rapid market expansion during the period review, the extension of credit period to 90 days or 180 days for facilitating some creditworthy long-term customers' plans for business development, and the long payment periods of certain large projects at low risk under relevant contracts.

Inventory Management

During the period under review, the Group's inventory balances increased to HK$734.1 million from HK$648.1 million at the beginning of the year, representing a increase of approximately 13.3%. The increase was mainly due to the Group's one-time bulk purchase with a special offer price for major material in order to control the rising material prices. Looking ahead, the Group will monitor its inventory management policy so as to give quicker response to customer orders and speed up inventory turnover. A number of internal management measures were also implemented which, as per the Group's expectation, will reap the benefits in the coming fiscal year.

EMPLOYEES AND REMUNERATION POLICY

As at 31st March, 2013, the Group's total number of employees was approximately 3,500 (31st March, 2012: 5,000). In order to optimize production processes, besides the increase of the number of high technology and research personnel, other staffs have decreased. The basic remunerations of the employees are determined with reference to the industry remuneration benchmark, the employees' experience and their performance. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each director.

FUTURE PLANS AND PROSPECTS

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

At present, the technologies for manufacturing LED lighting products have become mature, however, their markets have yet to be further expanded. The main reason of unpopularity is that prices of LED lighting products are 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. Our prospects in the next year will be driven by the following:

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

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

FINAL DIVIDEND

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

EVENT AFTER THE REPORTING PERIOD

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

ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") of the Company will be held on 12th August, 2013 (Monday). 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, 7th August, 2013 to Friday, 9th August, 2013, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrars in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday of 6th August 2013. The record date for the entitlement to AGM will be on Friday, 9th August, 2013.

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

During the year ended 31st March, 2013, the Company repurchased a total of 3,121,000 shares of HK$0.10 each in the capital of the Company on the Stock Exchange, details of which are as follows:

Repurchase month	No. of ordinary shares with par value of HK$0.10 each repurchased	Price per share		Aggregate consideration paid
		Highest	Lowest	
		HK$	*HK$*	*HK$'000*
September, 2012	3,121,000	1.72	1.59	5,216

The issued share capital of the Company was reduced by the nominal value of the repurchased shares which were cancelled. The premium paid for the repurchase of the shares and related expenses totalling HK$4,904,000 were charged to the reserves.

The repurchases of shares were effected by the directors pursuant to the general mandate approved by the shareholders at the annual general meeting of the Company held on 10th August, 2012, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31st March, 2013.

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 of the Company have confirmed in writing that they have complied with the required standard as set out in the code of conduct during the year ended 31st March 2013.

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 2013.

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

Scope of work of Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st March, 2013 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. 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 Messrs. Deloitte Touche Tohmatsu on this announcement.

CORPORATE GOVERNANCE PRACTICES

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

The Corporate Governance Code (effective from 1st April, 2012) (the "CG Code") as set out in Appendix 14 of the Listing Rules stipulates the principles of the good corporate governance and two levels of recommendations: (1) Code Provisions; and (2) Recommended Best Practices. Throughout the financial year ended 31st March, 2013, the Company has been in full compliance with all the Code Provisions and certain Recommended Best Practices as set out in the CG Code except for Code Provision A.2.1.

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

PUBLICATION OF ANNUAL RESULTS AND 2013 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 2013 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, 27th June 2013

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