THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Response Document or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Neo-Neon Holdings Limited**, you should at once hand this Response Document to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for onward transmission to the purchaser(s) or the transferee(s).

Neo-Neon Holdings Limited
真明麗控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1868)

RESPONSE DOCUMENT RELATING TO THE MANDATORY UNCONDITIONAL CASH OFFERS BY KGI ASIA LIMITED FOR AND ON BEHALF OF THTF ENERGY-SAVING HOLDINGS LIMITED FOR ALL THE ISSUED SHARES AND OUTSTANDING OPTIONS OF NEO-NEON HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY THTF ENERGY-SAVING HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to Neo-Neon Holdings Limited

普頓資本有限公司
PROTON CAPITAL LIMITED

Independent financial adviser to the Independent Board Committee

金融有限公司
OCTAL Capital Limited

Capitalised terms used in this cover page shall have the same meanings as defined in this Response Document.

A letter from the Board is set out on pages 7 to 12 of this Response Document.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and holders of the Option in connection with the Offers are set out on pages 13 to 14 of this Response Document.

A letter from Octal Capital Limited, the Independent Financial Adviser, containing its advice and recommendation in connection with the Offers, is set out on pages 15 to 31 of this Response Document.

This Response Document will remain on the website of the Stock Exchange at *http://www.hkexnews.hk* and the Company at *http://www.neo-neon.com* as long as the Offers remain open.

8 September 2014

CONTENTS

In this Response Document, the following terms shall have the meanings set out below unless the context requires otherwise:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Affiliate(s)"	in respect of any specific person, means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person
"associates"	has the meaning ascribed to it under the Takeovers Code
"Board"	the board of Directors
"Business Day"	any day on which banks in Hong Kong are open for business (except Saturday and Sunday)
"CDIB Capital"	CDIB Capital Investment II Limited, an Affiliate of KGI Capital, the financial adviser to the Offeror in connection with the Subscription
"Circular"	the circular dated 16 May 2014 jointly issued by the Company and the Offeror in relation to, among other things, the Subscription and the Whitewash Waiver
"Closing Date"	Monday, 22 September 2014, or if the Offers are extended, any subsequent closing date of the Offers as may be extended and announced by the Offeror in accordance with the Takeovers Code
"Company"	Neo-Neon Holdings Limited (Stock Code: 1868), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange and certain Shares are listed as Depositary Receipts on the Taiwan Stock Exchange
"Completion"	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement, which took place on 1 August 2014
"Concert Group"	the Offeror and parties acting in concert with it
"Directors"	the directors of the Company

"EGM"	the extraordinary general meeting of the Company held on 10 June 2014 to approve, among other things, the Subscription and the Whitewash Waiver
"EGM Results Announcement"	the announcement jointly issued by the Company and the Offeror dated 10 June 2014 in relation to, among other things, the results of the EGM of the Company held on 10 June 2014
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
"Forms of Acceptance"	the forms of acceptance in respect of the Offers accompanying the Offer Document
"Group"	the Company and each of its Subsidiaries, "member(s) of the Group" shall be construed accordingly
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising Mr. FAN, Ren Da Anthony, Mr. LIU Tian Min, Ms. LI Ming Qi, Mr. WONG Kon Man, Jason, Mr. WENG Shih Yuan, Ms. LIU Shengping and Mr. SUEN Man Tak, Stephen, has been established by the Board, to advise the Independent Shareholders and Optionholders in respect of the Offers
"Independent Financial Adviser" or "Octal Capital"	Octal Capital Limited, a corporation licensed under the SFO permitted to engage in Type 1 and Type 6 regulated activities (as defined under the SFO) and the independent financial adviser to the Independent Board Committee in respect of the Offers

"Independent Shareholders"	(i) as regards the Offers, Shareholders other than the Offeror, its associates and the parties acting in concert with it; or (ii) as regards the Whitewash Waiver, Shareholders other than the Offeror, its associates and the parties acting in concert with it and other Shareholders (including Mr. FAN, Ms. WONG and Mr. FAN Pong Yang) who are interested or involved in the Subscription and the Whitewash Waiver
"KGI Capital"	KGI Capital Asia Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the financial adviser to the Offeror in connection with the Subscription
"Last Trading Day"	18 July 2014, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending release of an announcement in relation to inside information of the Company
"Latest Practicable Date"	5 September 2014, being the latest practicable date prior to the printing of this Response Document for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LOI"	the non-legally binding letter of intent entered into between the Company and the Offeror on 27 January 2014 in respect of the Subscription
"Main Board"	the main board of the Stock Exchange
"Mr. FAN"	Mr. Ben Fan, an executive Director and a substantial Shareholder
"Ms. WONG"	Ms. Michelle Wong, an executive Director and a substantial Shareholder, the spouse of Mr. FAN
"Offer(s)"	the Share Offer and/or the Option Offer
"Offer Announcement"	an announcement published by the Offeror dated 8 August 2014, in relation to, among others, the Offers

"Offer Document"	the offer document dated 25 August 2014 issued by the Offeror in connection with the Offers in accordance with the Takeovers Code containing, among other things, the terms and conditions of the Offers, together with the Form(s) of Acceptance
"Offer Period"	has the meaning ascribed thereto in the Takeovers Code, being the period from 28 January 2014, i.e. the date of the announcement in relation to the LOI, to the Closing Date, or such other time or date to which the Offeror may decide to extend or revise the Offers in accordance with the Takeovers Code
"Offer Prices"	the Share Offer Price and the Option Offer Price
"Offeror"	THTF Energy-Saving Holdings Limited, a company incorporated in the Cayman Islands which is an indirect wholly-owned subsidiary of Tsinghua Tongfang
"Option(s)"	all the outstanding options granted under the Share Option Scheme which entitle holders thereof to subscribe for the Shares in accordance with the terms and conditions thereof
"Option Offer"	the mandatory unconditional cash offer made by or on behalf of the Offeror to cancel the Options
"Option Offer Price"	the offer price of HK$0.0001 in cash for each Option
"Optionholder(s)"	holder(s) of the Options
"Other Announcements"	(i) the announcement jointly issued by the Company and the Offeror dated 18 June 2014; (ii) the announcement issued by the Company dated 11 July 2014; (iii) the announcements issued by the Offeror dated 2 July 2014 and 11 July 2014 respectively, in relation to, among other things, further development regarding the Subscription; and (iv) the trading halt announcement issued by the Company dated 21 July 2014
"Relevant Period"	the period commencing on 28 July 2013 (being the date falling six months preceding 28 January 2014, which is the commencement date of the Offer Period) and ending on and including the Latest Practicable Date

"Response Document"	this response document dated 8 September 2014 issued by the Company in accordance with the Takeovers Code in respect of the Offers
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) with par value of HK$0.10 each in the issued share capital of the Company
"Share Offer"	the mandatory unconditional cash offer made by KGI Asia Limited on behalf of the Offeror to acquire all the issued Shares (other than those already owned or agreed to be acquired or subscribed by the Concert Group) in accordance with the Takeovers Code
"Share Offer Price"	the offer price of HK$0.90 in cash for each Share
"Share Option Scheme"	the share option scheme adopted by the Company pursuant to the Shareholders' resolutions passed on 20 November 2006
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription for the Subscription Shares by the Offeror pursuant to the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 19 March 2014 and entered into between the Company and the Offeror in relation to the Subscription (supplemented by the extension letter dated 13 May 2014 in relation to the extension of long stop date)
"Subscription Price"	the share subscription price of HK$0.90 per Subscription Share
"Subscription Share(s)"	1,000,000,000 new ordinary Shares with par value of HK$0.10 each subscribed by the Offeror pursuant to the Subscription Agreement

"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
"Tsinghua Tongfang"	Tsinghua Tongfang Co., Ltd., (同方股份有限公司), a company listed on The Shanghai Stock Exchange with stock code 600100
"Whitewash Waiver"	the waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Concert Group to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Concert Group which might otherwise arise as a result of the Subscription pursuant to the Subscription Agreement
"%"	per cent.

Neo-Neon Holdings Limited
真明麗控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1868)

Executive Directors:
Mr. LU Zhi Cheng *(Chairman)*
Mr. Ben FAN
Ms. Michelle WONG
Mr. FAN Pong Yang
Mr. WANG Liang Hai
Mr. SEAH Han Leong
Mr. PAN Jin

Non-Executive Director:
Mr. LIU Wei Dong

Independent non-executive Directors:
Mr. FAN, Ren Da Anthony
Mr. LIU Tian Min
Ms. LI Ming Qi
Mr. WONG Kon Man, Jason
Mr. WENG Shih Yuan
Ms. LIU Shengping
Mr. SUEN Man Tak, Stephen

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal office:
Block B, 12/F
Eldex Industrial Building
21 Ma Tau Wai Road
Hung Hom, Kowloon, Hong Kong

8 September 2014

To the Shareholders and Optionholders

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
KGI ASIA LIMITED
FOR AND ON BEHALF OF
THTF ENERGY-SAVING HOLDINGS LIMITED
FOR ALL THE ISSUED SHARES AND OUTSTANDING OPTIONS OF
NEO-NEON HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO
BE ACQUIRED BY THTF ENERGY-SAVING HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

References are made to (i) the Circular; (ii) the EGM Results Announcement; (iii) the Other Announcements; (iv) the Offer Announcement; (v) the Company's announcement dated 18 August 2014 in relation to, among others, completion of the Subscription; and (vi) the Offer Document.

Pursuant to the Subscription Agreement, the Offeror has subscribed in cash for an aggregate of 1,000,000,000 Subscription Shares at the Subscription Price of HK$0.9 per Subscription Share. Immediately after Completion on 1 August 2014, the Concert Group owned an aggregate of 1,014,000,000 Shares, representing approximately 52.29% of the enlarged issued share capital of the Company. Pursuant to Rule 26.1 and Rule 13.1 of the Takeovers Code, the Offeror is required to make (i) the Share Offer for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Group); and (ii) the Option Offer for all the Options following Completion.

The Independent Board Committee comprising all independent non-executive Directors namely, Mr. FAN, Ren Da Anthony, Mr. LIU Tian Min, Ms. LI Ming Qi, Mr. WONG Kon Man, Jason, Mr. WENG Shih Yuan, Ms. LIU Shengping and Mr. SUEN Man Tak, Stephen, has been established to advise the Independent Shareholders and Optionholders as to whether the Offers are fair and reasonable and as to acceptance of the Offers. Mr. LIU Wei Dong, the newly appointed non-executive Director, is a senior management of Tsinghua Tongfang and therefore is financial dependent on the parties acting in concert with the Offeror. As such, LIU Wei Dong does not sit on the Independent Board Committee.

Octal Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee on the terms of the Offers, whose appointment has been approved by the Independent Board Committee.

The purpose of this Response Document is to provide you with, among other things, information relating to the Group, the Offeror and the Offers, the recommendation of the Independent Board Committee to the Independent Shareholders and the Optionholders regarding the Offers, and the advice of the Independent Financial Adviser to the Independent Board Committee in relation to the Offers.

THE OFFERS

As at the Latest Practicable Date, there were 1,939,319,694 Shares in issue and 47,364,500 outstanding Options.

Based on the Offer Document issued by the Offeror on 25 August 2014, KGI Asia Limited is making the Offers for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

The Share Offer:

For every Share accepted under the Share Offer ....HK$0.90 in cash

The Board noted that the Share Offer price is the same as the Subscription Price of HK$0.90 per Subscription Share under the Subscription Agreement.

Comparison of value

The Share Offer Price is the same as the Subscription Price of HK$0.90 per Subscription paid by the Offeror under the Subscription Agreement and the Share Offer Price represents:

(i) a discount of approximately 44.8% to the closing price of HK$1.63 per Share as quoted on the Stock Exchange on 24 January 2014, being the last trading day preceding the date of the announcement in relation to the LOI;

(ii) a discount of approximately 42.7% to the closing price of HK$1.57 per Share as quoted on the Stock Exchange on 18 July 2014, being the Last Trading Day;

(iii) a discount of approximately 43.0% to the average closing price per Share of approximately HK$1.58 for the last five consecutive trading days as quo on the Stock Exchange up to and including the Last Trading Day;

(iv) a discount of approximately 43.8% to the average closing price per Share of approximately HK$1.60 for the last 10 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(v) a discount of approximately 41.9% to the closing price per Share of approximately HK$1.55 for the last 30 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(vi) a premium of approximately 7.1% to the audited consolidated net asset value attributable to the Shareholders per Share of approximately HK$0.84 per Share as at 31 March 2014, being the date of the latest annual results; and

(vii) a discount of approximately 33.8% to the closing price of HK$1.36 per share as quoted on the Stock Exchange on the Latest Practicable Date.

The Option Offer:

For every Option accepted under the Option Offer .... HK$0.0001 in cash

The Board noted that the Option Offer Price has been determined by the Offeror after taking into consideration that as at the Latest Practicable Date of the Offer Document, all of the Options were out of the money with reference to the Share Offer price (i.e. the Share Offer price is less than the exercise price of each of the outstanding Options) and therefore, the Option Offer Price to cancel each Option is made at a nominal price of HK$0.0001 each.

As at the date of this Response Document, there are 47,364,500 Options with exercise prices of HK$1.95 to HK$8.72 per Share.

Further details of the Offers

The terms of the Offers are set out in the Offer Document and the Forms of Acceptance. You are recommended to refer to the Offer Document and the Forms of Acceptance for further details.

INFORMATION ON THE GROUP

The Company was incorporated and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company acts as an investment holding company and has subsidiaries that are principally engaged in research, manufacture and trading of LED lighting products. Its Shares are listed on the Main Board of the Stock Exchange and certain Shares are listed as Depositary Receipts on the Taiwan Stock Exchange.

The financial information of the Group for the two years ended 31 March 2013 and 2014 are as follows:

	For the year ended 31 March	
	2013	**2014**
	HK$'000	*HK$'000*
Turnover	827,039	840,700
Loss for the year	(621,581)	(792,254)

Please refer to Appendix I to this Response Document for further financial information in relation to the Group.

INFORMATION ON THE OFFEROR

Please refer to the "Letter from KGI Asia Limited" contained in the Offer Document for the information of the Offeror.

THE OFFEROR'S INTENTION REGARDING THE COMPANY AND CHANGE OF BOARD COMPOSITION OF THE COMPANY

According to the Offer Document, it is the current intention of the Offeror to continue the principal business of the Group and (i) by leveraging on the experience and resources of the Offeror (and its Affiliates), to further develop and expand the Group's business scale of lighting products in the global LED lightings market and enhance its capability of acceptance and fulfilment of sales orders; (ii) to consolidate the resources in the upstream and downstream supply chains and strengthen the costs control so as to aim for the lowering of the Group's production costs and enhancing the Group's profitability and competitive advantages; and (iii) by leveraging on the Offeror's (and its Affiliates) experience and resources in the areas of multi-media television industry, computer industry, intelligent building industry and lighting industry, to enhance the application usage of the Group's LED lighting products. This may involve any forms of cooperation between the Group and the Offeror (and its Affiliates). As at the latest practicable date of the Offer Document, no definitive proposals, terms or timetable have been determined for any such possible future transaction or arrangement, and no agreements for any such possible future transactions or arrangements have been entered into and no discussions have been held. The Company will comply with all applicable requirements of the Listing Rules and/or the Takeovers Code as and when appropriate. As at the latest practicable date of the Offer Document, the Offeror has no intention to discontinue the employment of the employees (save for a change in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

The Offer Document further stated that the Offeror has no plan on any injection of any assets or businesses into the Group as at the latest practicable date of the Offer Document.

The Board is aware of the intentions of the Offeror in respect of the Company and its employees and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

As further disclosed in the Offer Document, (i) all existing Directors, except Mr. FAN, would resign its directorship from the Board with effect from 22 September 2014 (being the earliest date permitted by the Executive according to the Takeovers Code); and (ii) certain new directors would be appointed to the Board with effect from the date of despatch of the Offer Document by the Offeror (being the earliest date permitted by the Executive according to the Takeovers Code).

As announced by the Company on 25 August 2014, Mr. Lu Zhi Cheng, Mr. Wang Liang Hai, Mr. Seah Han Leong, Mr. Pan Jin were appointed as executive Directors, Mr. Liu Wei Dong was appointed as a non-executive Director, and Mr. Fan Ren Da Anthony, Mr. Liu Tian Min and Ms. Li Ming Qi were appointed as independent non-executive Directors of the Company (collectively, the "**New Directors**") with effect from 25 August 2014, being the date of despatch of the Offer Document.

Please refer to the announcement of the Company dated 25 August 2014 for the information of the New Directors.

MAINTAINING THE LISTING STATUS OF THE COMPANY

According to the Offer Document, the Offeror intends that the Company will maintain the listing status of the Shares on the Main Board of the Stock Exchange after the close of the Offers. **The directors of the Offeror and the New Directors appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that not less than 25% of the Shares will be held by the public as required under the Listing Rules.**

The Stock Exchange has stated that if, upon close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

(i) a false market exists or may exist in the trading of the Shares; or

(ii) there are insufficient Shares in the hands of the public to maintain an orderly market,

then it will consider exercising its discretion to suspend trading in the Shares.

As at the Latest Practicable Date, the Board (i) had not and had no intention to enter into agreement, arrangement, understanding or negotiation about any acquisition or disposal of assets or business (whether concluded or not); and (ii) had not agreed or in the process of negotiation of injection of any assets.

RECOMMENDATION

Your attention is drawn to the "Letter from the Independent Board Committee" as set out in this Response Document which contains its recommendation to the Independent Shareholders and the Optionholders in respect of the Offers, and the "Letter from the Independent Financial Adviser" as set out in this Response Document containing its advice to the Independent Board Committee in respect of the Offers.

You are also advised to read the Offer Document and the Forms of Acceptance in respect of the acceptance and settlement procedures of the Offers.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Response Document.

By order of the Board
Neo-Neon Holdings Limited
PAN Jin
Executive Director

Neo-Neon Holdings Limited
真明麗控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1868)

8 September 2014

To the Independent Shareholders and Optionholders

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFERS BY KGI ASIA LIMITED FOR AND ON BEHALF OF THTF ENERGY-SAVING HOLDINGS LIMITED FOR ALL THE ISSUED SHARES AND OUTSTANDING OPTIONS OF NEO-NEON HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY THTF ENERGY-SAVING HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

We refer to this Response Document dated 8 September 2014 issued by the Company, of which this letter forms part. Terms used herein shall have the same meanings as defined in this Response Document unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned and as to its acceptance.

Octal Capital Limited has been appointed as the Independent Financial Adviser to advise us in this respect, details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the "Letter from the Independent Financial Adviser" on pages 15 to 31 of this Response Document.

Your attention is also drawn to the letter from the Board and the additional information set out in appendices to this Response Document as well as the terms of the Offers as set out in the Offer Document and the Forms of Acceptance.

RECOMMENDATION

Taking into account the terms of the Offers, the independent advice from the Independent Financial Adviser and the principal factors and reasons taken into consideration by the Independent Financial Adviser in arriving at its recommendation in respect of the Offers, we consider that the terms of the Share Offer are not fair and not reasonable so far as the Independent Shareholders are concerned whereas the terms of the Option Offer are fair and reasonable so far as the Optionholders are concerned.

Accordingly, we recommend the Independent Shareholders not to accept the Share Offer whereas the Optionholders to accept the Option Offer.

Independent Shareholders are reminded that their decision to realise or to hold their investment in the Shares depends on their own individual circumstances and investment objectives. In any event, Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period.

Optionholders are reminded that according to the Share Option Scheme, Optionholders are entitled to exercise their Options in full or in part by notice in writing to the Company within 21 days after the Offers are made. Upon the expiry of such 21-day period, the right to exercise the Options (to the extent not already exercised or accepted under the Option Offer) will be terminated immediately and the Options will lapse accordingly. Therefore, no exercise of Options or acceptance of the Option Offer may be made in relation to any such Option that has lapsed.

Notwithstanding our recommendation, the Independent Shareholders and Optionholders should consider carefully the terms and conditions of the Offers as set out in the Offer Document and the Forms of Acceptance.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. FAN,
Ren Da Anthony

Mr. LIU
Tian Min

Ms. LI
Ming Qi

Mr. WONG
Kon Man, Jason

Mr. WENG
Shih Yuan

Ms. LIU
Shengping

Mr. SUEN
Man Tak, Stephen

Independent non-executive Directors

The following is the full text of the letter of advice to the Independent Board Committee from Octal Capital which has been prepared for inclusion in this Response Document.

八方金融有限公司
OCTAL Capital Limited

Octal Capital Limited
801-805, 8/F, Nan Fung Tower
173 Des Voeux Road Central
Hong Kong

To the Independent Board Committee

8 September 2014

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFERS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee in respect of the terms of the Offers, particulars of which are set out in a response document (the "**Response Document**") despatched to the Independent Shareholders dated 8 September 2014, in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Response Document.

The Company and the Offeror (as the subscriber ("**Subscriber**")) entered into the Subscription Agreement on 19 March 2014, pursuant to which the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe in cash for an aggregate of 1,000,000,000 Subscription Shares, at the Subscription Price of HK$0.90 per Subscription Share. Pursuant to the Subscription Agreement, completion of the Subscription is subject to the fulfillment (or, if applicable, waiver) of certain conditions precedent, including but not limited to, the approval of the Whitewash Waiver by the Independent Shareholders and the grant of the Whitewash Waiver by the Executive. As stated in the EGM Results Announcement, the proposed ordinary resolution approving the Whitewash Waiver (i.e. Resolution No. 2 as set out in the relevant notice of the EGM) was not passed by the Independent Shareholders at the EGM by way of poll. The Company received a notice in writing from the Offeror on 18 July 2014 (after trading hours) to waive (with immediate effect from the date of issue), among others, the condition precedent relating to the Whitewash Waiver. Since all of the conditions precedent of the Subscription Agreement have been fulfilled or waived (as applicable) in accordance with the Subscription Agreement, the Subscription Agreement has become unconditional. Completion of the Subscription took place on 1 August 2014 (being the tenth Business Day on which all the conditions precedent of the Subscription Agreement are satisfied or waived).

Prior to entering into the Subscription Agreement, the Offeror and parties acting in concert with it were interested in a total of 14,000,000 Shares, representing approximately 1.49% of the entire issued share capital of the Company. Upon completion of the Subscription, the Offeror and parties acting in concert with it became interested in a total of 1,014,000,000 Shares, representing approximately 52.29% of the entire issued share capital of the Company. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make (i) the Share Offer for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Group); and (ii) the Option Offer for all the Options.

Pursuant to Rule 26.1 of the Takeovers Code, KGI Asia Limited, on behalf of the Offeror is making the Offers in compliance with the Takeovers Code on the following terms:

For every Share accepted under the Share Offer . . . . .HK$0.90 in cash

(Share Offer price is the same as the Subscription Price of HK$0.90 per Subscription Share under the Subscription Agreement.)

For every Option accepted under the Option Offer. . . . . .HK$0.0001 in cash

(As at the Latest Practicable Date, all of the Options were out of the money with reference to the Share Offer price (i.e. the Share Offer price is less than the exercise price of each of the outstanding Options.)

Further terms and conditions of the Offers, including the procedures for acceptance, are set out in the Offer Document.

The Independent Board Committee, comprising all independent non-executive Directors namely Mr. FAN, Ren Da Anthony, Mr. LIU Tian Min, Ms. LI Ming Qi, Mr. WONG Kon Man, Jason, Mr. WENG Shih Yuan, Ms. LIU Sheng Ping and Mr. SUEN Man Tak, Stephen has been established by the Company to make recommendation to the Independent Shareholders and the Optionholders as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers. Mr. LIU Wei Dong, the newly appointed non-executive Director, is a senior management of Tsinghua Tongfang and therefore is financial dependent on the parties acting in concert with the Offeror. As such, Mr. LIU Wei Dong does not sit on the Independent Board Committee. We, Octal Capital Limited, have been approved by the Independent Board Committee in respect of the Offers.

We are not connected with the directors, chief executive and substantial shareholders of the Company, the Group, the Offeror or their respective associates and do not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date, and are therefore considered suitable to give independent advice to the Independent Board Committee, the Independent Shareholders and the Optionholders. During the last two years, there was no previous engagement between us and the Group and the Offeror. Apart from normal professional fees payable to us by the Company in connection with this engagement, no arrangement exists whereby we will receive any fees or benefits from the Company, the Group, the Offeror or the directors, chief executive and substantial shareholders of the Company or the Offeror or any of their subsidiaries or their respective associates.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Response Document as well as the Offer Document and have assumed that all information and representations made or referred to in the Response Document as well as the Offer Document as provided by the Directors and/or the Offeror were true at the time they were made and continue to be true as at the date of the Response Document and/or the Offer Document. We have also relied on our discussion with the Directors regarding the Group and the Offers, including the information and representations contained in the Response Document as well as the Offer Document. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror respectively in the Response Document as well as the Offer Document were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Response Document as well as the Offer Document nor to doubt the truth, accuracy and completeness of the information and representations provided by the Directors and the Offeror. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Group, the Offeror and their respective associates nor have we carried out any independent verification of the information supplied. The Company and the Offeror will notify the Shareholders of any material changes during the Offer Period after the dispatch of the Response Document as soon as possible in accordance with Rule 9.1 of the Takeovers Code. The Independent Shareholders and the Optionholders will also be notified of any material changes to such information provided and our opinion as soon as possible after the Latest Practical Date and throughout the Offer Period.

We have not considered the tax implications on the Independent Shareholders and the Optionholders of their acceptances or non-acceptances of the Offers since these are particular to their own individual circumstances. In particular, the Independent Shareholders and the Optionholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offers and, if in any doubt, should consult their own professional adviser.

PRINCIPAL FACTORS AND REASONS CONSIDERED ON THE OFFERS

In arriving at our opinion regarding the terms of the Offers, we have considered the following principal factors and reasons:

(i) Review of financial position/performance of the Group

The Company acts as an investment holding company and has subsidiaries that are principally engaged in research, manufacture and trading of LED lighting products. Its Shares are listed on the Main Board of the Stock Exchange and certain Shares are listed as Depositary Receipts on Taiwan Stock Exchange. According to the annual report of the Company for the year ended 31 March 2014 (the "**2014 AR**"), the Company started development and manufacturing of LED lights in 1998, and has accumulated over 10 years of experience. Its business covered the upstream, midstream and downstream vertical integration, i.e. from chip manufacturing to channel operation, of LED lights.

Over the most recent three financial years, the Company was loss-making and the audited consolidated results of the Company are as follows:

Expressed in HK$' million	Year ended 31 March		
	2012	2013	2014
	(audited)	(audited)	(audited)
LED decorative lighting	554.8	416.2	448.7
LED general illumination lighting	319.0	273.2	263.0
Incandescent decorative lighting	104.0	70.6	69.2
Entertainment lighting	85.5	58.3	48.3
Distribution of lighting product accessories	20.5	8.7	11.5
Total revenue	1,083.8	827.0	840.7
Gross profit/(loss)	(584.6)	98.2	(247.6)
Net Profit/(loss) for the year attributable to the Shareholders	(1,430.4)	(616.8)	(830.7)

Source: Annual reports of the Company

Comparison for the year ended 31 March 2013 versus the year ended 31 March 2012

As disclosed in the annual report of the Company for the year ended 31 March 2013 ("**2013 AR**"), the LED industry continued to be influenced by debt crisis in Europe, bleak and recessionary global market, excessive investment, fierce market competition resulted and oversupply remaining. The Group experienced the weakening global demand, reduction of sales order and decrease of market price as a result of intense competition. Thus, the Group's revenue decreased to approximately HK$827.0 million or by approximately 23.7%. Nevertheless, the Group was able to record a gross profit of approximately HK$98.2 million during the year ended 31 March 2013 (as compared with the gross loss recorded in the previous year), mainly due to decrease in bulk raw material price and reduction in number of labour. As mentioned in the 2013 AR, the Group recorded a net loss mainly due to the impairment on certain property, plant and equipment and the lingering European debt crisis, which caused the European and U.S. customers to be more conservative in placing orders. During the year, revenue attributable to the PRC market and the U.S. markets shared approximately 25.8% and approximately 21.9% of the total revenue respectively.

Comparison for the year ended 31 March 2014 versus the year ended 31 March 2013

According to the 2014 AR, (i) the Company was hampered by the continuous economic uncertainties around the globe caused by the sovereign debt crises in the U.S. and Europe, as well as over-investment and intense market competition and customer orders were more conservative, mainly due to the economic depression in Europe and the significant slowdown in domestic demand in emerging economies, such as the PRC; and (ii) the global lighting industry is going through a transformation period towards LED and there is gradual shift of global LED production centers towards the PRC, yet most LED lighting applications enterprises record increased incomes but stagnant profits due to fierce price competition. With the continued research and development efforts of the Group in new LED products, a small increase in sales order was recorded by the Company but the Company was still adversely affected by the decrease in selling price and intense market competition. As a result, the Group's revenue increased by approximately 1.7% to approximately HK$840.7 million. In addition, due to the rising labour costs and the impairment on certain inventories, the Group recorded a gross loss of approximately HK$247.6 million as compared with the gross profit recorded in the previous year. As mentioned in the 2014 AR, the Group recorded a net loss mainly due to the impairment on certain property, plant and equipment and the continuation of lingering European debt crisis, which caused the European and U.S. customers to be more conservative in placing orders. As for the PRC market, due to the shortage in liquidity, sales appeared to have slowed down. Also, there were over-investments and fierce competition in the LED lighting industry. During the year, revenue attributable to the PRC market and the U.S. market shared approximately 17.2% and approximately 23.5% of the total revenue respectively.

We further summarise the audited financial positions of the Group as at 31 March 2012, 2013 and 2014:

Expressed in HK$' million	**As at 31 March**		
	2012	**2013**	**2014**
	(audited)	(audited)	(audited)
Equity attributable to equity holders of the Company	2,179.3	1,569.7	784.7
Net assets	2,191.1	1,578.0	791.4
Pledged bank deposits	2.5	31.4	44.4
Cash and cash equivalents	283.6	253.5	113.4

As set out in the table above, the equity attributable to equity holders of the Company and balance of cash and cash equivalents had been decreasing for the three years ended 31 March 2014, mainly due to the continuous losses recorded during the three years. Regarding the liquidity of the Group, the consolidated cash and cash equivalents of the Company declined substantially from HK$283.6 million as at 31 March 2012 to HK$113.4 million as at 31 March 2014.

(ii) Future prospect of the Group

According to Strategies Unlimited[1], the industry revenue of packaged LED grew by approximately 8.3% from approximately US$13.3 billion in 2012 to approximately US$14.4 billion in 2013. The market share of U.S., the PRC and Europe were relatively stable during the two years. Among various application segments of packaged LED (such as backlights for displays, mobile devices, general lighting automotive lighting, signage and others), general lighting represents the largest portion of the industry revenue in 2012 and 2013 and is expected to be the key growth driver of the LED market mainly due to the expected fundamental change in lighting application from the traditional ones in bulb form to luminaries with integral LEDs.

Both governments of U.S. and the PRC (the two largest markets of the Group) have supported the LED industry by setting relevant favourable policies or development plans. For instance, the PRC government issued 半導體照明節能產業規劃 (The industry plan for energy saving in relation to the semi-conductor luminaries*, the "**Industry Plan**") in 2013 which sets out the target of LED development up to 2015. According to the Industry Plan, all incandescent lights with 60W or above will be eliminated from the market by 2015 and market share of LED in various areas such as lighting, backlights for displays etc. will be increased in order to achieve the energy-saving target. It is expected that the industry value of LED luminaries in the PRC will increase from approximately RMB19 billion as at the end of 2010 to approximately RMB180 billion by 2015.

The U.S. government has been encouraging the use of luminaries with higher efficiency. Pursuant to the Energy Independence and Security Act of 2007, various specifications of traditional incandescent bulbs have been phased out and manufacturing and importing of 40W and 60W incandescent bulbs are limited since 1 January 2014. Hence, the LED lighting industry may benefit from the policy which encourages the use of efficient luminaries.

According to Strategies Unlimited, price of LEDs has been decreasing in general and the erosion of price accelerated recently. The main reason for such price erosion is overcapacity of LED chips and packages due to huge investments in the PRC industry. In addition, the growth of demand for LEDs in backlighting has become slower and as a result more low-price LED chips and packages have begun flowing into the general lighting segment.

As set out in the 2013 AR, the Company was hampered by the continuous economic uncertainties around the globe caused by the sovereign debt crises in the U.S. and Europe, as well as over-investment and intense market competition. Although the Company recorded a small increase in sales order during the year ended 31 March 2014 after putting effort on research and development of new LED products, its results were adversely affected by decrease of market price as a result of intense competition. Hence, the future prospect and results of operation of the Company may remain uncertain although there has been a growth of the LED industry.

[1] According to the website of Strategies Unlimited, it was founded in 1979 and is one of the leading research companies in photonic devices and produces relevant market reports. Expertise of Strategies Unlimited includes high-brightness LEDs and LED lighting, compound semiconductor materials and specialty electronics etc..

* *For identification purpose only.*

(iii) Information on the Offeror and the Offeror's intentions regarding the Company and change of the board composition of the Company

The Offeror, namely THTF Energy-Saving Holdings Limited, is a company incorporated in the Cayman Islands. The Offeror is principally engaged in investment holding and is an indirect wholly-owned subsidiary of Tsinghua Tongfang, which is a company listed on The Shanghai Stock Exchange with stock code 600100. The major shareholder of Tsinghua Tongfang is Tsinghua Holdings Co., Ltd. (清華控股有限公司), a wholly-owned subsidiary of Tsinghua University. Other than entering into the Subscription Agreement, the Offeror has not conducted any business since its incorporation, and save for the Subscription Shares, it has no material assets as at the latest practicable date of the Offer Document.

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

According to the Offer Document, it is the current intention of the Offeror to continue the principal business of the Group and (i) by leveraging on the experience and resources of the Offeror (and its Affiliates), to further develop and expand the Group's business scale of lighting products in the global LED lightings market and enhance its capability of acceptance and fulfillment of sales orders; (ii) to consolidate the resources in the upstream and downstream supply chains and strengthen the costs control so as to aim for the lowering of the Group's production costs and enhancing the Group's profitability and competitive advantages; and (iii) by leveraging on the Offeror's (and its Affiliates) experience and resources in the areas of multi-media television industry, computer industry, intelligent building industry and lighting industry, to enhance the application usage of the Group's LED lighting products. This may involve any forms of cooperation between the Group and the Offeror (and its Affiliates). According to the Offer Document, no definitive proposals, terms or timetable have been determined for any such possible future transaction or arrangement, and no agreements for any such possible future transactions or arrangements have been entered into and no discussions have been held. The Offeree will comply with all applicable requirements of the Listing Rules and/or the Takeovers Code as and when appropriate. The Offer Document further states that the Offeror has no intention to discontinue the employment of the employees (save for a change in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business. The Offeror has no plan on any injection of any assets or businesses into the Group as at the latest practicable date of the Offer Document.

As set out in the letter from the Board of the Response Document, the Board is aware of the intention of the Offeror in respect of the Company and its employees and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

As further disclosed in the Offer Document, all the then existing Directors, except Mr. FAN, would resign its directorship from the Board with effect from 22 September 2014 (being the earliest date permitted by the Executive according to the Takeovers Code); and (ii) certain new directors would be appointed to the Board with effect from the date of despatch of the Offer Document by the Offeror (being the earliest date permitted by the Executive according to the Takeovers Code). As announced by the Company on 25 August 2014, Mr. LU Zhi Cheng, Mr. WANG Liang Hai, Mr. SEAH Han Leong, Mr. PAN Jin were appointed as executive Directors, Mr. LIU Wei Dong was appointed as a non-executive Director and Mr. FAN Ren Da Anthony, Mr. LIU Tian Min and Ms. LI Ming Qi were appointed as independent non-executive Directors with effect from 25 August 2014, being the date of despatch of the Offer Document.

According to the Offer Document, the Offeror intends that the Offeree will maintain the listing status of the Shares on the Main Board of the Stock Exchange after the close of the Offers. The Offeror has undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that not less than 25% of the Shares will be held by the public as required under the Listing Rules.

(iv) Share price performance and trading liquidity

Under the Share Offer, the Share Offer Price (being the same as the Subscription Price of HK$0.90 per Subscription Share paid by the Offeror under the Subscription Agreement) represents:

(i) a discount of approximately 44.8% to the closing price of HK$1.63 per Share as quoted on the Stock Exchange on 24 January 2014, being the last trading day preceding the date of the announcement in relation to the LOI;

(ii) a discount of approximately 42.7% to the closing price of HK$1.57 per Share as quoted on the Stock Exchange on 18 July 2014, being the Last Trading Day;

(iii) a discount of approximately 43.0% to the average closing price per Share of approximately HK$1.58 for the last five consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(iv) a discount of approximately 43.8% to the average closing price per Share of approximately HK$1.60 for the last 10 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(v) a discount of approximately 41.9% to the average closing price per Share of approximately HK$1.55 for the last 30 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(vi) a discount of approximately 43.4% to the average closing price per Share of approximately HK$1.59 for the last 90 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(vii) a discount of approximately 46.1% to the average closing price per Share of approximately HK$1.67 for the last 180 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

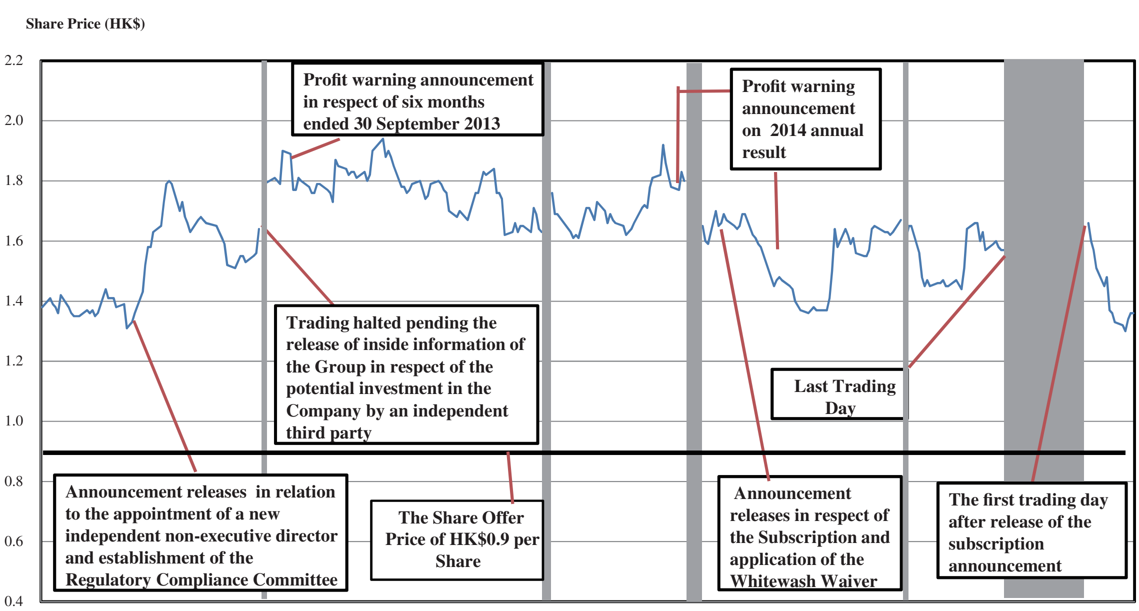
(viii) a discount of approximately 44.8% to the average closing price per Share of approximately HK$1.63 for the last 250 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(ix) a discount of approximately 33.8% to the closing price of HK$1.36 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(x) a premium of approximately 7.1% to the audited consolidated net asset value attributable to the Shareholders per Share of approximately HK$0.84 per Share as at 31 March 2014, being the date of the latest annual results (based on the Company's audited consolidated equity attributable to the Shareholders of approximately HK$784,737,000 as at 31 March 2014 and 939,319,694 Shares in issue as at 31 March 2014).

(a) Historical Share price performance

For the purpose of further comparing the Share Offer Price of HK$0.90 per Share with the market price of the Shares, we plot the closing price level of the Shares traded on the Stock Exchange for the period commencing from 19 July 2013, being the 12 month period prior to the Last Trading Day and further up to the Latest Practicable Date (the "**Review Period**") as follows:

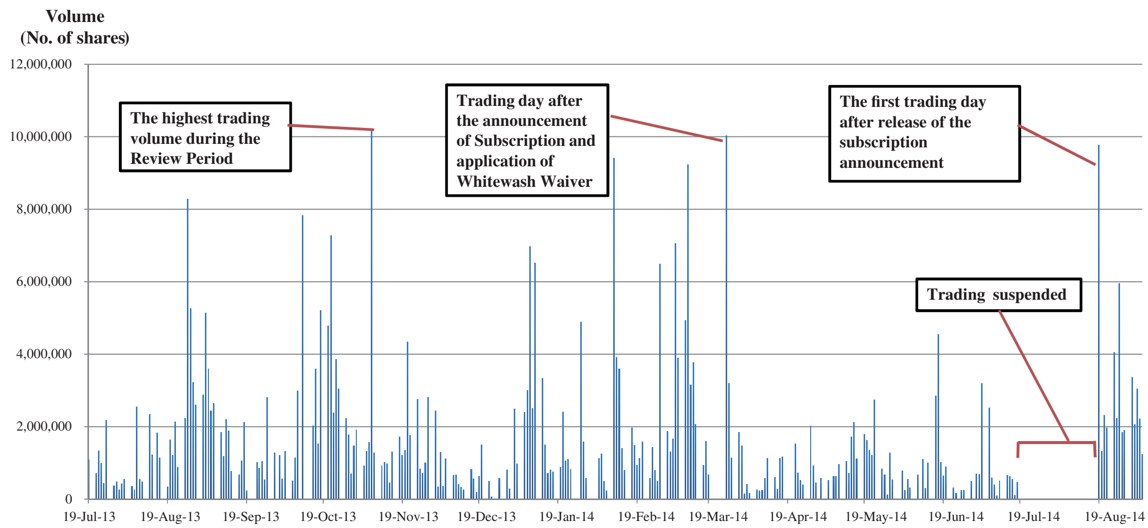


Source: The Stock Exchange

During the Review Period, the Share Offer Price represents (i) a discount of approximately 53.6% to the highest closing price of the Shares of HK$1.94 on 25 November 2013; and (ii) a discount of approximately 30.8% to the lowest closing price of the Shares of HK$1.30 recorded on 2 September 2014. As illustrated in the chart above, the closing prices per Share fluctuated between HK$1.30 and HK$1.44 during the beginning of the Review Period. Since 23 August 2013, the closing prices of the Shares started surging. On the same day, the Company announced the appointment of a new independent non-executive director and the establishment of the Regulatory Compliance Committee. Trading of the Shares was halted on 10 October 2013 pending the release of inside information of the Group and on the same day, the Company published an announcement in respect of the signing of a non-disclosure and exclusivity agreement with a potential investor on potential investment in the Company. Closing price of the Shares increased substantially on 11 October 2013 and reached the highest level during the Review Period at HK$1.94 per Shares on 25 November 2013. During that time, the Company issued a profit warning announcement on 21 October 2013 in respect of its six months ended 30 September 2013 and the closing prices of the Shares just moderately decreased by approximately 6.3% from HK$1.89 on 21 October 2013 to HK$1.77 on 22 October 2013. Since 25 November 2013, the closing price of the Shares has been generally on a decreasing trend until reaching the lowest level during the Review Period at HK$1.36 per Shares on 5 May 2014. During the that time, the Company issued a two profit warning announcements on 14 March 2014 and 17 April 2014 respectively in relation to the annual results for the year ended 31 March 2014 and the announcement in respect of the Subscription and application of the Whitewash Waiver on 25 March 2014, and the closing prices of the Shares decreased by (i) approximately 0.6% from HK$1.78 on 14 March 2014 to HK$1.77 on 17 March 2014; (ii) approximately 8.2% from HK$1.58 on 17 April 2014 to HK$1.45 on 22 April 2014; and (iii) approximately 8.3% from HK$1.80 on 19 March 2014 (last trading day before the publication of the relevant announcement) to HK$1.65 on 26 March 2014. Since May 2014 and up to the Latest Practicable Date, closing prices of the Shares have been falling from HK$1.67 and reached the lowest at HK$1.30. In view that the closing prices of the Shares having been above the Share Offer Price during the entire Review Period, we consider that the Share Offer Price is not attractive.

(b) Liquidity

The following chart shows the daily trading volume of the Shares during the Review Period:



Source: The Stock Exchange

Month	Highest daily turnover *(number of Shares)*	Average daily turnover *(number of Shares)* *(Note 1)*	Percentage of average daily turnover to total number of Shares in issue *(%)*	Percentage of average daily turnover to total number of Shares held by Independent Shareholders *(%)* *(Note 2)*
2013				
Jul	2,183,000	939,318	0.102%	0.102%
Aug	8,279,500	1,883,980	0.201%	0.204%
Sep	5,142,000	1,811,249	0.193%	0.196%
Oct	7,824,500	2,770,872	0.295%	0.299%
Nov	10,224,500	1,926,442	0.205%	0.208%
Dec	2,439,500	690,895	0.074%	0.075%
2014				
Jan	6,975,000	2,264,800	0.241%	0.245%
Feb	9,419,000	2,060,026	0.219%	0.223%
Mar	10,034,500	3,434,147	0.366%	0.371%
Apr	2,018,500	720,350	0.077%	0.078%
May	2,742,000	1,114,303	0.119%	0.120%
Jun	4,544,000	865,999	0.092%	0.094%
Jul	3,200,000	854,615	0.091%	0.092%

Month	Highest daily turnover *(number of Shares)*	Average daily turnover *(number of Shares)* *(Note 1)*	Percentage of average daily turnover to total number of Shares in issue *(%)*	Percentage of average daily turnover to total number of Shares held by Independent Shareholders *(%)* *(Note 2)*
Aug (before the issue of Subscription Shares)	Suspended	Suspended	N/A	N/A
Aug (after the issue of Subscription Shares)	9,772,093	3,482,565	0.180%	0.376%
September (up to the Latest Practicable Date)	3,361,000	2,387,600	0.123%	0.258%

Source: The Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole day, if any.

2. Based on the total number of Shares held by Independent Shareholders at the end of the respective month/period.

We noted from the above table that the trading volume of the Shares were generally low during the Review Period. The average daily trading volume of the Shares was (i) approximately 0.178% of the total number of issued Shares since the beginning of the Review Period and up to the Last Trading Day; (ii) approximately 0.159% of the total number of issue Shares after the completion of the Subscription and resumption of trading on 19 August 2014 until the Latest Practicable Date; (iii) approximately 0.181% of the total number of Shares held on public hands since the beginning of the Review Period and up to the Last Trading Day; and (iv) approximately 0.334% of the total number of Shares held on public hands after the completion of the Subscription and resumption of trading on 19 August 2014 until the Latest Practicable Date. Although there are some trading days during the Review Period on which the daily trading volume of the Shares were relatively large as compared with the rest of the Review Period, the highest one was approximately 10.2 million Shares (recorded on 7 November 2013), representing approximately 1.09% of the total number of issued Shares. On 11 October 2013, trading of the Shares resumed following the release of announcement in respect of the investment in the Company by an independent third party and the trading volume reached approximately 7.8 million Shares. On 22 October 2013, the trading day immediately following the publication of profit warning announcement in respect of the interim results for the six month ended 30 September 2013, the trading volume of the Shares reached approximately 7.3 million. On 7 November 2013, 10 February 2014 and 11 March 2014, trading volume of the Shares were approximately 10.2 million, 9.4 million and 9.2 million Shares respectively but the Company was not aware of any reason for such increase in trading volume. On 26 March 2014, trading of the Shares resumed following the release of announcement in respect of the Subscription and application of the Whitewash Waiver and the trading volume of the Shares reached approximately 10.0 million Shares. In view of the above, we consider that the liquidity of the Shares was generally thin during the Review Period. As such, the Independent Shareholders who may wish to realise their investment in the Company, especially those with relatively sizeable shareholdings, might not be able to do so without having an adverse impact on the market price level of the Shares. Accordingly, we consider that the market price of the Share may not necessarily reflect the proceeds which Independent Shareholders can receive by disposal of the Shares in the open market.

(iii) Comparison with comparable companies

In assessing the fairness and reasonableness of the Share Offer Price, we have attempted to perform a price-to-earnings ratios (the "**P/E Ratios**") analysis, which is one of the most widely used and accepted methods for valuing a business with recurrent income. Given the Company recorded operating losses in the past three financial years, we consider that it is not feasible to assess the Share Offer Price using the P/E Ratio approach. In addition, as the Group did not declare or distribute any dividend for the last financial year, we consider that the price-to-dividends approach is not applicable in assessing the fairness or reasonableness of the Share Offer Price in this case. Nevertheless, taking into account the nature of the business of the Company and as advised by the Company, the total assets of the Company are mainly composed of property, plant and equipment, inventories, receivables and cash, we consider the net asset approach is an appropriate alternate approach to assess the fairness and reasonableness of the Share Offer Price.

Since the Company is principally engaged in (i) the manufacture and distribution of LED decorative lighting products, LED general illumination lighting products, incandescent decorative lighting products and entertainment lighting products; and (ii) the distribution of lighting product accessories which are attributable to approximately 98.6% and 1.4% of the total revenue of the Company for the last financial year respectively, we have conducted a search on the Main Board of the Stock Exchange and identified three companies (the "**Comparable Companies**") listed on the Stock Exchange, which have more than 70% of the revenue generated from the manufacturing and sale of LED and/or lighting products, being an exhaustive list of comparable companies. In view of the similarity of the industry and business nature of the Comparable Companies and those of the Company, we consider the Comparable Companies (except NVC Lighting Holding Limited which will be discussed below) are fair and representative sample for comparison to the Company. We have compared the respective price-to-book ratios (the "**P/B Ratios**") of the Comparable Companies with those of the Company, details of which are set out in the table below.

Company/Stock code	Principal business activities	Market capitalisation *(HK$)* *(Note 1)* *(1)*	Profit (Loss) attributable to shareholders during the latest full financial year	Net asset value attributable to shareholders *(HK$)* *(Note 2)* *(2)*	P/B Ratios *(times)* *(3)=(1)/(2)*
NVC Lighting Holding Limited (2222)	Design, development, production, marketing and sale of a variety of lighting products including three principal product categories, namely, luminaire products, lamp products and lighting electronics products.	5,537,352,960 *(Note 3)*	RMB244,884,000	4,629,560,783	1.20 *(Note 3)*
Landing International Development Limited (3823)	Manufacturing and sale of LED lighting products and accessories, energy efficiency projects and provision of property sub-leasing services.	5,414,856,168	(HK$137,147,000)	1,112,293,548	4.87
Tech Pro Technology Development Limited (582)	Design, manufacturing and sale of the LED and the property development.	8,039,389,165	(RMB238,720,000)	4,165,846,000 *(Note 4)*	1.93
Statistics (excluding NVC Lighting Holding Limited)					
	Median/Mean				3.40
	Maximum				4.87
	Minimum				1.93
	The Company (1868)				1.06 *(Note 5)*

Source: The Stock Exchange and published information of the abovementioned companies.

Notes:

1. Unless otherwise specified, market capitalisation is calculated based on the closing price of shares as at the Latest Practicable Date.

2. Unless otherwise specified, net asset value attributable to shareholders refers to the latest published accounts.

3. As at the Latest Practicable Date, trading of the shares of NVC Lighting Holding Limited is suspended. Therefore, the market capitalisation and the P/B Ratio are calculated based on the latest closing price of the shares before the suspension of trading on 11 August 2014.

4. Being the latest published unaudited net asset value plus the gross proceeds from subscription of new shares completed on 8 July 2014.

5. Based on the Share Offer Price of HK$0.90 per Share and the adjusted net asset value attributable to the Shareholders (the "**Adjusted NAV**") of approximately HK$0.85 per Share (calculated based on the consolidated audited net asset value attributable to the Shareholders of HK$791,434,000 t as at 31 March 2014, the net proceeds from the Subscription amounting to approximately HK$896.8 million and the 1,939,319,694 Share issued as at the Latest Practicable Date).

As shown in the table above, NVC Lighting Holding Limited recorded profit during the latest full financial year and with a P/B Ratio of approximately 1.20 times. However, trading of shares of NVC Lighting Holding Limited has been suspended since 11 August 2014 pending the release of inside information and was not resumed up to and including the Latest Practicable Date. As such, we consider that the closing price of the shares of this company before its suspension does not fully reflect the latest published financial position of the Company (which was announced on 28 August 2014) and thus the P/B Ratio of NVC Lighting Holding Limited may not be a reasonable benchmark for our comparison. As regard the rest of the Comparable Companies, like the Company, they recorded losses during the latest full financial year. We note that the P/B Ratios of Landing International Development Limited and Tech Pro Technology Development Limited are 4.87 times and 1.93 times as at the Latest Practicable Date respectively which are significantly higher than 1.06 times implied by the Share Offer Price against the Adjusted NAV. As such, we consider the Share Offer Price is not attractive as compared with the P/B Ratios of the Comparable Companies.

RECOMMENDATION ON THE OFFERS

The Share Offer

Having considered the principal factors set out above, in particular, the following:

(i) the Share Offer Price represents a material discount of approximately 42.7% and 33.8% to the closing price of the Shares as at the Last Trading Day and the Latest Practicable Date respectively;

(ii) the Shares of the Company have been traded above the Share Offer Price during the entire Review Period; and

(iii) although the Share Offer Price represents a premium of approximately 6.1% over the Adjusted NAV, the P/B Ratio implied by the Share Offer Price is significantly lower than those of the Comparable Companies;

we consider that the terms of the Share Offer are not fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we do not recommend the Independent Board Committee to recommend to the Independent Shareholders to accept the Share Offer.

We would like to remind the Independent Shareholders that if they consider retaining their Shares or tendering less than all their Shares under the Share Offer should carefully consider the potential difficulties they may encounter in disposing their investments in the Shares after the close of the Share Offer in view of the historical low liquidity of the Shares and there is no guarantee that the prevailing level of the Share price will sustain during and after the Offer Period.

Those Independent Shareholders who intend to accept the Share Offer are reminded to closely monitor the market price and the liquidity of the Shares during the period when the Share Offer remains open for acceptance and should consider selling their Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Share Offer after having regard to the market price and the liquidity of the Shares.

The Independent Shareholders are strongly advised that the decision to accept the Share Offer or to hold their investment in the Shares is subject to individual circumstances and investment objectives. The Independent Shareholders are also reminded to read carefully the procedures for accepting the Share Offer as detailed in the Offer Document, the appendices to the Offer Document and the relevant form of acceptance and transfer, if they wish to accept the Share Offer.

The Option Offer

The Option Offer Price is HK$0.0001 per Option and all of the Options are out of money with reference to the Share Offer Price. Based on the public information of the Company and assuming no change to the Options of the Company, as at the Latest Practicable Date, there were 47,364,500 Options already granted and remained outstanding. Save for the Options, the Company did not have other outstanding warrants, options, derivatives or securities convertible into Shares as at the Latest Practicable Date. In assessing the terms of the Option Offer, we envisage that the adoption of a “see-through” price (being the difference between the Share Offer Price and any given exercise price of the Options) is commonly regarded as the minimum offer price for any Option in conjunction with a general offer for ordinary shares. On such basis, the Options subject to the Option Offer would not command any positive sum of “see-through” price, as the Share Offer Price of HK$0.90 per Share payable under the Share Offer is lower than the any exercise price (range from HK$1.95 to HK$8.72) of the Options subject to the Option Offer. Accordingly, the Option Offer Price represents a nominal value of HK$0.0001 in cash attributed to each Option. Furthermore, according to the Share Option Scheme, Optionholders are entitled to exercise their Options in full or in part by notice in writing to the Company within 21 days after the Offers are made. Upon the expiry of such 21-day period, the right to exercise the Options (to the extent not already exercised or accepted under the Option Offer) will be terminated immediately and the Options will lapse accordingly.

Therefore, no exercise of Options or acceptance of the Option Offer may be made in relation to any such Option that has lapsed. On such basis, and taking into account that each of the Options subject to the Option Offer is also "out-of-money" when comparing the exercise price of the Option with the closing price of (i) HK$1.57 per Share as quoted on the Stock Exchange on the Last Trading Day; or (ii) HK$1.36 per Share on the Latest Practicable Date, we consider that the terms of the Option Offer are fair and reasonable so far as the Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Optionholders to accept the Option Offer.

The Optionholders who wish to realise whole or part of their Options should consider exercising their Options and selling the Shares so converted in the open market, rather than accepting the Option Offer, if the net proceeds from such sales (after deducting all transaction costs) would exceed the net amount receivable under the Option Offer. The Optionholders should exercise caution in doing so and monitor the market closely.

The Optionholders are strongly advised that the decision to accept the Option Offer or to exercise the Options and hold their investment in the Shares is subject to individual circumstances and investment objectives.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung
Managing Director

Wong Wai Leung
Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Takeovers Code. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities) since 2008 and Type 6 (advising on corporate finance) regulated activities since 2007, respectively. Mr. Wong has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Takeovers Code.

1. SUMMARY FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated financial results of the Group as extracted from the respective annual reports of the Company:

Consolidated statements of comprehensive income

	For the year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	1,083,835	827,039	840,700
Cost of goods sold	(1,668,401)	(728,803)	(1,088,251)
Gross (loss) profit	(584,566)	98,236	(247,551)
Other income	7,104	19,959	19,111
Other gains and losses	(140,004)	15,345	52,460
Other expenses	(17,375)	(30,804)	(26,470)
Impairment losses recognized in respect of			
– property, plant and equipment	(148,451)	(396,452)	(323,908)
– goodwill	(106,055)	–	(741)
– available-for-sale investments	(90,745)	(946)	(46)
– deposits made on acquisition of available-for-sale investment	–	–	(8,293)
Distribution and selling expenses	(114,137)	(93,195)	(93,888)
Administrative expenses	(252,619)	(215,210)	(179,883)
Finance costs	(17,895)	(17,894)	(16,747)
Change in fair value of investment properties	17,628	(204)	1,841
Share of losses of associates	(6,893)	(3,926)	(123)
Share of profit/(loss) of a jointly controlled entity	3,325	3,024	(9,614)
Loss before taxation	(1,450,683)	(622,067)	(833,852)
Taxation credit (expenses)	19,696	(2,426)	1,544
Loss for the year	(1,430,987)	(624,493)	(832,308)

	For the year ended 31 March		
	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
– exchange differences arising on translation	105,987	6,443	40,054
– reclassification of translation reserve on disposal of a foreign operation	–	(3,531)	–
Other comprehensive income for the year	105,987	2,912	40,054
Total comprehensive expenses for the year	(1,325,000)	(621,581)	(792,254)
Loss for the year attributable to			
– owners of the Company	(1,430,437)	(616,834)	(830,658)
– non-controlling interests	(550)	(7,659)	(1,650)
	(1,430,987)	(624,493)	(832,308)
Total comprehensive expenses for the year attributable to			
– owners of the Company	(1,324,844)	(613,954)	(790,611)
– non-controlling interests	(156)	(7,627)	(1,643)
	(1,325,000)	(621,581)	(792,254)
	HK cents	*HK cents*	*HK cents*
Loss per share			
– Basic	(151.8)	(65.7)	(88.4)
– Diluted	(151.8)	(65.7)	(88.4)

Notes:

1. No dividends were paid for the three years ended 31 March 2012, 2013 and 2014.

2. There were neither extraordinary nor exceptional items recorded for the three years ended 31 March 2012, 2013 and 2014.

3. The auditor of the Company for each of the two years ended 31 March 2012 and 2013 was Deloitte Touche Tohmatsu whereas the auditor of the Company for the year ended 31 March 2014 was KPMG. Deloitte Touche Tohmatsu and KPMG had expressed unqualified audit opinion on the consolidated financial statements of the Group for the two years ended 31 March 2012 and 2013 and the consolidated financial statements of the Group for the year ended 31 March 2014 respectively.

2. AUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2014

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 March 2014 as extracted from the annual report of the Company for the year ended 31 March 2014:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

(Expressed in Hong Kong Dollar ("HK$"))

	Note	**2014** *HK$'000*	**2013** *HK$'000*
Non-current assets			
Investment properties	*14*	19,017	17,176
Property, plant and equipment	*15*	334,173	825,398
Prepaid lease payments	*16*	76,135	75,045
Goodwill		–	741
Intangible assets	*17*	8,857	13,765
Interests in associates	*18*	628	4,402
Interest in a jointly controlled entity	*19*	21,663	31,277
Available-for-sale investments	*20*	3,950	5,503
Deposits made on acquisition of property, plant and equipment		19,263	82,396
Deposit made on formation of an associate	*18*	1,204	2,471
Deposit made on acquisition of available-for-sale investment	*20*	–	8,293
		484,890	1,066,467
Current assets			
Inventories	*21*	348,627	734,065
Trade and other receivables	*22*	272,243	267,475
Amounts due from non-controlling shareholders		–	2,471
Loan receivable	*23*	44,246	72,903
Tax recoverable	*12*	5,256	1,750
Investments held-for-trading	*24*	–	51,910
Pledged bank deposits	*25*	44,411	31,354
Cash and cash equivalents	*25*	113,357	253,508
		828,140	1,415,436
Current liabilities			
Trade and other payables	*26*	267,886	291,456
Amount due to a director	*27*	–	9,078
Taxation payable		5,474	8,839
Bank borrowings repayable within one year	*28*	221,743	461,879
		495,103	771,252
Net current assets		333,037	644,184
Total assets less current liabilities		817,927	1,710,651
Non-current liabilities			
Bank borrowings	*28*	–	101,522
Government grants	*29*	20,118	23,206
Deferred taxation	*30*	6,375	7,890
		26,493	132,618
Net assets		791,434	1,578,033
Capital and reserves			
Share capital	*31*	93,932	93,932
Reserves		690,805	1,475,761
Equity attributable to owners of the Company		784,737	1,569,693
Non-controlling interests		6,697	8,340
Total equity		791,434	1,578,033

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

(Expressed in Hong Kong Dollar ("HK$"))

	Attributable to owners of the Company											
	Share capital	Share premium	Capital redemption reserve (Note (i))	Special reserve (Note (ii))	Other reserve (Note (iii))	Share compensation reserve (Note (iv))	Share options reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2012	94,244	1,688,032	–	53,856	(9,142)	48,100	61,980	311,133	(68,923)	2,179,280	11,824	2,191,104
Loss for the year	–	–	–	–	–	–	–	–	(616,834)	(616,834)	(7,659)	(624,493)
Other comprehensive income	–	–	–	–	–	–	–	2,880	–	2,880	32	2,912
Total comprehensive income for the year	–	–	–	–	–	–	–	2,880	(616,834)	(613,954)	(7,627)	(621,581)
Purchase of additional interests in a subsidiary	–	–	–	–	(165)	–	–	–	–	(165)	13	(152)
Contributions from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	4,130	4,130
Recognition of equity-settled share based payments	–	–	–	–	–	–	9,748	–	–	9,748	–	9,748
Share repurchased and cancelled	(312)	(4,904)	312	–	–	–	–	–	(312)	(5,216)	–	(5,216)
	(312)	(4,904)	312	–	(165)	–	9,748	–	(312)	4,367	4,143	8,510
At 31 March 2013	93,932	1,683,128	312	53,856	(9,307)	48,100	71,728	314,013	(686,069)	1,569,693	8,340	1,578,033

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve (Note (i))	Special reserve (Note (ii))	Other reserve (Note (iii))	Share compensation reserve (Note (iv))	Share options reserve	Translation reserve	Accumulated losses	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2013	93,932	1,683,128	312	53,856	(9,307)	48,100	71,728	314,013	(686,069)	1,569,693	8,340	1,578,033
Loss for the year	–	–	–	–	–	–	–	–	(830,658)	(830,658)	(1,650)	(832,308)
Other comprehensive income	–	–	–	–	–	–	–	40,047	–	40,047	7	40,054
Total comprehensive income for the year	–	–	–	–	–	–	–	40,047	(830,658)	(790,611)	(1,643)	(792,254)
Recognition of equity-settled share based payments	–	–	–	–	–	–	5,655	–	–	5,655	–	5,655
At 31 March 2014	93,932	1,683,128	312	53,856	(9,307)	48,100	77,383	354,060	(1,516,727)	784,737	6,697	791,434

Notes:

(i) Capital redemption reserve represents the amount by which the issued share capital of the Company is diminished through the repurchase of shares. During the year ended 31 March 2013, as a result of the repurchase, share capital with nominal value amounted to HK$312,000 purchased was paid out of distributable profits and transferred to share redemption reserve.

(ii) The special reserve represents the differences between the nominal amount of the shares issued by the Company and the Group's former holding company, Neo-Neon Holdings (BVI) Limited ("NNH"), and the aggregate amount of share capital and share premium of the subsidiaries acquired pursuant to a corporate reorganisation in 1996 and a group reorganisation in preparation for the listing of the Company's shares in 2006.

(iii) Other reserve represents the difference between the consideration paid for acquiring additional interests in a non-wholly owned subsidiary of the Company and the amount of non-controlling interests acquired.

(iv) Share compensation reserve represents the difference of fair value of certain NNH's shares (the "Shares") transferred to the Group's certain senior management by the Company's shareholders and the consideration paid by the senior management in obtaining the Shares in 2004.

CONSOLIDATED CASH FLOW STATEMENT

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

1 GENERAL

The Company was incorporated and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands and acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 40. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and certain of its shares are listed as Depositary Receipts in Taiwan Stock Exchange.

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the consolidated financial statements

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

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

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

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

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

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

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

(c) Changes in accounting policies

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

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

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

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

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

HKFRS 10, Consolidated financial statements

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

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

HKFRS 11, Joint arrangements

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

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

HKFRS 12, Disclosure of interests in other entities

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

HKFRS 13, Fair value measurement

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

Annual Improvements to HKFRSs 2009-2011 Cycle

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, being the change in proportionate share of the net book value of subsidiaries and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

(e) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale are measured in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations".

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

(f) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

(g) Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a jointly controlled entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

(h) Joint ventures

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

(i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Rental income from investment properties let under operating leases is recognised on a straight line basis over the period of the respective leases.

(j) Investment properties

Investment properties are properties held to earn rentals and for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

(k) Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods, or for administrative purposes, other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and any identified impairment losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

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

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

For the leasehold land and buildings in Hong Kong, the cost of leasehold land and buildings is depreciated over their estimated useful lives of 50 years. The cost of buildings in the People's Republic of China ("PRC") is depreciated over 20 years.

Depreciation is recognised so as to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight line method.

(l) Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the statement of financial position and is amortised over the lease term on a straight line basis except for investment properties under the fair value model.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(p) Onerous contracts

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. When the Group has a contract that is onerous, the unavoidable costs under the contract is recognised and measured as a provision.

(q) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the Group has become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivable, loan receivables, amounts due from non-controlling shareholders, pledged bank deposits and cash and cash equivalents) are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") represent financial assets held-for-trading. A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Investments held-for-trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than investments held-for-trading, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For available-for-sale financial asset carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities, including trade and other payables, amount due to a director, and bank loans, are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. The impairment loss shall be allocated to reduce carrying amount of the assets comprising the CGU firstly to reduce the carrying amount of any goodwill allocated to the CGU, and then to the other assets within the CGU pro rata on the basis of the carrying amount of each asset in the CGU. When allocating an impairment loss to individual assets within a cash-generating unit, the carrying amount of an individual asset should not be reduced below the highest of its fair value less cost of disposal (if measureable), its value in use (if determinable), and zero. If this results in an amount being allocated to an asset which is less than its pro rata share of the impairment loss, the excess is allocated to the remaining assets within the cash-generating unit on a pro rata basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

(s) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from 'loss before taxation' as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable loss. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(t) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(u) Share-based payment transactions

Share options granted to employees, directors and non-executive directors

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to the accumulated losses.

(v) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong Dollar ("HK$"), which is the presentation currency for the consolidated financial statements. The functional currency of the Company is HK$.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's operations are expressed in HK$ using exchange rates prevailing at the end of the reporting period.

Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

(w) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

(x) Retirement benefits costs

Payments to defined contribution retirement benefits plan are recognised as an expense when employees have rendered services entitling them to the contributions.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Estimated impairment of property, plant and equipment

When there is indication that property, plant and equipment may be impaired, the Group estimates the recoverable amount of the relevant asset or the cash-generating unit ("CGU") to which the asset belongs. The amount of the impairment loss is measured as the difference between the asset's carrying amount and its recoverable amount. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU in which the relevant property, plant and equipment are attached to. The recoverable amount is higher of value in use and fair value less costs to sell. Value in use is the estimated future cash flows discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Where there are changes in facts and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss or reversal of impairment loss may arise. As at 31 March 2014, the carrying amount of property, plant and equipment is HK$334,173,000 net of accumulated depreciation and impairment of HK$2,214,920,000 (2013: HK$825,398,000 net of accumulated depreciation and impairment of HK$1,822,820,000). Details about impairment losses provided during the year and basis thereon are set out in note 8.

Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the recoverable amount of the relevant cash-generating units to which intangible assets have been allocated. The recoverable amount is higher of value in use and fair value less costs to sell. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where there are unfavourable changes in facts and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss may arise. For intangible assets, where there are favourable changes in value in use, reversal of impairment loss may arise. As at 31 March 2014, the carrying amount of intangible assets are HK$8,857,000 (net of accumulated amortisation and impairment loss of HK$132,592,000). As at 31 March 2013, the carrying amount of intangible assets are HK$13,765,000 (net of accumulated amortisation and impairment loss of HK$123,759,000). Details of the recoverable amount calculation are disclosed in note 17.

Allowance for bad and doubtful debts

The policy for allowance for doubtful debts of the Group is based on the evaluation of recoverability and aging analysis of each customer individually based on management's judgement. A net impairment loss of allowance for doubtful debts of HK$31,655,000 (31 March 2013: net reversal of allowance for doubtful debts of HK$23,777,000) for the year ended 31 March 2014 was recognised in the profit or loss. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. If the financial condition of customers of the Group were improved and is able to repay the receivable, reversal of allowance may be required. The carrying amounts of the Group's trade receivables as at 31 March 2014 are HK$135,666,000 net of allowance for bad and doubtful debts of HK$90,542,000 (2013: HK$128,145,000 net of allowance for bad and doubtful debts of HK$72,131,000).

Allowance for inventories

The management of the Group reviews an aging analysis and market demands of inventories at the end of each reporting period, and makes allowance for inventory obsolescence for items that are identified as obsolete, slow-moving and for inventories with net realisable values lower than their carrying amounts taking into account of market demands and the estimated selling prices. The allowance for inventories as at 31 March 2014 amounted to HK$454,960,000 (2013: HK$406,399,000). The management estimates the net realisable value for goods based primarily on the latest selling prices and current market conditions. The carrying amount of the inventories of the Group as at 31 March 2014 is HK$348,627,000 (2013: HK$734,065,000).

Taxation

As detailed in note 12, there are tax audit cases initiated on the Hong Kong tax affairs of certain group entities for which the ultimate tax determination is uncertain up to the issue of these consolidated financial statements. Where the final tax outcome of such cases is different from initial estimate, such differences will have material impact on the current income tax in the period when such a determination is made.

No tax provision is recognised in current year (2013: nil) as the directors of the Company are of the opinion that no profits tax is payable by the Group as the subsidiaries in question did not carry out any business, nor derive any profits, in Hong Kong except for one subsidiary which has Hong Kong operation with accumulated tax losses carried forward amounted to HK$90,720,000. Accordingly, no additional provision for Hong Kong Profits Tax is considered necessary in respect of the tax audit.

4 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. The Group's overall strategy remains unchanged from prior year.

At the end of the year, the capital structure of the Group consisted of debts, net cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, issue of new shares and the raising of loans.

5 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, available-for-sale investment, loan receivables, amounts due from non-controlling shareholders, investments held-for-trading, pledged bank deposits, cash and cash equivalents, trade and other payables, amount due to a director and bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), liquidity risk and credit risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and inter-company balances, which expose the Group to foreign currency risk at the reporting date are as follows:

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

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

Sensitivity analysis

The Group is mainly exposed to currency of HK$, RMB and US$.

The following table details the Group's sensitivity to a 5% increase and decrease in HK$, RMB and US$ against the relevant functional currencies of the group entities. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes receivables, payables, inter-company balances and external loans where the denomination is in a currency other than the functional currency of the relevant group entity. A negative number below indicates an increase in loss for the years ended 31 March 2014 and 31 March 2013 where HK$, RMB and US$ strengthen 5% against the functional currency of the respective group entities. For a 5% weakening of HK$, RMB and US$ against the functional currency of the respective group entities, there would be an equal and opposite impact on the loss for the years ended 31 March 2014 and 31 March 2013.

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

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. The financial impact on exchange difference from GBP, JPY, Euro and NT$ is immaterial and therefore no sensitivity analysis has been prepared.

(ii) Interest rate risk

During the year, the Group was exposed to cash flows interest rate risk through the impact of the rate changes on floating interest rate bank loans.

The Group's cash flow interest rate risk was mainly concentrated on the fluctuation of Hong Kong Inter-Bank Offered Rate and London Inter-Bank Offered Rate arising from the Group's HK$ and US$ denominated borrowings.

The Group's cash and cash equivalents have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on cash and cash equivalents. The Directors consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing cash and cash equivalents are within short maturity period.

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivable and bank borrowings (see note 28 for details of these borrowings). The management monitors interest rate exposure and will consider repay the fixed-rate bank borrowings when significant interest rate exposure is anticipated.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the year. At the end of the year, for variable-rate bank loans, the analysis is prepared assuming the amount of asset and liability outstanding at the end of the year was in deposit accounts or outstanding for the whole period.

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

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

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

Liquidity risk management

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

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted effective interest rate	On demand	Less than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2014						
Non-derivative financial liabilities						
Trade and other payables	–	37,408	150,987	19,418	207,813	207,813
Bank loans	1.91	–	225,988	–	225,988	221,743
		37,408	376,975	19,418	433,801	429,556
At 31 March 2013						
Non-derivative financial liabilities						
Trade and other payables	–	16,848	171,763	11,024	199,635	199,635
Amount due to a director	–	9,078	–	–	9,078	9,078
Bank loans	2.18	–	471,440	104,218	575,658	563,401
		25,926	643,203	115,242	784,371	772,114

Credit risk

The Group's principal financial assets are trade and other receivables, loan receivables, amounts due from non-controlling shareholders, pledged bank deposits and cash and cash equivalents, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables, loan receivables and amounts due from non-controlling shareholders. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, if any, estimated by the Group's management based on prior experience and their assessment of the current lighting industry environment.

In order to minimise the credit risk in relation to trade receivables, amount due from non-controlling shareholders and loan receivables, the management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are mainly banks with high credit-ratings assigned by international credit-rating agencies and PRC state-owned banks with good reputation.

The Group has concentration of credit risk in trade receivables as 17.4% (2013: 13.3%) and 46.5% (2013: 33.4%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the trading of LED products business.

The Group has concentration of credit risk in loan receivables as 100% (2013: 100%) of the total loan receivables was due from one outsider party.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

This is an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

6 TURNOVER AND SEGMENT INFORMATION

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

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

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

Segment revenue and results

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment loss represents the loss incurred by each segment without allocation of unallocated expenses, certain other gains or losses and expenses, certain interest income, finance costs, change in fair value of investment properties, share of loss of associates and share of (loss)/profits of a jointly controlled entity. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

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

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

- all assets are allocated to reportable and operating segments other than investment properties. Assets used jointly by reportable and operating segments are allocated on the basis of the revenues earned by individual reportable and operating segments; and

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

Geographical information

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

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

* Countries included in this category representing their revenue from external customers is individually less than 10% of the total sales of the Group for the years ended 31 March 2014 and 2013.

Information about major customers

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

Other segment information

	LED decorative lighting	LED general illumination lighting	Incandescent decorative lighting	Entertainment lighting	All others	Segment-total	Unallocated amount	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:								
Year ended 31 March 2014								
Additions to non-current segment assets during the year	49,480	31,412	9,255	5,323	1,268	96,738	–	96,738
Depreciation and amortisation	43,567	25,542	6,716	4,687	1,117	81,629	2,257	83,886
Net allowance for bad and doubtful debts	16,895	9,905	2,604	1,818	433	31,655	–	31,655
Gain on disposal of property, plant and equipment	56,480	33,113	8,706	6,076	1,448	105,823	–	105,823
Allowance for inventories	134,054	78,593	20,664	14,422	3,436	251,169	–	251,169
Equity-settled share based payments	2,760	1,769	465	325	78	5,397	258	5,655
Impairment loss recognised in respect of								
– property, plant and equipment	154,652	36,267	86,861	46,128	–	323,908	–	323,908
– deposits made on acquisition of available-for-sale investment	–	–	–	–	–	–	8,293	8,293
Transfer of impairment of onerous contracts upon receipts of property, plant and equipment	6,349	15,635	10,475	1,191	–	33,650	–	33,650
Compensation relating to litigation	6,173	792	–	–	–	6,965	–	6,965

	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*
Year ended 31 March 2013								
Additions to non-current segment assets during the year	28,488	18,381	11,832	14,497	782	73,980	688	74,668
Depreciation and amortisation	84,879	37,038	33,074	12,246	1,783	169,020	7,993	177,013
Net reversal of allowance for bad and doubtful debts	11,965	7,854	2,029	1,677	252	23,777	–	23,777
Gain on disposal of property, plant and equipment	–	15,987	–	–	–	15,987	–	15,987
Gain on disposal of prepaid lease payments	–	16,288	–	–	–	16,288	–	16,288
Allowance for inventories	101,144	11,754	45,184	6,223	–	164,305	–	164,305
Equity-settled share based payments	4,667	3,064	792	654	98	9,275	473	9,748
Impairment losses recognised in respect of – property, plant and equipment	200,985	79,906	91,393	24,168	–	396,452	–	396,452
Loss on obligations under onerous contracts in connection with acquisition of property, plant and equipment	12,957	15,734	4,131	1,052	–	33,874	–	33,874
Transfer of impairment of onerous contracts upon receipt of property, plant and equipment	–	–	7,309	10,926	–	18,235	–	18,235
Compensation relating to litigation	10,909	1,346	–	–	–	12,255	–	12,255

7(A) OTHER GAINS AND LOSSES

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

7(B) OTHER EXPENSES

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

* Included in compensation relating to ligation represents the following:

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

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

In December 2012, a customer of the Group filed a claim to Tangshan Intermediate People's Court against Heshan Yinyu for the dispute on a sales contract. On 7 March 2013, the Tangshan Intermediate People's Court issued a verdict and Heshan Yinyu was ordered to pay to the plaintiff RMB3,764,000 (equivalent to HK$4,651,000). The amount has been fully settled during the year ended 31 March 2014.

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

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

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

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

The impairment losses by CGUs are as follows:

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

Note 1: CGU1 represents the group of assets that generate cash inflow from manufacturing and distribution of entertainment lighting products with operations located in PRC.

Note 2: CGU2 represents the group of assets that generate cash inflow from manufacturing and distribution of incandescent decorative lighting products with operations located in PRC and Vietnam.

Note 3: CGU3 represents the group of assets that generate cash inflow from manufacturing and distribution of LED general illumination lighting products with operations located in PRC.

Note 4: CGU4 represents the group of assets that generate cash inflow from manufacturing and distribution of LED decorative lighting products with operations located in PRC.

CGU1

For the year ended 31 March 2014, as the market in which CGU1 was engaged has not performed in accordance with what the directors expected, the directors of the Company considered this was an impairment indicator. The directors of the Company have first considered the recoverable amounts of individual assets in CGU1 unless the asset's value in use ("VIU") cannot be estimated to be close to its fair value less costs to sell or the assets do not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the assets belong. An impairment assessment was conducted by the directors of the Company on CGU1. With reference to the valuation report issued by an independent external valuer ("2014 Valuation Report"), there are impairment losses of HK$46,128,000 as at 31 March 2014 for CGU1 which has been allocated to property, plant and equipment. The impairment loss was recognised for CGU1 for which the recoverable amount, which was based on value in use, was less than the carrying amount. The value in use calculation used cash flow forecast derived from the most recent financial budget approved by management based on their best estimates. The reason for the further impairment loss was mainly due to the decrease in market demand on the products of CGU1 and the directors of the Company revised the estimated future sales accordingly.

The projected period was 4 years (2013: 5 years) for CGU1, which represents the average remaining useful lives of the property, plant and equipment in CGU1 and all the budget covering the projection have been approved by the management. The growth rate used in the forecast was 7% for year ended 31 March 2015, 5% for year ended 31 March 2016, and 3% for the year ended 31 March 2017 and 31 March 2018. The directors of the Company believe that the growth rates used in the forecast are justifiable to the PRC and overseas markets CGU1 engaged into. The cash flow forecast was discounted at 15.08% (2013: 16.06%) which reflected the return on assets and the risks specific to CGU1. Some of the key assumptions of the value in use calculations related to the estimation of budgeted sales and gross margin, such estimation was based on the expectation for the market development based on the management's estimate.

CGU2

For the year ended 31 March 2014, as the market in which CGU2 was engaged has not performed in accordance with what the directors expected, the directors of the Company considered this was an impairment indicator. The directors of the Company have first considered the recoverable amounts of individual assets in CGU2 unless the asset's VIU cannot be estimated to be close to its fair value less costs to sell or the assets do not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the assets belong. An impairment assessment was conducted by the directors of the Company on CGU2. With reference to the 2014 Valuation Report, there are impairment losses of HK$86,861,000 as at 31 March 2014 for CGU2 which has been allocated to the property, plant and equipment. The impairment loss was recognised for CGU2 for which the recoverable amount, which was based on value in use, was less than the carrying amount. The value in use calculation used cash flow forecast derived from the most recent financial budget approved by management based on their best estimates. The reason for the further impairment loss was mainly due to the decrease in market demand on the products of CGU2 and the directors of the Company revised the estimated future sales accordingly.

The projected period was 7 years (2013: 8 years) for CGU2, which represents the average remaining useful lives of the property, plant and equipment in CGU2 and all the budget covering the projection have been approved by the management. The growth rate used in the forecast was negative 5% for year ending 31 March 2015, 0% for year ending 31 March 2016, and 3% for year ending 31 March 2017 to 31 March 2021. The directors of the Company believe that the growth rates used in the forecast are justifiable to the PRC and overseas markets CGU2 engaged into. The cash flow forecast was discounted at 15.08% (2013: 16.06%) which reflected the return on assets and the risks specific to CGU2. Some of the key assumptions of the value in use calculations related to the estimation of budgeted sales and gross margin, such estimation was based on the expectation for the market development based on the management's estimate.

CGU3

For the year ended 31 March 2014, as the market in which CGU3 was engaged has not performed in accordance with what the directors expected, the directors of the Company considered this was an impairment indicator. The directors of the Company have first considered the recoverable amounts of individual assets in CGU3 unless the asset's VIU cannot be estimated to be close to its fair value less costs to sell or the assets do not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for CGU3 to which the assets belong. An impairment assessment was conducted by the directors of the Company on CGU3. With reference to the 2014 Valuation Report, there are impairment losses of HK$36,267,000 as at 31 March 2014 for CGU3 which has been allocated to property, plant and equipment. The impairment loss was recognised for CGU3 for which the recoverable amount, which was based on value in use, was less than the carrying amount. The value in use calculation used cash flow forecast derived from the most recent financial budget approved by management based on their best estimates. The reason for the impairment loss was mainly due to the significant over-supply of the products in the market that CGU3 was engaged which lead to the decrease in selling price in the market.

The projected period was 7 years (2013: 8 years) for CGU3, which represents the average remaining useful lives of the property, plant and equipment in CGU3 and all the budget covering the projection have been approved by the management. The growth rate used in the forecast was 13% for the year ended 31 March 2015, 6% for year ended 31 March 2016, and 3% for year ended 31 March 2017 to 31 March 2021. The directors of the Company believe that the growth rates used in the forecast are justifiable to the PRC and overseas markets CGU3 engaged into. The cash flow forecast was discounted at 15.08% (2013: 16.06%) which reflected the return on assets and the risks specific to CGU3. Some of the key assumptions of the value in use calculations related to the estimation of budgeted sales and gross margin, such estimation was based on the expectation for the market development based on the management's estimate.

CGU4

For the year ended 31 March 2014, as the market in which CGU4 was engaged has not performed in accordance with what the directors expected, the directors of the Company considered this was an impairment indicator. The directors of the Company have first considered the recoverable amounts of individual assets in CGU4 unless the asset's VIU cannot be estimated to be close to its fair value less costs to sell or the assets do not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for CGU4 to which the assets belong. An impairment assessment was conducted by the directors of the Company on CGU4. With reference to the 2014 Valuation Report, there are impairment losses of HK$154,652,000 as at 31 March 2014 for CGU4 which has been allocated to the property, plant and equipment. The impairment loss was recognised for CGU4 for which the recoverable amount, which was based on value in use, was less than the carrying amount. The value in use calculation used cash flow forecast derived from the most recent financial budget approved by management based on their best estimates. The reason for the impairment loss was mainly due to the significant over-supply of the products in the market that CGU4 was engaged which lead to the decrease in selling price in the market.

The projected period was 7 years (2013: 8 years) for CGU4, which represents the average remaining useful lives of the property, plant and equipment in CGU4 and all the budget covering the projection have been approved by management. The growth rate used in the forecast was 13% for the year ended 31 March 2015, 6% for year ended 31 March 2016, and 3% for year ended 31 March 2017 to 31 March 2021. The directors of the Company believe that the growth rates used in the forecast are justifiable to the PRC and overseas markets CGU4 engaged into. The cash flow forecast was discounted at 15.08% (2013: 16.06%) which reflected the return on assets and the risks specific to CGU4. Some of the key assumptions of the value in use calculations related to the estimation of budgeted sales and gross margin, such estimation was based on the expectation for the market development based on the management's estimate.

9 FINANCE COSTS

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

10 LOSS BEFORE TAXATION

	2014	**2013**
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Directors' remuneration		
– current year	7,076	7,295
– waived during the year	(5,400)	(5,400)
	1,676	1,895
Other staff's retirement benefits scheme contributions	165	280
Other staff's equity-settled share based payments	5,397	9,275
Other staff costs	196,900	190,897
	204,138	202,347
Less: Staff costs included in research and development costs	(10,090)	(6,469)
	194,048	195,878
Depreciation of property, plant and equipment	75,057	170,412
Less: Depreciation included in research and development costs	(1,022)	(1,813)
	74,035	168,599

	2014 HK$'000	2013 HK$'000
Auditor's remuneration		
– audit service	1,900	2,600
– non-audit services	–	1,300
	1,900	3,900
Amortisation of intangible assets	8,829	6,601
Cost of inventories recognised as an expense including cost of materials used for research and development purpose of HK$4,713,000 included in other expense (2013: HK$8,154,000)	1,092,964	736,957
Operating lease rentals in respect of		
– prepaid lease payments	1,790	1,917
– rented premises	7,514	4,993
and after crediting:		
Interest income from		
– bank deposits	1,825	4,221
– loan receivable	6,379	6,017
	8,204	10,238
Property rental income before deduction of negligible outgoings	4,525	1,441

11 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2014						2013					
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Equity-settled share based payments	Waived during the year	Total	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Equity-settled share based payments	Waived during the year	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors												
– Mr. Ben Fan (chairman of the board of directors ("Chairman") and the chief executive of the Group ("CE"))	–	4,320	–	–	(4,320)	–	–	4,320	–	–	(4,320)	–
– Ms. Michelle Wong	–	1,200	6	–	(1,080)	126	–	1,200	6	–	(1,080)	126
– Mr. Fan Pong Yang	–	720	–	78	–	798	–	720	–	205	–	925
Independent non-executive directors												
– Mr. Weng Shih Yuan	–	144	–	54	–	198	–	144	–	94	–	238
– Mr. Zhao Shan Xiang[1]	–	53	–	58	–	111	–	144	–	94	–	238
– Mr. Wong Kon Man, Jason	–	144	–	34	–	178	–	144	–	40	–	184
– Ms. Liu Sheng Ping	–	144	–	34	–	178	–	144	–	40	–	184
– Mr. Suen Man Tak, Stephen[2]	–	87	–	–	–	87	–	–	–	–	–	–
	–	6,812	6	258	(5,400)	1,676	–	6,816	6	473	(5,400)	1,895

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

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

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

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

Their emoluments were within the following bands:

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

Mr. Ben Fan is also the CE of the Company and his emolument disclosed above include those for services rendered by him as the CE.

During the year, no emoluments were paid by the Group to directors and other four highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

The Chairman and another executive director waived their emoluments totalling HK$5,400,000 for the year (2013: HK$5,400,000).

12 TAXATION

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

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

The Company's PRC subsidiaries are subject to PRC EIT at 25% for the year except that two entities were entitled to reduced EIT rate at 15% as they were officially endorsed as High-New Technology Enterprise till 31 December 2013 and 31 December 2014.

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

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

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

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

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

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

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

On 14 March 2014 and 29 April 2014, the IRD additionally issued estimated profits tax assessments in aggregate of HK$28,425,000 relating to the year of assessment 2007/08, that is, for the financial year ended 31 December 2007, against certain subsidiaries of the Company. The Group lodged objections to the IRD against these estimated assessments.

The IRD agreed to hold over the tax claimed of the above estimated profits tax assessments subject to the purchasing of tax reserve certificates ("TRCs"). At 31 March 2014, the Group purchased TRCs totaled HK$5,250,000, which have been recorded as tax recoverable.

The directors of the Company are of the opinion that no profits tax is payable by the Group as the subsidiaries in question did not carry out any business, nor derive any profits, in Hong Kong except for one subsidiary which has Hong Kong operation with accumulated tax losses carried forward amounted to HK$90,720,000 at 31 March 2014. Accordingly, no additional provision for Hong Kong Profits Tax is considered necessary in respect of the tax audit.

Taxation for the year is reconciled to loss before taxation as follows:

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

13 LOSS PER SHARE

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

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

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

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

14 INVESTMENT PROPERTIES

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

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

The fair value of the Group's investment properties at the end of the reporting period has been arrived at by the directors on the basis of a valuation carried out on that date by an independent external valuer. The valuation was made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests. The valuation was determined based on income approach by taking into account the net rental income of the property derived from the existing lease and/or achievable in the existing market with due allowance for the reversionary income potential of the leases. At 31 March 2014 and 2013, the Group is yet to obtain the property certificates of the investment properties.

15 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Vehicles HK$'000	Moulds HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 April 2012	698,525	78,175	369,472	25,018	128,536	1,165,517	226,712	2,691,955
Currency realignment	1,021	5	793	12	268	2,256	(679)	3,676
Additions	42,345	2,643	3,272	679	6,151	10,745	8,833	74,668
Disposals	(10,200)	(1,255)	(3,178)	(2,823)	–	(11,161)	–	(28,617)
Disposal of a subsidiary *(note 33)*	(24,427)	–	(3,226)	–	–	–	(65,811)	(93,464)
At 31 March 2013	707,264	79,568	367,133	22,886	134,955	1,167,357	169,055	2,648,218
Currency realignment	11,913	1,166	8,893	166	2,718	25,370	409	50,635
Additions	–	1,489	4,820	280	1,467	6,367	77,116	91,539
Disposals	(142,589)	(479)	(10,367)	(2,603)	–	(73,153)	(12,108)	(241,299)
Transfers	127,396	–	49,970	–	–	–	(177,366)	–
At 31 March 2014	703,984	81,744	420,449	20,729	139,140	1,125,941	57,106	2,549,093
Depreciation and impairment								
At 1 April 2012	246,185	61,139	279,434	21,070	104,121	543,451	5,715	1,261,115
Currency realignment	563	103	818	13	244	1,355	14	3,110
Charge for the year	23,695	7,004	42,992	1,528	12,856	82,337	–	170,412
Impairment losses recognised in profit or loss	–	5,759	25,074	1,256	8,941	273,074	82,348	396,452
Impairment losses recognised in prior year in connection with obligation under onerous contracts	–	1,491	1,846	383	3,470	6,062	4,983	18,235
Eliminated on disposals	(10,200)	(147)	(3,178)	(2,823)	–	(1,385)	–	(17,733)
Eliminated on disposal of a subsidiary *(note 33)*	(6,107)	–	(2,664)	–	–	–	–	(8,771)
At 31 March 2013	254,136	75,349	344,322	21,427	129,632	904,894	93,060	1,822,820
Currency realignment	6,164	1,054	8,587	156	2,579	20,645	959	40,144
Charge for the year	22,222	1,903	13,646	1,125	3,761	32,400	–	75,057
Impairment losses recognised in profit and loss	143,805	–	20,167	–	2,382	131,740	25,814	323,908
Impairment losses recognised in prior year in connection with obligation under onerous contracts	6,382	–	–	–	–	–	27,268	33,650
Transfers	74,807	–	19,214	–	–	–	(94,021)	–
Eliminated on disposals	(9,878)	(363)	(3,967)	(2,603)	–	(61,386)	(2,462)	(80,659)
At 31 March 2014	497,638	77,943	401,969	20,105	138,354	1,028,293	50,618	2,214,920
Carrying values								
At 31 March 2013	453,128	4,219	22,811	1,459	5,323	262,463	75,995	825,398
At 31 March 2014	206,346	3,801	18,480	624	786	97,648	6,488	334,173

The above items of property, plant and equipment other than those under construction in progress are depreciated on a straight-line basis at the following rates per annum:

For the leasehold land and buildings in Hong Kong, the cost of leasehold land and buildings is depreciated over their estimated useful lives of 50 years. The cost of buildings in PRC is depreciated over 20 years.

Furniture, fixtures and equipment	15%-20%
Leasehold improvements	20%
Vehicles	20%
Moulds	20%
Plant and machinery	10%

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

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

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

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

16 PREPAID LEASE PAYMENTS

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

The amount represents the prepayment of rentals for land use rights situated in the PRC and Vietnam for a period of 50 years.

The Group has pledged certain of its prepaid lease payments with aggregate carrying values of HK$24,777,000 (2013: HK$19,842,000) at the end of the reporting period to secure the credit facilities granted to the Group.

17 INTANGIBLE ASSETS

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

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

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

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

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

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

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

19 INTEREST IN A JOINTLY CONTROLLED ENTITY

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

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

The summarised financial information in respect of the Group's interests in jointly controlled entity which are accounted for using the equity method is set out below:

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

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

20 AVAILABLE-FOR-SALE INVESTMENTS

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

Notes:

(a) At 31 March 2014 and 2013, the amounts represented 4.8% and 10.0% equity interests of two private entities incorporated in PRC which are engaged in the LED technology research and development in PRC. Impairment loss totalling HK$46,000 (2013: HK$946,000) was recognised in relation to the available-for-sale investments in PRC.

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

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

Unlisted equity investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

21 INVENTORIES

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

Movement in the allowance for inventories:

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

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

22 TRADE AND OTHER RECEIVABLES

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

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable from 60 days to 90 days of issuance, except for certain well established customers in which the credit terms are up to 180 days. The following is an ageing analysis of trade and bills receivables presented based on the invoice dates (or date of revenue recognition, if earlier) and net of allowance for doubtful debts:

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

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$32,906,000 (2013: HK$24,384,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on payment pattern of the customers of the Group, trade receivables past due but not impaired are generally collectible. The Group does not hold any collateral over these balances. The average age of these receivables ranges from 181 days to 360 days.

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

At the end of the reporting period, the Group made allowance for receivables with poor creditworthiness and poor past collection history that are unlikely to be recovered.

Movement in the allowance for bad and doubtful debts:

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

Included in the allowance for doubtful debts are trade receivables with an aggregate balance of HK$90,542,000 (2013: HK$72,131,000) which have been overdue for a long time and the directors of the Company consider the recoverability of these debts are low based on historical experience. Thus the amounts are impaired. The Group does not hold any collateral over these balances.

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

23 LOAN RECEIVABLE

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

24 INVESTMENTS HELD-FOR-TRADING

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

25 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

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

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

26 TRADE AND OTHER PAYABLES

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

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

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

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

27 AMOUNT DUE TO A DIRECTOR

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

28 BANK BORROWINGS

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

Secured bank loans are repayable* as follows:

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

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

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

The range of effective interest rate (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

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

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

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

29 GOVERNMENT GRANTS

During the year ended 31 March 2013, the Group received government grants of HK$19,083,000 in aggregate from various PRC government authorities for LED chips technology development in the economic development zones in PRC. The grants are for compensating expenditure in relevant technology development.

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

30 DEFERRED TAXATION

The following is the deferred tax liabilities recognised by the Group and movements thereon during the year:

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

31 SHARE CAPITAL

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

During the year end 31 March 2013, the Company repurchased its own shares through the Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares of HK$0.1 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*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.

32 SHARE OPTION SCHEME

Equity-settled share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a shareholders' written resolution passed on 20 November 2006 for the primary purpose of providing incentives to and recognising significant contributions from directors and eligible employees. The Scheme became effective on 15 December 2006 and the options issued pursuant to the Scheme will expire no later than ten years from the date of grant of the option. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services to the Company and for the purpose of rewarding their contribution to the long-term success of the Group by providing the opportunity to obtain ownership interest in the Group.

At 31 March 2014, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 47,437,000 (2013: 50,386,000), representing 5.1% (2013: 5.4%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the relevant time of grant, without prior approval from the Company's shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under this Scheme shall not in aggregate exceed 20% of the shares in issue from time to time. No option may be granted under this Scheme and any other share option scheme of the Company if such limit is exceeded. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share in issue or with an aggregate value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the board of directors is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. Options may be exercised in accordance with the terms stipulated in the Scheme. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of the movements of share options are as follows:

Type of participants	Date of grant	Vesting period	Exercisable	Exercise price per share *HK$*	Outstanding at 31.3.2012	Granted during the year	Forfeited/ lapsed during the year	Outstanding at 31.3.2013	Granted during the year	Forfeited/ lapsed during the year	Outstanding at 31.3.2014
Executive director	22.1.2010	Nil	22.1.2010-21.1.2018	6.75	152,000	–	–	152,000	–	–	152,000
	22.1.2010	22.1.2010-21.1.2011	22.1.2011-21.1.2018	6.75	152,000	–	–	152,000	–	–	152,000
	22.1.2010	22.1.2011-21.1.2012	22.1.2012-21.1.2018	6.75	152,000	–	–	152,000	–	–	152,000
	22.1.2010	22.1.2012-21.1.2013	22.1.2013-21.1.2018	6.75	152,000	–	–	152,000	–	–	152,000
	22.1.2010	22.1.2013-21.1.2014	22.1.2014-21.1.2018	6.75	152,000	–	–	152,000	–	–	152,000
Independent non-executive directors	1.2.2008	Nil	1.2.2008-31.1.2016	5.03	10,000	–	–	10,000	–	(10,000)	–
	1.2.2008	1.2.2008-31.1.2009	1.2.2009-31.1.2016	5.03	10,000	–	–	10,000	–	(10,000)	–
	1.2.2008	1.2.2009-31.1.2010	1.2.2010-31.1.2016	5.03	10,000	–	–	10,000	–	(10,000)	–
	1.2.2008	1.2.2010-31.1.2011	1.2.2011-31.1.2016	5.03	10,000	–	–	10,000	–	(10,000)	–
	1.2.2008	1.2.2011-31.1.2012	1.2.2012-31.1.2016	5.03	10,000	–	–	10,000	–	(10,000)	–
	22.1.2010	Nil	22.1.2010-21.1.2018	6.75	80,000	–	–	80,000	–	(40,000)	40,000
	22.1.2010	22.1.2010-21.1.2011	22.1.2011-21.1.2018	6.75	80,000	–	–	80,000	–	(40,000)	40,000
	22.1.2010	22.1.2011-21.1.2012	22.1.2012-21.1.2018	6.75	80,000	–	–	80,000	–	(40,000)	40,000
	22.1.2010	22.1.2012-21.1.2013	22.1.2013-21.1.2018	6.75	80,000	–	–	80,000	–	(40,000)	40,000
	22.1.2010	22.1.2013-21.1.2014	22.1.2014-21.1.2018	6.75	80,000	–	–	80,000	–	(40,000)	40,000
	14.12.2012	Nil	14.12.2012-13.12.2016	1.99	–	133,333	–	133,333	–	(33,333)	100,000
	14.12.2012	14.12.2012-13.12.2013	14.12.2013-13.12.2016	1.99	–	133,333	–	133,333	–	(33,333)	100,000
	14.12.2012	14.12.2013-13.12.2014	14.12.2014-13.12.2016	1.99	–	133,334	–	133,334	–	(33,334)	100,000

Type of participants	Date of grant	Vesting period	Exercisable	Exercise price per share *HK$*	Outstanding at 31.3.2012	Granted during the year	Forfeited/ lapsed during the year	Outstanding at 31.3.2013	Granted during the year	Forfeited/ lapsed during the year	Outstanding at 31.3.2014
Employees	15.2.2007	Nil	15.2.2007-14.2.2015	8.72	1,088,900	–	(133,800)	955,100	–	(5,900)	949,200
	15.2.2007	15.2.2007-14.2.2008	15.2.2008-14.2.2015	8.72	1,729,900	–	(133,800)	1,596,100	–	(5,900)	1,590,200
	15.2.2007	15.2.2008-14.2.2009	15.2.2009-14.2.2015	8.72	1,283,233	–	(133,800)	1,149,433	–	(5,900)	1,143,533
	15.2.2007	15.2.2009-14.2.2010	15.2.2010-14.2.2015	8.72	1,283,233	–	(133,800)	1,149,433	–	(5,900)	1,143,533
	15.2.2007	15.2.2010-14.2.2011	15.2.2011-14.2.2015	8.72	1,283,234	–	(133,800)	1,149,434	–	(5,900)	1,143,534
	1.2.2008	Nil	1.2.2008-31.1.2016	5.03	618,200	–	(25,500)	592,700	–	(16,900)	575,800
	1.2.2008	1.2.2008-31.1.2009	1.2.2009-31.1.2016	5.03	278,825	–	(25,500)	253,325	–	(16,900)	236,425
	1.2.2008	1.2.2009-31.1.2010	1.2.2010-31.1.2016	5.03	278,825	–	(25,500)	253,325	–	(16,900)	236,425
	1.2.2008	1.2.2010-31.1.2011	1.2.2011-31.1.2016	5.03	278,825	–	(25,500)	253,325	–	(16,900)	236,425
	1.2.2008	1.2.2011-31.1.2012	1.2.2012-31.1.2016	5.03	278,825	–	(25,500)	253,325	–	(16,900)	236,425
Employees	29.2.2008	Nil	28.2.2008-28.2.2016	5.90	291,500	–	(3,000)	288,500	–	–	288,500
	29.2.2008	28.2.2008-28.2.2009	28.2.2009-28.2.2016	5.90	285,250	–	(3,000)	282,250	–	–	282,250
	29.2.2008	28.2.2009-28.2.2010	28.2.2010-28.2.2016	5.90	285,250	–	(3,000)	282,250	–	–	282,250
	29.2.2008	28.2.2010-28.2.2011	28.2.2011-28.2.2016	5.90	285,250	–	(3,000)	282,250	–	–	282,250
	29.2.2008	28.2.2011-28.2.2012	28.2.2012-28.2.2016	5.90	285,250	–	(3,000)	282,250	–	–	282,250
	13.7.2009	Nil	13.7.2009-12.7.2017	2.19	1,740,200	–	(62,200)	1,678,000	–	(96,000)	1,582,000
	13.7.2009	13.7.2009-12.7.2010	13.7.2010-12.7.2017	2.19	1,740,200	–	(62,200)	1,678,000	–	(96,000)	1,582,000
	13.7.2009	13.7.2010-12.7.2011	13.7.2011-12.7.2017	2.19	1,740,200	–	(62,200)	1,678,000	–	(96,000)	1,582,000
	13.7.2009	13.7.2011-12.7.2012	13.7.2012-12.7.2017	2.19	1,740,200	–	(62,200)	1,678,000	–	(96,000)	1,582,000
	13.7.2009	13.7.2012-12.7.2013	13.7.2013-12.7.2017	2.19	1,740,200	–	(62,200)	1,678,000	–	(96,000)	1,582,000
	22.1.2010	Nil	22.1.2010-21.1.2018	6.75	1,779,500	–	(61,500)	1,718,000	–	(289,000)	1,429,000
	22.1.2010	22.1.2010-21.1.2011	22.1.2011-21.1.2018	6.75	1,779,500	–	(61,500)	1,718,000	–	(289,000)	1,429,000
	22.1.2010	22.1.2011-21.1.2012	22.1.2012-21.1.2018	6.75	1,779,500	–	(61,500)	1,718,000	–	(289,000)	1,429,000
	22.1.2010	22.1.2012-21.1.2013	22.1.2013-21.1.2018	6.75	1,779,500	–	(61,500)	1,718,000	–	(289,000)	1,429,000
	22.1.2010	22.1.2013-21.1.2014	22.1.2014-21.1.2018	6.75	1,779,500	–	(61,500)	1,718,000	–	(289,000)	1,429,000
	23.7.2010	Nil	23.7.2010-22.7.2018	4.51	430,000	–	(210,000)	220,000	–	(10,000)	210,000
	23.7.2010	23.7.2010-22.7.2011	23.7.2011-22.7.2018	4.51	430,000	–	(210,000)	220,000	–	(10,000)	210,000
	23.7.2010	23.7.2011-22.7.2012	23.7.2012-22.7.2018	4.51	430,000	–	(210,000)	220,000	–	(10,000)	210,000
	23.7.2010	23.7.2012-22.7.2013	23.7.2013-22.7.2018	4.51	430,000	–	(210,000)	220,000	–	(10,000)	210,000
	23.7.2010	23.7.2013-22.7.2014	23.7.2014-22.7.2018	4.51	430,000	–	(210,000)	220,000	–	(10,000)	210,000
	19.8.2011	Nil	19.8.2011-18.8.2015	1.95	4,886,667	–	(1,153,333)	3,733,334	–	(170,000)	3,563,334
	19.8.2011	19.8.2011-18.8.2012	19.8.2012-18.8.2015	1.95	4,886,667	–	(1,153,333)	3,733,334	–	(170,000)	3,563,334
	19.8.2011	19.8.2012-18.8.2013	19.8.2013-18.8.2015	1.95	4,886,666	–	(1,153,334)	3,733,332	–	(170,000)	3,563,332
	14.12.2012	Nil	14.12.2012-13.12.2016	1.99	–	3,491,000	–	3,491,000	–	–	3,491,000
	14.12.2012	14.12.2012-13.12.2013	14.12.2013-13.12.2016	1.99	–	3,491,000	–	3,491,000	–	–	3,491,000
	14.12.2012	14.12.2013-13.12.2014	14.12.2014-13.12.2016	1.99	–	3,491,000	–	3,491,000	–	–	3,491,000
					45,453,000	10,873,000	(5,940,000)	50,386,000	–	(2,949,000)	47,437,000

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

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

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

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

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

33 DISPOSAL OF A SUBSIDIARY

In October 2012, the Group disposed of its entire equity interest in a wholly-owned subsidiary, Jiangmen Tian Teng Battery Company Limited (江門市天騰電池有限公司), to an independent third party, for a cash consideration of RMB75,097,000 (approximately HK$91,828,000). The net assets at the date of disposal were as follows:

	HK$'000
Consideration received:	
Cash consideration	91,828
Analysis of assets and liabilities over which control was lost:	
Properties, plant and equipment	84,693
Prepaid lease payment	6,252
Amount due to a fellow subsidiary	(45,853)
Amount due to immediate holding company	(11,169)
Other payable	(118)
	33,805
Assignment of intercompany loans	57,022
Net assets disposed of	90,827
Gain on disposal of a subsidiary:	
Cash consideration	91,828
Net assets derecognised	(90,827)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss upon disposal	3,531
Gain on disposal	4,532
Net cash inflow arising on disposal:	
Cash consideration received	91,828

34 OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the year, the Group was committed to make the following future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

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

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

The Group as lessor

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

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

35 CAPITAL COMMITMENTS

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

	2014	**2013**
	HK$'000	*HK$'000*
– acquisition of property, plant and equipment	15,967	42,463
– acquisition of an associate	–	556
– acquisition of an available-for-sale investment	–	3,205

A provision of onerous contracts for the capital expenditure contracted for but not provided amounting to HK$2,731,000 as at 31 March 2014 (2013: HK$36,381,000) is included in trade and other payables in respect of the acquisition of property, plant and equipment. The amount of HK$15,967,000 (2013: HK$42,463,000) presented above represents capital expenditure contracted net of provision for onerous contract and deposits paid.

36 RETIREMENT BENEFITS SCHEME

The Group's qualifying employees in Hong Kong participate in the Mandatory Provident Fund (the "MPF") in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustee. Under the MPF Scheme, the employer and its employees and each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000 (increase to HK$25,000 effective June 2012) for the MPF Scheme.

The employees of the PRC subsidiaries are members of the state-managed retirement benefit scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

37 RELATED PARTY TRANSACTIONS

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

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

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

38 INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

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

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

39 SUBSEQUENT EVENTS

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

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

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

40 PRINCIPAL SUBSIDIARIES

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

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

3. INDEBTEDNESS STATEMENT

At the close of business on 30 June 2014, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this Response Document, the Group had the following indebtedness:

	HKD
Short-term loans and borrowings:	
Current:	
Bank loans-secured	133,408,662
Bank loans-unsecured	87,079,826
	220,488,488
Overdrafts	1,131,377
Other borrowings	1,082,188
Total	222,702,053

Notes:

The bank loans are secured by restricted bank deposits, buildings, prepaid lease prepayment, inventories, standby letters of credit and pledged trade receivables with an aggregate book value of approximately HKD135,109,304.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 30 June 2014, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The Directors confirm that save and except for the following, there has been no material change in the financial or trading position or outlook of the Group since 31 March 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the latest Practicable Date:

1. as disclosed in the Company's announcement dated 8 May 2014, Neo-Neon LED USA Holdings Limited, American Lighting Inc., both of which are wholly-owned subsidiaries of the Company (the "**Purchasers**") and Targetti Poulsen USA Inc. (the "**Vendor**") entered into an acquisition agreement. Pursuant to the acquisition agreement, the Purchasers have agreed to acquire and the Vendor has agreed to sell 50% issued share capital of Tivoli, LLC. at a consideration of US$3,000,000 (equivalent to approximately HK$23,271,000), which was financed by existing

general working capital of the Group (the "**Acquisition**"). The Acquisition constitutes a discloseable transaction on the part of the Company under the Listing Rules and completed on 15 May,2014; and

2. as disclosed in the announcement of the Company dated 18 August 2014 and announcement of the Offeror dated 8 August 2014, the Company completed the Subscription Agreement on 1 August 2014 pursuant to which the Offeror had subscribed in cash for an aggregate of 1,000,000,000 Subscription Shares at the Subscription Price of HK$0.9 per Subscription Share. A gross proceeds of HK$900,000,000 were raised by the Company from the Subscription.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than information relating to the Offeror and parties acting in concert with it, the terms and conditions of the Offers and the intention of the Offeror regarding the Group) contained in this Response Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Response Document have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document the omission of which would make any statement in this Response Document misleading. As regards the information in this Response Document relating to the Offeror and parties acting in concert with it, the terms and conditions of the Offers and the intention of the Offeror regarding the Group that has been compiled or summarised from the Offer Document, the Directors' responsibility is limited to the correctness and fairness of the reproduction or presentation of such information but accept no further responsibility in respect of such information.

2. SHARE CAPITAL AND SHARE OPTIONS

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

		HK$
Authorised share capital:		
5,000,000,000	Shares	500,000,000.0
Issued and fully paid or credited as fully paid:		
1,939,319,694	Shares	193,931,969.4

All the issued Shares are fully paid-up and rank *pari passu* with each other in all respects including the rights as to capital, dividend and voting.

Since the end of the last financial year of the Company (i.e. 31 March 2014) and up to the Latest Practicable Date, save for the issue of 1,000,000,000 Subscription Shares to the Offeror pursuant to the Subscription Agreement on 1 August 2014, the Company has not issued any new Shares nor there has been alteration in the share capital of the Group.

As at the Latest Practicable Date, there are outstanding Options granted under the Share Option Scheme which may be converted into 47,364,500 new Shares (assuming full conversion).

The table below sets forth the details of the outstanding Options as at the Latest Practicable Date:

Holders	Date of grant	Exercise price	Exercise period	Number of share options as of the Latest Practicable Date
Directors				
Mr. FAN Pong Yang	22 January 2010	6.75	22 January 2010-21 January 2018	760,000
Mr. WENG Shih Yuan	22 January 2010	6.75	22 January 2010-21 January 2018	200,000
Mr. WENG Shin Yuan	14 December 2012	1.99	14 December 2012-13 December 2016	100,000
Mr. WONG Kon Man, Jason	14 December 2012	1.99	14 December 2012-13 December 2016	100,000
Ms. LIU Shengping	14 December 2012	1.99	14 December 2012-13 December 2016	100,000
Employees	15 February 2007	8.72	15 February 2007-14 February 2015	5,952,500
	1 February 2008	5.03	1 February 2008-31 January 2016	1,474,000
	29 February 2008	5.90	29 February 2008-28 February 2016	1,417,500
	13 July 2009	2.19	13 July 2009-12 July 2017	7,910,000
	22 January 2010	6.75	22 January 2010-21 January 2018	7,137,500
	23 July 2010	4.51	23 July 2010-22 July 2018	1,050,000
	19 August 2011	1.95	19 August 2011-18 August 2015	10,690,000
	14 December 2012	1.99	14 December 2012-13 December 2016	10,473,000
TOTAL				**47,364,500**

As at the Latest Practicable Date,

(i) save as disclosed above, the Company did not have any other options, warrants, derivatives and other convertible securities or rights affecting the Shares as at the Latest Practicable Date;

(ii) other than the capital of the Company, there was no capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date; and

(iii) neither the Company nor any of its subsidiaries had issued or agreed to issue any founder shares, management shares, deferred shares or any debentures as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares:

	Number of Shares				
Name of Director	**Personal interests(1)**	**Family interests**	**Corporate interests**	**Total**	**Approximate percentage of the issued share capital of the Company**
Mr. FAN(2)	600,000	26,366,000	336,400,000	363,366,000	18.74%
Ms. WONG(2)	10,668,000	337,000,000	15,698,000	363,366,000	18.74%
Mr. FAN Pong Yang(3)	297,000	–	15,698,000	15,995,000	0.82%
Mr. WENG Shih Yuan	246,500	–	–	246,500	0.01%

Long positions in underlying Shares:

Name of Director	**Equity derivatives (share options)**	**Approximate percentage of the issued share capital of the Company**
Mr. FAN Pong Yang	760,000(4)	0.039%
Mr. WENG Shih Yuan	300,000(4)	0.015%
Mr. WONG Kon Man, Jason	100,000(4)	0.005%
Ms. LIU Shengping	100,000(4)	0.005%

Notes:

(1) This represents interests held by the relevant Director as beneficial owner.

(2) Each of Mr. FAN and Ms. WONG was taken to be interested in the aggregate of 363,366,000 Shares held by Mr. FAN (600,000 Shares), Ms. WONG (10,668,000 Shares), Rightmass Agents Limited ("**Rightmass**") (336,400,000 Shares) and Charm Light International Limited[(5)] ("**Charm Light**") (15,698,000 Shares), respectively as follows:

(a) 336,400,000 Shares were held by Rightmass which was wholly owned by Mr. FAN. Thus, Mr. FAN was taken to be interested in 336,400,000 Shares;

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

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

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

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

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

(5) Charm Light is owned as to 35% by Ms. WONG, 35% by Mr. FAN Pong Yang and 30% by eight other individuals, who have no relationship with the Concert Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

4. DISCLOSURE OF INTERESTS OF THE SHAREHOLDERS PURSUANT TO THE SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

Long positions in the Shares and underlying Shares

	Capacity in which Shares were held	**Number of ordinary Shares held**	**Approximate percentage of the issued share capital of the Company[(3)]**
Rightmass[(1)]	Beneficial owner	336,400,000	17.35%
The Offeror	Beneficial owner	1,000,000,000	51.56%
CDIB Capital[(2)]	Beneficial owner	14,000,000	0.72%

Notes:

(1) The interests in ordinary shares held by Rightmass were included in the interests of Mr. FAN and Ms. WONG as disclosed under the section headed "Disclosure of Interests of Directors and Chief Executive".

(2) CDIB Capital is an Affiliate of KGI Capital, the financial adviser to the Offeror in connection with the Subscription.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital.

5. INTEREST IN THE OFFEROR

As at the Latest Practicable Date, none of the Company nor any of the Directors had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

6. DEALINGS IN SECURITIES OF THE COMPANY

During the Relevant Period,

(a) save for Mr. FAN Pong Yang, the Directors did not have any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;

(b) Mr. FAN Pong Yang had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of the Company during the Relevant Period on his own account:

Trade date	**Description of transaction**	**Number and description of relevant securities of the Company**	**Price per Share** *(HK$)*
19 August 2014	Sell	102,000 Shares	1.600
19 August 2014	Sell	342,000 Shares	1.620
19 August 2014	Sell	204,500 Shares	1.630
19 August 2014	Sell	13,000 Shares	1.640
19 August 2014	Sell	144,000 Shares	1.800
19 August 2014	Sell	6,000 Shares	1.810
19 August 2014	Sell	50,000 Shares	1.820
19 August 2014	Sell	53,500 Shares	1.850
19 August 2014	Sell	50,000 Shares	1.870
19 August 2014	Sell	50,000 Shares	1.900
	Grand total	1,015,000 Shares	

(c) no subsidiaries of the Company, pension funds of any member of the Group or any advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;

(d) no person, who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code, had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares; and

(e) no fund managers connected with the Company had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

7. DEALINGS IN SECURITIES OF THE OFFEROR

During the Relevant Period, none of the Company nor any of the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

8. OTHER DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

(a) no Shares or any convertible securities, warrants, options or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code;

(b) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code exists between a person who owned or controlled Shares or any convertible securities, warrants, options or derivatives issued by the Company and the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code;

(c) Mr. FAN intended not to accept the Share Offer in respect of the Shares beneficially owned by him;

(d) Ms. WONG intended not to accept the Share Offer in respect of Shares beneficially owned by her;

(e) Mr. FAN Pong Yang intended not to accept the Offers in respect of the Shares and Options beneficially owned by him;

(f) Mr. WENG Shih Yuan intended not to accept the Offers in respect of the Shares and Options beneficially owned by him;

(g) Mr. WONG Kon Man, Jason intended not to accept the Option Offer in respect of the Options beneficially owned by him;

(h) Ms. LIU Shengping intended not to accept the Option Offer in respect of the Options beneficially owned by her;

(i) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Company;

(j) no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offers;

(k) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers;

(l) no material contracts have been entered into by the Offeror in which any Director has a material personal interest; and

(m) none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares.

9. SERVICE CONTRACTS

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

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

None of the Directors has entered into a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

As at the Latest Practicable Date, save as disclosed above, none of the Directors had:

(a) entered into or amended any service contracts (including both continuous and fixed term contracts) with the Company or any of its subsidiaries or any of its associated companies within six months before the commencement of the Offer Period;

(b) any continuous service contracts with the Company or any of its subsidiaries or associated companies with a notice period of twelve months or more; and

(c) any fixed term service contracts with the Company or any of its subsidiaries or associated companies with more than twelve months to run irrespective of the notice period.

10. LITIGATION

No member of the Group was engaged in any litigation, arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group or to which any member of the Group may become a party as at the Latest Practicable Date.

11. QUALIFICATIONS AND CONSENTS OF EXPERT(S)

The following are the qualifications of the experts who have given opinion or advice which are contained or referred to in this Response Document:

Name	Qualification
Octal Capital Limited	licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

Octal Capital has given and confirmed that it has not withdrawn its written consent to the issue of this Response Document with the inclusion herein of its letter and the references to its name in the form and context in which they appear.

12. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, have been entered into by members of the Group within two years before the commencement of the Offer Period which are or may be material:

(a) the Subscription Agreement signed by the Company with the Offeror on 19 March 2014 (supplemented by the extension letter dated 13 May 2014 for the extension of long stop date) for the subscription of 1,000,000,000 Subscription Shares in the Company by the Offeror at the Subscription Price of HK$0.90 per Subscription Share;

(b) the sale and purchase agreement dated 10 June 2013, entered into by Melrose Holdings Limited (as the vendor), a wholly-owned subsidiary of the Company, and Goldic Holdings Limited (as the purchaser), an independent third party and the relating assignment dated 8 August 2013, for the disposal of the property at a consideration of HK$238,000,000. The asset disposed of was the commercial units on ground floor and basement level 1 on New East Ocean Centre, No. 9 Science Museum Road, Tsim Sha Tsui East, Hong Kong; and

(c) the acquisition agreement dated 8 May 2014 entered into between Neo-Neon LED USA Holdings Limited and the Company and Neo-Neon LED USA Holdings Limited, American Lighting Inc., both of which are wholly-owned subsidiaries of the Company (the "**Purchasers**") as the Purchasers and Targetti Poulsen USA Inc. (the "**Vendor**") as the Vendor whereby the Purchasers have agreed to acquire and the Vendor has agreed to sell 50% issued share capital of Tivoli, LLC. at a consideration of US$3,000,000 (equivalent to approximately HK$23,271,000).

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Company (http://www.neo-neon.com); (ii) on the website of the SFC (http://www.sfc.hk); and (iii) during normal business hours from 9:30 a.m. to 5:30 p.m. on any weekdays (except for public holidays) at the principal office of the Company at Block B, 12th Floor, Eldex Industrial Building, 21 Ma Tau Wai Road, Hung Hom, Kowloon, Hong Kong from the date of this Response Document for so long as the Offers remain open for acceptance:

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the section headed "Material Contracts" in this Appendix;

(c) the annual reports of the Company for each of the two years ended 31 March 2013 and 2014;

(d) the letter from the Board, the text of which is set out on pages 7 to 12 of this Response Document;

(e) the letter from the Independent Board Committee, the text of which is set out on pages 13 to 14 of this Response Document;

(f) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 15 to 31 of this Response Document;

(g) the written consent letter of the expert referred to in the section headed "Qualifications and Consents of Experts" in this Appendix; and

(h) the service contracts entered into between the Company and the Directors as disclosed in the section headed "Service Contracts" in this Appendix.

14. MISCELLANEOUS

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and the principal place of business of the Company in Hong Kong is at Block B, 12th Floor, Eldex Industrial Building, 21 Ma Tau Wai Road, Hung Hom, Kowloon, Hong Kong.

(c) The English text of this Response Document prevails over the Chinese text in case of inconsistency.