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Neo-Neon Holdings Limited

同方友友控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1868)

ANNOUNCEMENT OF INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

INTERIM RESULTS

The Board of Directors of Neo-Neon Holdings Limited is pleased to announce the interim results and the unaudited consolidated interim financial statements of the Company and its subsidiaries for the Period, together with the comparative figures for the six months ended 30 September 2014. These results have been reviewed by the Company's audit committee, comprising solely the independent non-executive Directors of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended	
		30 June 2015 RMB'000 (unaudited)	30 September 2014 RMB'000 (unaudited) Restated*
Turnover	6	242,306	404,728
Cost of goods sold		(178,839)	(415,073)
Gross profit/(loss)		63,467	(10,345)
Other income		3,850	6,677
Other gains and losses	7a	46,271	13,743
Other expenses	7b	(1,370)	(12,069)
Impairment losses recognised in respect of property, plant and equipment		–	(32,720)
Distribution and selling expenses		(38,269)	(42,809)
Administrative expenses		(66,910)	(70,453)
Finance costs		(1,214)	(4,488)
Share of loss of a jointly controlled entity		–	(6,426)
Profit/(Loss) before taxation	8	5,825	(158,890)
Taxation	9	(3,559)	(87)
Profit/(Loss) for the period		<u>2,266</u>	<u>(158,977)</u>
Other comprehensive income for the period:			
Item that may be subsequently reclassified to profit or loss:			
– Exchange differences arising from translation		202	(2,561)
Total comprehensive income for the period		<u>2,468</u>	<u>(161,538)</u>
Profit/(Loss) for the period attributable to			
– Equity holders of the Company		3,379	(156,477)
– Non-controlling interests		(1,113)	(2,500)
		<u>2,266</u>	<u>(158,977)</u>

* See Note 4

		Six months ended	
		30 June	30 September
		2015	2014
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
			Restated*
Total comprehensive income for the period attributable to			
– Equity holders of the Company		3,195	(159,038)
– Non-controlling interests		(727)	(2,500)
		<u>2,468</u>	<u>(161,538)</u>
Proposed interim dividend	<i>10</i>	–	–
Profit/(Loss) per share	<i>11</i>		
Basic and diluted		RMB cents	RMB cents
		0.2	(12.3)
		<u><u>0.2</u></u>	<u><u>(12.3)</u></u>

* See Note 4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

		30 June 2015	31 December 2014
	<i>Notes</i>	RMB'000 (unaudited)	RMB'000 (audited)
Non-current assets			
Investment properties		15,248	15,300
Property, plant and equipment	<i>12</i>	231,228	244,143
Prepaid lease payments	<i>13</i>	38,428	58,049
Goodwill		7,635	7,661
Intangible assets		19,549	16,292
Interest in an associate		1,444	1,444
Available-for-sale investments		2,308	3,126
Financial asset at fair value through profit or loss		105,500	105,500
Deposits made on acquisition of property, plant and equipment		1,210	4,380
		422,550	455,895
Current assets			
Inventories		212,835	170,024
Trade and other receivables	<i>14</i>	244,971	218,500
Tax recoverable		11,242	4,159
Pledged bank deposits		1,521	1,167
Cash and cash equivalents		580,763	674,806
		1,051,332	1,068,656
Current liabilities			
Trade and other payables	<i>15</i>	219,941	246,276
Taxation payable		6,343	8,730
Bank borrowings repayable within one year		89,773	112,783
		316,057	367,789
Net current assets		735,275	700,867
Total assets less current liabilities		1,157,825	1,156,762

	<i>Notes</i>	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Non-current liabilities			
Government grants		15,267	15,811
Deferred taxation		3,469	4,194
		<hr/> 18,736 <hr/>	<hr/> 20,005 <hr/>
Net assets		1,139,089	1,136,757
Capital and reserves			
Share capital	<i>16</i>	171,897	171,897
Reserves		965,882	962,021
		<hr/> 1,137,779 <hr/>	<hr/> 1,133,918 <hr/>
Equity attributable to equity holders of the Company		1,137,779	1,133,918
Non-controlling interests		1,310	2,839
		<hr/> 1,139,089 <hr/>	<hr/> 1,136,757 <hr/>
Total equity		1,139,089	1,136,757

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

The addresses of the registered office and principal place of business of the Company are set out in the “Corporate Information” section of the interim report.

On 19 March 2014, a subscription agreement was entered into between the Company and Tsinghua Tongfang via THTF ES (an indirectly wholly-owned subsidiary of Tsinghua Tongfang), in relation to the subscription (the “Subscription”) of 1,000,000,000 shares (representing approximately 106.46% of the then issued share capital of the Company) at the subscription price of Hong Kong Dollar (“HK\$”) 0.90 per share by THTF ES. The completion of the Subscription pursuant to the subscription agreement took place on 1 August 2014 and the consideration for the Subscription in the sum of HK\$900,000,000 has been fully paid by THTF ES to the Company on 1 August 2014. Upon completion, THTF ES has subscribed for an aggregate of approximately 51.56% of the issued share capital of the Company.

By a special resolution passed at the Extraordinary General Meeting held on 5 January 2015, the Chinese name of the Company is changed from “真明麗控股有限公司” to “同方友友控股有限公司”. The English name “Neo-Neon Holdings Limited” remains unchanged. The change of company name will not affect any of the right of the shareholders.

2. CHANGE IN FINANCIAL YEAR END DATE

Pursuant to the announcement dated 19 November 2014, the Company changed its financial year end date from 31 March to 31 December.

The change of the Company’s financial year end date is to unify the financial year end date of the Company and its ultimate holding company, Tsinghua Tongfang, which is established in the People’s Republic of China (“PRC”). Accordingly, the current financial period covers a period of six months from 1 January 2015 to 30 June 2015. The comparative figures (which cover a period of six months from 1 April 2014 to 30 September 2014) for the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes are therefore not entirely comparable with those of the current period.

3. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015 have been prepared in accordance with the applicable disclosure requirements set out in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 5.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as comparative information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the nine months ended 31 December 2014 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in the final results report dated 18 March 2015.

4. CHANGES IN PRESENTATION CURRENCY

Following the Subscription, the Company determined to change its presentation currency from HK\$ to RMB, which is the presentation currency of the Company’s ultimate holding company (Tsinghua Tongfang) in the PRC. The comparative figures for the six months ended 30 September 2014 have been re-translated into RMB from HK\$. All financial information presented in RMB has been rounded to the nearest thousand.

5. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company.

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the group’s results and financial position for the current or prior periods have been prepared or presented. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

6. TURNOVER AND SEGMENT INFORMATION

Information reported to the Board 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 or services rendered. Specifically, the Group’s reportable segments under HKFRS 8 are as follows:

LED decorative lighting	–	manufacture and distribution of LED decorative lighting products and incandescent decorative lighting products
General illumination lighting	–	manufacture and distribution of LED general illumination lighting products and 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 external customers during the period.

Segment Information

Business segment

	Six months ended	
	30 June 2015 RMB'000 (unaudited)	30 September 2014 RMB'000 (unaudited) Restated
Turnover		
LED Decorative Lighting	141,868	275,644
General Illumination Lighting	99,722	126,391
All Others	716	2,693
	<u>242,306</u>	<u>404,728</u>
Gross profit/(loss)		
LED Decorative Lighting	38,599	(4,187)
General Illumination Lighting	24,727	(5,621)
All Others	141	(537)
	<u>63,467</u>	<u>(10,345)</u>
Results		
Loss from operations		
LED Decorative Lighting	(15,174)	(70,685)
General Illumination Lighting	(13,070)	(36,112)
All Others	(131)	(1,186)
	<u>(28,375)</u>	<u>(107,983)</u>
Unallocated other income	3,850	6,677
Unallocated other gains and losses	44,901	(31,046)
Unallocated expenses	(13,337)	(15,624)
Finance costs	(1,214)	(4,488)
Share of loss of a jointly controlled entity and an associate	–	(6,426)
	<u>5,825</u>	<u>(158,890)</u>
Profit/(Loss) before taxation	5,825	(158,890)
Taxation	(3,559)	(87)
	<u>2,266</u>	<u>(158,977)</u>

Geographical segment

	Six months ended	
	30 June 2015 RMB'000 (unaudited)	30 September 2014 RMB'000 (unaudited) Restated
Turnover		
America	155,055	206,620
Europe	30,422	76,204
the PRC	29,209	43,816
Asia Pacific and Middle East (excluding the PRC)	27,620	78,088
	<u>242,306</u>	<u>404,728</u>

7a. OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2015 RMB'000 (unaudited)	30 September 2014 RMB'000 (unaudited) Restated
Gain on disposal of property, plant and equipment and prepaid lease payments	27,424	52,703
Net reversal of allowance for/(allowance for) bad and doubtful debts	13,295	(42,455)
Gain on disposal of subsidiaries	1,797	–
Gain on disposal of available-for-sale investment	183	–
Net exchange gain	3,572	3,495
	<u>46,271</u>	<u>13,743</u>

7b. OTHER EXPENSES

	Six months ended	
	30 June 2015 RMB'000 (unaudited)	30 September 2014 RMB'000 (unaudited) Restated
Research and development costs	(1,370)	(6,647)
Compensation relating to litigation	–	(5,422)
	<u>(1,370)</u>	<u>(12,069)</u>

8. PROFIT/(LOSS) BEFORE TAXATION

	Six months ended	
	30 June	30 September
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
		Restated
Profit/(Loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	13,706	17,529
Less: Depreciation included in research and development costs	<u>–</u>	<u>(125)</u>
	13,706	17,404
Amortisation of intangible assets	1,266	–
Operating lease rentals in respect of		
– prepaid lease payments	699	677
– rented premises	3,144	3,856
and after crediting:		
Interest income	2,262	1,581
Property rental income before deduction of negligible outgoings	511	1,783
	<u>511</u>	<u>1,783</u>

9. TAXATION

	Six months ended	
	30 June	30 September
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
		Restated
The tax charge comprises:		
Taxation in overseas jurisdictions	4,278	87
Taxation in Hong Kong Profits Tax	<u>6</u>	<u>–</u>
	4,284	87
Deferred taxation	<u>(725)</u>	<u>–</u>
	3,559	87
	<u>3,559</u>	<u>87</u>

10. DIVIDEND

No interim dividend will be paid for the six months ended 30 June 2015 (30 September 2014: Nil).

11. PROFIT/(LOSS) PER SHARE

The calculation of basic and diluted profit/(loss) per share attributable to the equity holders of the Company is based on the following data:

	Six months ended	
	30 June	30 September
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
		Restated
Profit/(Loss) attributable to equity holders of the Company	3,379	(156,477)
Weighted average number of ordinary shares in issue for basic earnings per share	1,939,319,694	1,272,653,027
Basic profit/(loss) per share	RMB cents 0.2	RMB cents (12.3)
Weighted average number of ordinary shares for diluted earnings per share	1,939,319,694	1,272,653,027
Diluted profit/(loss) per share	RMB cents 0.2	RMB cents (12.3)

The increase in the number of shares of the Company was due to THTF ES' subscription of an aggregate of 1,000,000,000 shares at the subscription price of HK\$0.90 per share on 1 August 2014. The Company has a weighted average number of ordinary shares in issue of 1,939,319,694 and 1,272,653,027 during the six months ended 30 June 2015 and 30 September 2014, respectively.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred RMB8,500,000 (30 September 2014: RMB18,900,000) on additions to property, plant and equipment to expand and upgrade its manufacturing capabilities. Among which, amount for leasehold improvement was RMB2,900,000 (30 September 2014: RMB400,000); furniture, fixture and equipment was RMB1,300,000 (30 September 2014: RMB600,000); motor vehicles was RMB1,000,000 (30 September 2014: Nil); plant and machinery was RMB2,500,000 (30 September 2014: RMB16,100,000); mould was RMB700,000 (30 September 2014: RMB1,800,000); construction in progress was RMB100,000 (30 September 2014: Nil).

During the Period, the decrease in property, plant and equipment of the Group was mainly due to its disposal of property, plant and equipment of Yinyu Semiconductor Photonics (Guangdong) Limited with a net value of RMB5,000,000.

During the six month ended 30 September 2014, the decrease in property, plant and equipment of the Group was mainly due to its disposal of property, plant and equipment of Heshan Tongfang Lighting Technology Company Limited with a net value of RMB15,500,000.

13. PREPAID LEASE PAYMENTS

During the Period, the decrease in prepaid lease payments of the Group was mainly due to its disposal of prepaid lease payments of Yinyu Semiconductor Photonics (Guangdong) Limited with a net value of RMB18,800,000.

During the six month ended 30 September 2014, the decrease in prepaid lease payments of the Group was mainly due to its disposal of prepaid lease payments of Heshan Tongfang Lighting Technology Company Limited with a net value of RMB2,600,000.

14. TRADE AND OTHER RECEIVABLES

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Trade receivables	135,343	155,005
Bills receivables	35,675	20,514
Less: Allowance for bad and doubtful debts	<u>(62,589)</u>	<u>(87,588)</u>
	108,429	87,931
Deposits paid to suppliers	32,481	14,957
Value added tax recoverable	4,146	3,526
Value added tax refundable on export sales	86,863	90,401
Other receivables	<u>13,052</u>	<u>21,685</u>
	<u>244,971</u>	<u>218,500</u>

At the end of the reporting period, the aging analysis of trade and bills receivables based on the invoice date and net of allowance for bad and doubtful debts, is as follows:

0 to 60 days	87,527	41,523
61 to 90 days	10,250	10,447
91 to 180 days	7,143	19,941
181 to 360 days	2,594	16,020
Over 1 year	<u>915</u>	<u>–</u>
	<u>108,429</u>	<u>87,931</u>

15. TRADE AND OTHER PAYABLES

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Trade payables	107,202	94,097
Bills payables	<u>5,913</u>	<u>3,256</u>
	113,115	97,353
Customers' deposits	22,025	15,611
Payroll and welfare payables	17,427	15,736
Other tax payables	14,011	15,437
Other payables	<u>53,363</u>	<u>102,139</u>
	<u>219,941</u>	<u>246,276</u>

In prior years, the Group received certain government grants as incentives for setting up LED chips production plants in two economic development zones in the PRC. The amounts received have been deducted from the carrying amount of the relevant assets and are recognised to reduce depreciation charge over the useful lives of the relevant assets.

During the nine months ended 31 December 2014, the directors of the Company has decided to abort the investment in one of the economic development zones as a result of a change in business plan. Consequently, the Group no longer fulfills the condition attached to related government grants and will refund such government grants amounted to RMB37,200,000, which is recorded in other payables as at 31 December 2014.

During the Period, such government grants have been refunded.

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Aging		
0 to 30 days	13,897	25,319
31 to 60 days	41,366	6,774
61 to 90 days	18,626	5,155
91 to 180 days	17,339	24,473
181 to 360 days	2,443	16,932
Over 1 year	19,444	18,700
	<u>113,115</u>	<u>97,353</u>

16. SHARE CAPITAL

	Authorized		Issued and fully paid	
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000
Ordinary shares of nominal value HK\$0.10 each				
– At 1 April 2014 (restated)	5,000,000,000	520,000	939,319,694	92,317
Issuance of new shares	–	–	1,000,000,000	79,580
– At 31 December 2014 and 30 June 2015	<u>5,000,000,000</u>	<u>520,000</u>	<u>1,939,319,694</u>	<u>171,897</u>

Neither the Company nor its subsidiaries have purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2015 and 30 September 2014.

For the six months ended 30 September 2014, THTF ES subscribed for an aggregate of 1,000,000,000 shares at the subscription price of HK\$0.90 per share on 1 August 2014, which resulted in an increase of HK\$100,000,000 and HK\$800,000,000 in the share capital and share premium respectively.

17. SHARE OPTIONS

- a) The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options	
	30 June 2015 (unaudited)	31 December 2014 (audited)
Outstanding at 1 January 2015/1 April 2014	–	47,437,000
Granted during the period/year	33,000,000	–
Lapsed during the period/year	–	(47,437,000)
	<hr/>	<hr/>
Outstanding at 30 June 2015/31 December 2014	<u>33,000,000</u>	<u>–</u>

During the period ended 30 June 2015, 33,000,000 share options were granted on 15 May 2015. The closing price immediately before the date on which the options were granted was HK\$1.31 per share.

The share options granted on 15 May 2015 have an exercise price of HK\$1.31 with various vesting periods starting from 1 July 2016 and 1 July 2017, respectively, until five years from the date of the grant, subject to certain performance target of the Group.

Subsequent to the Subscription (note 1), the Company made a mandatory offer to all the holders of the outstanding options at HK\$0.0001 in cash for every option outstanding on 25 August 2014. The holders of the options are entitled to exercise or sell their options in full or in part within 21 days (i.e. 22 September 2014) after the mandatory offers are made. Otherwise, the right to exercise an option will be terminated immediately and the option will lapse accordingly. Upon the expiry date (i.e. 22 September 2014), no holders of the options exercised or sold their options and therefore all outstanding options were terminated and lapsed.

The option-based equity reserve derecognised will be transferred directly to retained earnings by the Group.

- b) American Lighting, Inc. (“**ALI**”), an indirect wholly-owned subsidiary of the Company, has adopted a share option scheme for eligible employees of ALI, the Company and Tivoli, LLC, the wholly-owned subsidiary of ALI (“**Tivoli**”).

On 30 June 2015, ALI granted 2,869 options to subscribe for 2,869 shares of ALI common stock, US\$0.01 par value per share, to certain employees and directors of the Company, ALI, and Tivoli. The stock options entitle the grantees to collectively purchase an aggregate of 2,869 shares of ALI common stock at an exercise price of US\$330 per share, which represents the fair value of one share of ALI common stock as of the date of grant, as determined by the board of directors of ALI.

The share options granted have an exercisable term of 10 years and vest as follows: (i) thirty percent (30%) of the total number of shares subject to the stock options vest and become exercisable on the first (1st) anniversary of 30 June 2015 (the “**Vesting Commencement Date**”); (ii) an additional thirty percent (30%) of the total number of shares subject to the stock options vest and become exercisable on the second (2nd) anniversary of the Vesting Commencement Date; and (iii) the remaining unvested forty percent (40%) of the total number of shares subject to the stock options vest (and, as a result, the stock options become fully vested) on the third (3rd) anniversary of the Vesting Commencement Date, *provided* in each case that the grantee continues to provide services to ALI, the Company or Tivoli.

18. CAPITAL COMMITMENTS

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	4,696	13,022

19. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with the controlling shareholder and its subsidiaries

	Six months ended	
	30 June 2015 RMB'000 (unaudited)	30 September 2014 RMB'000 (unaudited) Restated
Sales of products	3,978	–

(b) Transactions with other state-controlled entities in the PRC

The controlling shareholder of the Company, Tsinghua Tongfang is a state-controlled enterprise controlled by the PRC government. Apart from transactions with Tsinghua Tongfang and its subsidiaries which were disclosed in note 19(a) above, the Group also has transactions with other state-controlled entities, included but not limited to the following:

- sales of products and provision of services;
- purchase of materials; and
- bank deposits and borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue for the Period was approximately RMB242.3 million, as compared to approximately RMB404.7 million for six months ended 30 September 2014, which was mainly attributable to (1) the seasonality of our sales (July, August and September are generally peak season of our sales), (2) the selective acceptance of orders. During the Period, the Group took a prudent approaching in dealing with orders by selecting the orders with relatively higher profit margin, and (3) the relatively slow-down in economy in Europe (the revenue attributable to our European market was RMB30.4 million, representing a decrease of RMB45.8 million as compared to approximately RMB76.2 million, as restated, for the six months ended 30 September 2014).

Cost of goods sold

For the Period, the cost of goods sold was approximately RMB178.8 million, representing a decrease of approximately RMB236.3 million over approximately RMB415.1 million for the six months ended 30 September 2014. Such decrease was mainly attributable to the decrease in sales revenue.

Gross profit (loss) and gross profit (loss) margin

For the Period, the Group recorded a gross profit of approximately RMB63.5 million, which represents a significant improvement compared with the six months ended 30 September 2014, when the Group recorded a gross loss of approximately RMB10.3 million.

The Group recorded a gross profit margin of approximately 26.2% for the Period, representing an increase of 28.8% over a gross loss margin of approximately 2.6% for the six months ended 30 September 2014, primarily due to (1) impairment provision for inventory of approximately RMB0.3 million (the six months ended 30 September 2014: RMB58.1 million, as restated), (2) the selective acceptance of orders. During the Period, the Group took a prudent approaching to sales by selecting the orders with relatively higher profit margin, and (3) decrease in manufacturing expenses of approximately RMB66.0 million, mainly comprising staff salaries, depreciation costs and utility charges.

Other gains, losses and expenses

For the Period, the Group recorded other gains of approximately RMB44.9 million, representing an increase of approximately RMB43.2 million over other gains of RMB1.7 million for the six months ended 30 September 2014, due to (1) the net gains of approximately RMB27.4 million resulting from sales of workshops and land use right of Yinyu Semiconductor Photovoltaic (Guangdong) Limited (廣東銀雨芯片半導體有限公司) (“**Yinyu Semiconductor**”), a subsidiary of the Company, as compared to RMB52.7 million, as restated, from disposal of plant and land of Heshan Tongfang Lighting Technology Co., Ltd. (鶴山同方照明科技有限公司) (“**Heshan Tongfang**”), a subsidiary of the Company, for the six months ended 30 September 2014, and (2) the reversal of allowance for bad debt being RMB13.3 million for the Period due to the improvement on receivables recovery, as compared to allowance for bad debt being RMB42.5 million, as restated, for the six months ended 30 September 2014.

Impairment loss of property, plant and equipment

For the Period, the amount of impairment losses recognised in respect of property, plant and equipment was nil. (30 September 2014: RMB32.7 million as restated)

Operating expenses

The distribution and selling expenses mainly comprised staff costs, promotion and advertising, freight and transportation, agency and custom costs and rent and rates. For the Period, the distribution and selling expenses of the Group were approximately RMB38.3 million, representing a decrease of approximately RMB4.5 million over approximately RMB42.8 million for the six months ended 30 September 2014, mainly due to (1) the decrease in transportation expense for approximately RMB1.6 million, (2) the decrease in after-sales services expenses for approximately RMB1.0 million and (3) the decrease in inspection expenses, insurance related expenses for approximately RMB1.8 million.

The administrative expenses mainly comprised staff costs, directors remuneration, depreciation charge, professional and legal fee and business tax. The administrative expenses for the Period were approximately RMB66.9 million, representing a decrease of approximately RMB3.6 million over approximately RMB70.5 million for the six months ended 30 September 2014, mainly due to the decrease in human resources costs for approximately RMB7.3 million.

Finance costs

The finance costs for the Period was approximately RMB1.2 million, representing a decrease over RMB4.5 million for the six months ended 30 September 2014, mainly due to the bank loan of RMB89.8 million as at 30 June 2015, representing a decrease of RMB78.8 million as compared to RMB168.6 million as at 30 September 2014.

Taxation

For the Period, the Group's tax charge of RMB3.6 million (30 September 2014: tax charge of RMB0.09 million as restated) mainly included taxation imposed in overseas jurisdictions of approximately RMB4.3 million, and deferred taxation of approximately RMB0.7 million.

Profit (loss) attributable to owners of the Company

For the Period, the Group recorded a profit attributable to owners of the Company of RMB3.4 million. This represents an improvement compared with the six months ended 30 September 2014 when the Group recorded a loss attributable to owners of the Company of RMB156.5 million. Such improvement was mainly due to (1) increase in gross profit of approximately RMB73.8 million, (2) the decrease in gains on disposal of property, plant and equipment and prepaid lease payments for RMB25.3 million, (3) a decrease in impairment losses recognised in respect of property, plant and equipment of RMB32.7 million, (4) a decrease in provision on receivables of RMB56.3 million, and (5) decrease in operating expenses and other expenses of approximately RMB18.8 million.

Financial Resources and Liquidity and Gearing Ratio

The Group maintained a stable financial position. As at 30 June 2015, the Group had bank balances of RMB580.8 million and short-term bank loans of RMB89.8 million. The gearing ratio representing the ratio of short-term bank loans to total equity of the Group was 7.9% as at 30 June 2015 (31 December 2014: 9.9%). Such decrease was mainly caused by decrease in bank loan of RMB23.0 million.

Cash flows

The Group's financial resources mainly consist of cash flow from investing activities and financing activities.

For the Period, the Group recorded (1) cash outflow from operating activities of approximately RMB62.3 million (the six months ended 30 September 2014: RMB97.5 million, as restated), (2) cash outflow from investing activities of approximately RMB12.1 million (for the six months ended 30 September 2014: cash inflow of approximately RMB80.4 million, as restated), and (3) cash outflow from financing activities of approximately RMB23.1 million (the six months ended 30 September 2014: cash inflow of approximately RMB701.0 million, as restated).

The above decrease in cash inflow from investing activities was mainly attributable to (1) the sales of properties, workshops and equipment during the Period being RMB0.9 million, as compared to RMB72.7 million, as restated, for the six months ended 30 September 2014 and (2) the nil recovery of loan receivables during the Period (for the six months ended 30 September 2014: RMB35.2 million, as restated).

The above decrease in cash inflow from financing activities was mainly attributable to (1) decrease in bank loan of RMB21.9 million during the Period, as compared to RMB10.4 million, as restated, for the six months ended 30 September 2014 and (2) the subscription of shares in the Company by THTF ES for a consideration of RMB715.9 million, as restated, during the six months ended 30 September 2014.

Assets and liabilities

As at 30 June 2015, the Group recorded the total assets of approximately RMB1,473.9 million (31 December 2014: RMB1,524.6 million) and total liabilities of approximately RMB334.8 million (31 December 2014: RMB387.8 million).

As at 30 June 2015, the Group's current assets and non-current assets were approximately RMB1,051.3 million (31 December 2014: RMB1,068.7 million) and approximately RMB422.6 million (31 December 2014: RMB455.9 million) respectively. The decrease in assets was mainly attributable to the sales of workshops and land use right of Yinyu Semiconductor.

As at 30 June 2015, the Group's current liabilities and long-term liabilities were approximately RMB316.1 million (31 December 2014: RMB367.8 million) and approximately RMB18.7 million (31 December 2014: RMB20.0 million) respectively. The decrease in current liabilities was mainly attributable (1) the bank loan of RMB89.8 million as at 30 June 2015, representing a decrease of RMB23.0 million as compared to RMB112.8 million as at 31 December 2014, and (2) the refunding of the government grants amounting to RMB37.2 million due to change of the Group's investment plan in one of the economic development zones.

Foreign exchange Risk

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

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

Charge on Assets

As at 30 June 2015, the Group had pledged certain of its land and buildings with an aggregate carrying value of RMB20.5 million (31 December 2014: RMB10.7 million), certain of its trade receivables and inventories with an aggregate carrying value of RMB26.9 million (31 December 2014: RMB26.9 million), and also bank deposits of aggregate carrying value of RMB1.5 million (31 December 2014: RMB1.2 million) to secure bank credit facilities granted to the Group.

Capital Commitments

As at 30 June 2015, the Group had capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment of RMB4.7 million (31 December 2014: RMB13.0 million).

Contingent Liabilities

During the Period, certain subsidiaries are parties to various legal claims in their ordinary course of business. In the opinion of the Directors, these claims would not have a significant impact on the Group's results and financial position.

Capital Structure

As at 30 June 2015, the issued share capital of the Company was RMB171,896,724 (equivalent to HK\$193,931,969) (31 December 2014: RMB171,896,724 (equivalent to HK\$193,931,969)), divided into 1,939,319,694 ordinary shares of HK\$0.10 each.

Material Acquisition, Disposal and Significant Investment

There is no major acquisition, disposal or significant investment during the Period.

Interim Dividend

The Board resolved not to declare any interim dividend for the Period. (30 September 2014: nil as restated)

BUSINESS REVIEW

Overview

During the Period, the Group seized the opportunity to explore the overseas market without slack, vigorously developed sales channels in the PRC market, increased the gross margins, improved the management level, and revitalized idle assets, then an improvement in operating performance has been achieved.

During the Period, the sales revenue of American Lighting Inc., an indirect wholly owned subsidiary of the Company and based in Denver, USA has outperformed the expectation. The primary fuels are its opportunity to drive strong revenue growth in large national retailers, its step-up presence in e-commerce, and that American Lighting Inc. has started harvesting success in newly developed products. Management believes the momentum will continue through the foreseeable future.

During the Period, the Group focused on better after-sales services and experienced a number of customer complaints on improving customer satisfaction. In addition, to prevent controversial disputes and litigation, the Group strengthened its quality control over production and enhanced the effectiveness in management.

Sales and Distribution

During the Period, the Group took efforts in distribution and marketing, improves and expands the sales channel of general LED lighting products. The Group proactively made deployment in brand establishment and sales channel in the world's fastest growing markets and brought to its customers better sales services in energy-saving technologies and solutions.

Research and Development (“R&D”)

The Group's R&D efforts were driven towards product design, new product development and production efficiency improvement in order to reduce the overall production cost.

Employees and Remuneration Policy

As at 30 June 2015, the Group's total number of employees was approximately 3,000 (31 December 2014: 3,300). The basic remunerations of the employees are determined with reference to the industry remuneration benchmark, the employees' experience and their performance. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits required by laws, the Group provides discretionary bonus based upon the Group's results and the individual performance of the staff.

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders.

Throughout the Period, the Company complied with the code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS OF LISTED ISSUERS

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules throughout the Period as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the Period.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.neo-neon.com>). The interim report for the Period containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

DEFINITION

“associate(s)”	has the meaning given to it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors
“Company”	Neo-Neon Holdings Limited (stock code: 1868), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange, and part of shares of which are listed on the Taiwan Stock Exchange as depositary receipts
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	Code on corporate governance practices contained in Appendix 14 to the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
“Period”	the six months ended 30 June 2015
“PRC” or “China”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of HK\$0.1 each in the share capital of the Company

“Shareholder(s)”	Shareholder(s) of the Company
“subsidiary(ies)”	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“THTF ES”	THTF Energy Saving Holdings Limited, a substantial shareholder of the Company
“Tsinghua Tongfang”	同方股份有限公司 (Tsinghua Tongfang Co., Ltd.), a joint stock limited company incorporated in the PRC, whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600100)
“*”	For identification only
“%”	per cent

By order of the board of
Neo-Neon Holdings Limited
Lu Zhi Cheng
Chairman

Hong Kong, 25 August 2015

As at the date of this announcement, the executive Directors of the Company are Mr. LU Zhi Cheng (chairman), Mr. Ben FAN, Mr. WANG Liang Hai, Mr. SEAH Han Leong and Mr. PAN Jin; non-executive Director is Mr. LIU Wei Dong; independent non-executive Directors are Mr. FAN, Ren Da Anthony, Mr. LIU Tian Min and Ms. LI Ming Qi.