Neo-Neon Holdings Limited
真明麗控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1868)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2011

The Board of Directors (the "Board") of Neo-Neon Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2011 (the "Review Period") together with comparative figures for the 1st January, 2010 to 30th June, 2010 (the "June 2010"). As the Group's financial year end has been changed from 31st December to 31st March, therefore, the comparative figures may not be comparable with the amounts shown for the current period.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September, 2011

	Notes	**Six months ended 1.4.2011 to 30.9.2011** ***HK$'000*** **(unaudited)**	1.1.2010 to 30.6.2010 *HK$'000* (unaudited)
Turnover	*4*	**788,005**	730,146
Cost of goods sold		**(679,873)**	(488,258)
Gross profit		**108,132**	241,888
Other income		**8,396**	8,674
Other gains, losses and expenses	*5*	**1,081**	(1,619)
Distribution and selling expenses		**(59,771)**	(41,120)
Administrative expenses		**(150,030)**	(103,674)
Finance costs		**(6,896)**	(2,629)
Share of losses of an associate		**(3,967)**	(1,648)
Share of profits of a jointly controlled entity		**1,391**	746
(Loss)/Profit before taxation	*6*	**(101,664)**	100,618
Taxation	*7*	**(568)**	(1,330)
(Loss)/Profit for the period attributable to owners of the Company		**(102,232)**	99,288
Other comprehensive income – exchange differences arising on translation		**89,681**	9,258
Total comprehensive income for the period attributable to owners of the Company		**(12,551)**	108,546
Attributable to			
– equity holders of the Company		**(104,184)**	98,794
– non-controlling interests		**1,952**	494
		(102,232)	99,288
Proposed interim dividend	*8*	**–**	25,637
(Loss)/Earnings per share	*9*		
– Basic		**HK$(0.111)**	HK$0.108
– Diluted		**HK$(0.111)**	HK$0.108

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2011

	Notes	30.9.2011 HK$'000 (unaudited)	31.3.2011 HK$'000 (audited)
Non-current assets			
Investment properties		**16,240**	68,479
Property, plant and equipment	*10*	**1,653,126**	1,702,963
Prepaid lease payments		**119,499**	117,664
Goodwill		**96,116**	106,796
Intangible assets		**124,251**	127,344
Interest in an associate		**41,486**	14,225
Interest in a jointly controlled entity		**26,318**	24,928
Deposits made on acquisition of property, plant and equipment		**113,652**	111,895
		2,190,688	2,274,294
Current assets			
Inventories		**1,253,831**	1,419,674
Trade and other receivables	*11*	**650,944**	545,664
Investments held-for-trading		**20,244**	121,102
Pledged bank deposits		**52,440**	52,371
Bank balances and cash		**399,244**	371,432
		2,376,703	2,510,243
Current liabilities			
Trade and other payables	*12*	**279,073**	384,390
Taxation		**5,813**	7,667
Current portion of long-term bank loans		**731,525**	778,586
		1,016,411	1,170,643
Net current assets		**1,360,292**	1,339,600
Total assets less current liabilities		**3,550,980**	3,613,894
Non-current liabilities			
Long-term bank loans		**–**	28,078
Government grants		**9,363**	9,681
Deferred taxation		**31,243**	31,243
		40,606	69,002
Net assets		**3,510,374**	3,544,892

	30.9.2011	31.3.2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital and reserves		
Share capital	**94,244**	94,244
Share premium	**1,688,032**	1,688,032
Other reserves	**458,237**	360,365
Retained profits	**1,250,966**	1,385,308
Equity attributable to equity holders of the Company	**3,491,479**	3,527,949
Non-controlling interests	**18,895**	16,943
Total equity	**3,510,374**	3,544,892

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 Depositary Receipts of Taiwan Stock Exchange.

The condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

On 23th July, 2010, the reporting period end date of the Group and the Company was changed from 31st December to 31st March. Accordingly, the consolidated financial statements for the current period cover the six-month period from 1st April, 2011 to 30th September, 2011. The corresponding comparative amounts shown for the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a six-month period from 1st January 2010 to 30th June 2010 and therefore may not be comparable with amounts shown for the current period.

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

The condensed consolidated financial information has been prepared under the historical cost convention except for investment properties and investments held-for-trading which are carried at fair values.

The accounting policies used in the condensed consolidated financial information is consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2011.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st April, 2011.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendments)	Payments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 July 2012

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

4. TURNOVER AND SEGMENT INFORMATION

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

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

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

Segment Information

Business segment

	Six months ended	
	1.4.2011 to 30.9.2011	1.1.2010 to 30.6.2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Turnover		
LED Decorative Lighting	**415,613**	354,477
LED General Illumination Lighting	**200,689**	165,550
Incandescent Decorative Lighting	**92,151**	103,662
Entertainment Lighting	**62,645**	82,980
Others	**16,907**	23,477
	788,005	730,146
Gross Profit		
LED Decorative Lighting	**62,762**	135,939
LED General Illumination Lighting	**29,843**	63,558
Incandescent Decorative Lighting	**8,135**	22,238
Entertainment Lighting	**5,702**	17,725
Others	**1,690**	2,428
	108,132	241,888
Results		
Profit from operations		
LED Decorative Lighting	**(20,153)**	82,044
LED General Illumination Lighting	**(11,180)**	36,104
Incandescent Decorative Lighting	**(8,134)**	10,487
Entertainment Lighting	**(3,490)**	10,698
Others	**(941)**	1,466
	(43,898)	140,799
Unallocated other income	**8,396**	8,674
Unallocated other gains, losses and expenses	**1,081**	(1,619)
Unallocated expenses	**(57,771)**	(43,705)
Finance costs	**(6,896)**	(2,629)
Share of profit of a jointly controlled entity	**(2,576)**	(902)
(Loss)/Profit before taxation	**(101,664)**	100,618
Taxation	**(568)**	(1,330)
(Loss)/Profit for the period	**(102,232)**	99,288

Geographical segment

	Six months ended 1.4.2011 to 30.9.2011 *HK$'000* (unaudited)	1.1.2010 to 30.6.2010 *HK$'000* (unaudited)
Turnover		
America	**330,050**	254,280
Europe	**184,487**	191,214
PRC	**140,494**	154,984
Russia	**26,120**	26,572
Asia Pacific and Middle East (excluding PRC)	**105,152**	101,484
Others	**1,702**	1,612
	788,005	730,146
Gross profit		
America	**48,636**	86,506
Europe	**25,757**	67,567
PRC	**12,054**	39,986
Russia	**4,095**	9,623
Asia Pacific and Middle East (excluding PRC)	**17,337**	37,613
Others	**253**	593
	108,132	241,888
Results		
Profit from operations		
– America	**(34,271)**	52,209
– Europe	**(5,838)**	37,845
– PRC	**(1,354)**	21,877
– Russia	**(458)**	5,786
– Asia Pacific and Middle East (excluding PRC)	**(1,949)**	22,723
– Others	**(28)**	359
	(43,898)	140,799
Unallocated other income	**8,396**	8,674
Unallocated other gains, losses and expenses	**1,081**	(1,619)
Unallocated expenses	**(57,771)**	(43,705)
Finance costs	**(6,896)**	(2,629)
Share of profit of a jointly controlled entity	**(2,576)**	(902)
(Loss)/Profit before taxation	**(101,664)**	100,618
Taxation	**(568)**	(1,330)
(Loss)/Profit for the period	**(102,232)**	99,288

5. OTHER GAINS, LOSSES AND EXPENSES

	Six months ended 1.4.2011 to 30.9.2011 *HK$'000* (unaudited)	1.1.2010 to 30.6.2010 *HK$'000* (unaudited)
Compromise and legal fee relating to a settled litigation	**–**	(10,412)
Gain (loss) on disposal of property, plant and equipment	**35,688**	(1,828)
Net allowance for bad and doubtful debts	**(14,459)**	(5,701)
Research and development costs	**(9,960)**	(4,279)
Increase in fair value of investments held-for-trading	**(4,050)**	(20,702)
Government grants	**–**	43,101
Net exchange loss	**(6,138)**	(1,798)
	1,081	(1,619)

6. (LOSS)/PROFIT BEFORE TAXATION

	Six months ended 1.4.2011 to 30.9.2011 *HK$'000* (unaudited)	1.1.2010 to 30.6.2010 *HK$'000* (unaudited)
(Loss)/Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**98,801**	70,632
Less: Depreciation included in research and development costs	**(1,085)**	(1,334)
	97,716	69,298
Amortisation of intangible assets	**3,099**	1,229
Research and developments costs	**5,620**	4,279
Operating lease rentals in respect of		
– prepaid lease payments	**1,328**	784
– rented premises	**3,176**	1,943
and after crediting:		
Dividend income from listed investments held-for-trading	**407**	3,528
Interest income	**1,384**	3,785

7. TAXATION

	Six months ended	
	1.4.2011	1.1.2010
	to 30.9.2011	to 30.6.2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The charge comprises:		
PRC Enterprise Income Tax ("EIT")	**(482)**	(457)
Taxation in other overseas jurisdictions	**(86)**	(873)
	(568)	(1,330)

The PRC Enterprise Income Tax and overseas taxation are calculated at the rates prevailing in the respective jurisdictions while Hong Kong Profits Tax is calculated at 16.5% (HY2010: 16.5%) on the estimated assessable profit for the period.

8. DIVIDEND

No dividend will be paid for the six months ended 30th September 2011 (June 2010: HK$0.028).

9. (LOSS)/EARNINGS PER SHARE

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

	Six months ended	
	1.4.2011	1.1.2010
	to 30.9.2011	to 30.6.2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss)/Earnings		
(Loss)/Profit attributable to equity holders of the Company	**(104,184)**	98,794
Weighted average number of ordinary shares in issue	**942,440,694**	915,287,750
Basic (loss)/earning per share	**HK$(0.111)**	HK$0.108
Weighted average number of ordinary shares for diluted earnings per share	**942,440,694**	915,287,750
Diluted (loss)/earning per share	**HK$(0.111)**	HK$0.108

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK$54,300,000 (six months ended 30th June, 2010: HK$205,000,000) on additions to property, plant and equipment to expand and upgrade its manufacturing capabilities, of which buildings nil (six months ended 30th June, 2010: HK$95,600,000), leasehold improvement HK$16,600,000 (six months ended 30th June, 2010: HK$12,800,000), furniture, fixture and equipment HK$1,400,000 (six months ended 30th June, 2010: HK$2,900,000), motor vehicles HK$1,400,000 (six months ended 30th June, 2010: nil), plant and machinery HK$7,200,000 (six months ended 30th June, 2010: HK$43,000,000), mould HK$2,300,000 (six months ended 30th June, 2010 HK$6,000,000), construction in progress HK$25,400,000 (six months ended 30th June, 2010: HK$29,000,000), land use right nil (six months ended 30th June, 2010: 15,700,000).

11. TRADE AND OTHER RECEIVABLES

	30.9.2011	31.3.2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables		
– jointly controlled entity	**1,341**	1,014
– others	**467,013**	367,263
Bills receivables	**67,924**	56,364
Less: Allowance for bad and doubtful debts	**(35,727)**	(35,587)
	500,551	389,054
Deposits paid to suppliers	**26,113**	39,952
Value added tax refundable on export sales	**68,127**	77,211
Value added tax recoverable	**33,754**	13,842
Other receivables	**22,399**	25,605
	650,944	545,664

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

	30.9.2011	31.3.2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Age		
0 to 60 days	**245,753**	194,315
61 to 90 days	**34,392**	33,087
91 to 180 days	**28,261**	78,769
181 to 360 days	**110,600**	73,958
Over 1 year	**81,545**	8,925
	500,551	389,054

12. TRADE AND OTHER PAYABLES

	30.9.2011	31.3.2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables		
– associates	**858**	631
– others	**113,500**	197,826
Bills payables	**24,926**	40,321
	139,284	238,778
Customers' deposits	**31,563**	38,911
Payroll and welfare payables	**23,743**	26,908
Payables for acquisition of property, plant and equipment	**16,433**	20,870
Other tax payables	**8,203**	11,444
Other payables	**59,847**	47,479
	279,073	384,390

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

	30.9.2011	31.3.2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Age		
0 to 30 days	**47,425**	121,304
31 to 60 days	**20,853**	25,646
61 to 90 days	**12,634**	32,152
91 to 120 days	**34,032**	38,428
121 to 360 days	**24,340**	21,248
	139,284	238,778

13. SHARE OPTIONS

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	
	30.9.2011	31.3.2011
	(unaudited)	(audited)
Outstanding at 1st January	**39,570,500**	27,161,500
Granted during the period/year	**17,000,000**	21,850,000
Exercised during the period/year	**–**	(2,262,500)
Forfeited during the period/year	**(5,381,500)**	(7,178,500)
	51,189,000	39,570,500

The share options granted in 2011 have an exercise price of HK$1.95 with various vesting periods between August 2011 and August 2015.

The share options granted in 2010 have an exercise price of HK$6.75 and HK$4.51 with various vesting periods between January 2010 and July 2014.

The share options granted in 2009 have an exercise price of HK$2.19 with various vesting periods between July 2009 and July 2013.

The closing price of the Company's shares immediately before 13th July, 2009, 22nd January, 2010, 23th July, 2010 and 19th August, 2011, the dates when the share options were granted was HK$2.15, HK$6.75, 4.51 and 1.90 per share respectively.

The options granted on 22nd January, 2010 and 23rd July, 2010 with an aggregate estimated fair values of HK$37,503,000 and HK$12,600,000 respectively. These fair values were calculated using the Binomial option pricing model.

14. CAPITAL COMMITMENTS

	30.9.2011	31.3.2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**124,948**	169,321

15. RELATED PARTY TRANSACTIONS

During the period, the Group sold goods totalling HK$1,869,000 (1st January, 2010 to 31st March, 2011: HK$2,569,000) to its associates and jointly controlled entity.

The emoluments to the Company's directors, who are the Group's key management, are HK$711,000 (June, 2010: HK$783,000). During the period, the Chairman and another executive director have waived their emoluments of HK$2,160,000 and HK$588,000 in relation to their services respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

During the Review Period, the Group has recorded a turnover of approximately HK$788.0 million, representing an increase of 7.9% as compared to approximately HK$730.1 million in the corresponding period in the June 2010. The increase was mainly due to the inclusion of acquired overseas subsidiaries (HCI, American Lighting) turnover of HK$219.0 million in the review period, and the Group (excluded overseas subsidiaries) recorded principal turnover of HK$569.0 million representing a decrease of HK$161.1 million or 22.1%. The decrease mainly because of (i) a lower turnover than expected, as a result of generally increasing customer prudence in placing orders caused by deteriorating of economic environment; (ii) significant amount of investment led to oversupply and resulted in a decrease of its market price, as a result of intense competition.

Cost of Goods Sold

The Group's costs of goods sold were HK$679.9 million, representing an increase of 39.2% from HK$488.3 million as compared to the same period in the June 2010.

Gross Profit and Gross Profit Margin

The gross profit and gross profit margin decreased from HK$241.9 million (33.1%) in the June 2010 to HK$108.1 million (13.7%). The decline in unaudited consolidated interim results for the six months ended 30 September 2011 is primarily attributable to: (i) the deteriorating economic environment resulted a lower turnover than expected; (ii) a decrease in gross profit margins as a result of the soaring prices of raw materials, increase in labor costs and appreciation of RMB; (iii) a significant increase in depreciation expenses related to our expansion into the upstream plant and equipments of chips; and (iv) the obsolete inventories disposal caused a loss HK$65.9 million.

Other Income

Other income was HK$8.4 million during the Review Period (June 2010: HK$8.7 million) representing a decrease of HK$0.3 million or 3.4%, mainly due to a decrease of dividend income from investment in securities.

Other Gains, Losses and Expenses

Other gains, losses and expenses showed a gain of HK$1.1 million in 30th September, 2011 (June, 2010: a loss of HK$1.6 million). The gain was mainly due to gain on disposal of property, plant and equipment HK$35.7 million, net allowance for bad and doubtful debts HK$14.5 million and for the six months ended 30 June 2010, received government grants HK$43.1 million, decrease in fair value of listed investments held-for-trading HK$20.7 million and compromise, and legal fee relating to a settled litigation HK$10.4 million.

Administrative, Distribution and Selling Expenses

For the six months ended 30th September, 2011, the Group's administrative, distribution and selling expenses were HK$209.8 million, an increase of 44.9% from HK$144.8 million in the same period in June 2010. The increase was mainly attributable to: (i) administrative, distribution and selling expenses and intangible, goodwill amortization of overseas subsidiaries (HCI, American Lighting) HK$45.2 million, (ii) an increase of HK$8.7 million or 28.4% in depreciation during the period.

Financing Costs

The finance costs of the Group in the six months ended 30th September, 2011 was HK$6.9 million, increase of 165.4% from HK$2.6 million in the corresponding period of June 2010. The increase was mainly attributable to the increase in the amount of bank borrowings and loan interest rates.

Net Profit

For the six months ended 30th September, 2011, the Group's net loss was HK$102.2 million, a decrease of 202.9% compared with the Group's net profit HK$99.3 million in the June 2010. The net loss margin for the period was 13.0% compared with net profit margin was 13.6% in the June 2010. The main reasons: (i) a lower turnover than expected, as a result of generally increasing customer prudence in placing orders caused by deteriorating of economic environment; (ii) a decrease in gross profit margins as a result of the soaring prices of raw materials, increase in labor costs and appreciation of RMB; (iii) the obsolete inventories disposal caused a loss HK$65.9 million and provisions for bad and doubtful debts of HK$14.5 million, but received a government subsidy income of HK$43.1 million in June 2010; and (iv) a significant increase in depreciation expenses related to our expansion into upstream plant and equipments of chips. The Board will improve the efficiency of resource allocation by the Company so as to strengthen the Group's competitiveness. The Group will efficiently reallocate its resources to create a rational organisation structure and achieve strategic growth by becoming more cost-effective, simplified in structure, effective in performance management and better-positioned to implement employee-oriented long-term incentive schemes.

Financial Resources and Liquidity

The Group maintained a stable financial position. As at 30th September, 2011, the Group had bank balances and cash of HK$399.2 million (at 31st March, 2011: HK$371.4 million) and short-term bank loans of HK$731.5 million (at 31st March, 2011: 778.6 million). All short-term bank loans were denominated in Hong Kong dollars and at prevailing market interest. The gearing ratio representing the ratio of short-term bank loans to total equity of the Group was 20.8% as at 30th September, 2011 (at 31st March, 2011: 22.8%).

Assets and Liabilities

As of 30th September, 2011, the Group's total assets were HK$4,567.4 million, a decrease of HK$217.1 million compared with HK$4,784.5 million as of 31st March, 2011 representing a decrease of 4.5%. The Group's total liabilities as of 30th September, 2011 were decreased by 14.7%, comparing to that as of 31st March, 2011, from HK$1,239.6 million to HK$1,057.0 million.

The Group's shareholders' equity as of 30th September, 2011 was HK$3,491.5 million, representing a decrease of 1.0% when compared with HK$3,527.9 million as of 31st March, 2011. The decrease was mainly due to the decrease of the net profit for the six months ended 30th September, 2011.

Taxation

Taxation of the Group for the six months ended 30th September, 2011 was HK$0.6 million (June 2010: HK$1.3 million). The effective tax rate was 0.6% for the six months ended 30th September, 2011, which was 1.3% for the June 2010. The Group's PRC production plants entitled to preferential Enterprise Income Tax of 15% in the capacity of High-New Technology Enterprise. Thus, Enterprise Income Tax is payable at a rate which is 10 percentage points lower when those applicable to compare with general decorative lighting manufacturers. The Group takes a further competitive advantage in terms of its tax charges.

Foreign Exchange Risk

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

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

Market Overview

Light emitting diode ("LED") has advantages in terms of luminous efficiency, usage life and environmental protection. Against the recent backdrop of energy conservation and emission reduction, even apart from the energy savings in air-conditioning due to heat energy emission, LED illumination lighting products can be installed promptly without any difficulty, achieve as high as 90% of energy savings compared with incandescent lamps and save 40%-60% compared with the fluorescent tubes. Furthermore, it does not utilize mercury. Therefore, it is regarded as a save and environment-friendly lighting product that has prosperous future. The effect of LED environmental protection and carbon emission reduction has been well received by the market, and these traits are also in line with the policies. From now on, LED lighting will not only substitute for decorative lighting, but also substitute for all lighting products.

Business Review

During the period under review, although orders from domestic customers were increasing over time, customers in market were generally more and more prudent about placing orders because of the bleak outlook there, which led to lower sales as compared with our expectation. In general, except the inclusion of acquired overseas subsidiaries (HCI, American Lighting) turnover of HK$219.0 million, most of the Company's sales came from the US and Europe, where the sluggish local economies dragged down our sales orders for the period. However, the Company's sales orders from Asian Pacific region (excluding China) still showed increment amidst weak markets. This was because the Company's quality products and favorable selling prices enabled us to stay highly competitive. Moreover, 2011 is the first year in the "Twelfth Five-year Plan". As China strengthens its supports for green lighting products, it is expected that the government subsidy policy for LED lighting products will be introduced by the end of this year. Therefore, as the urbanization of China gains pace and consumers continuously seek higher standards of living, there will be greater demand for LED products which will create more opportunities for the Company. The Company has mitigated the negative impact of economic recessions in Europe and the US on it by increasing its share of the domestic market and increasing the proportion of high value-added products in its business. It is expected that, during the year, the China market will gradually become a major source of profits and a driving force for sustained growth in the Company.

The extensive territory of China and rapid economic growth in cities of different regions greatly propelled urban landscape lighting and streetlight lighting market in mainland China. The holding of Shanghai World Expo, Asian Games of Guangzhou and some other grand international ceremonies in China, coupled with government's advocacy on environmental protection and increase in energy conservation awareness, made our NEONEON Yingyu LED favored by all kinds of projects and brought us a number of projects. Out of these projects, even eight of them were Shanghai World Expo projects, including World Expo Cultural Centre; Pavilion of Urbanian, one of the five major Theme Pavilions; Canadian Pavilion, United States Pavilion, Peru Pavilion and Australia Pavilion, which are national pavilions; and General Motors Corporate Pavilion. The LED light balls applied in the Open Ceremony of the World Expo were also from the Group and these LED light balls, which flowed down the Huangpu River, were sold at an auction after conclusion of the World Expo. In addition, the Group also secured various orders from Beijing Tiananmen Tower, Olympic Games Celebration Square, London Gatwick Airport, Japan Narita warehouse, clubs in Las Vegas, WuGuang High-Speed Railway, Qingdao Sports Centre, Shenzhen Universiade and many other projects. Among our products, the Group's LED streetlights and LED tunnel lighting products were applied in energy-efficient road lighting reform projects in many districts of China, and we also had many successful projects in Beijing, Shanghai, Guangzhou, Shenzhen, Changsha, Hengyang, Changde, Inner Mongolia, Linfen, Foshan, Zhaoqing, Meizhou, Jiangmen, Heshan and some other districts. The luxury passenger railway line, WuGuang High-Speed Railway (Changsha section), which was commissioned recently, also used NEONEON Yingyu LED streetlights and tunnel lighting.

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

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

LED general illumination lighting – In September, 2011 we generated a turnover of 21.2% higher than June 2010. We can offer preferential prices of top-performance products in the market as our product research and development is at the cutting-edge of the lighting industry. A good news is that we have successfully launched LED general illumination lighting products for home use through Home Depot, one of the largest DIY stores whose orders involves millions of US Dollars. It sufficiently proves the era of LED-based general lighting for home use has entered. In view of this, the growth of this industry will expectedly accelerate in 2011 and thereafter.

LED decorative lighting – In September 2011 the turnover for LED decorative lighting increased 17.1% higher than June 2010. Neo-Neon is now the largest lighting manufacturer in the world with over 10 per cent of market share in the global decorative lighting market. Its clients are internationally-renowned manufacturers including HOME DEPOT of the United States. As such, Neo-Neon has already become a leading LED lighting manufacturer, which is well known in Europe and America. At the same time, Neo-Neon has its proprietary brands such as NEO-NEON and Yingyu Illumination (銀雨照明).

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

Production Facilities and Capacity

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

By the end of 2010, the Company newly added 14 metal organic chemical vapour depositors ("MOCVD") and the related packing production line. Currently, there were nineteen (19) sets in total for the production of blue and green LED wafers with production capacity of 55,000 number of wafers per month (two (2) inches). The brightness of self-produced LED chips of Neo-Neon has already exceeded 1,201m/W and that of wafers and chips produced by chip factories has risen to 2,700mcd, both of which have reached the internationally advanced level. The R&D team is conducting the R&D on the process of putting fluorescent powder directly on photonic crystal and vertically structural chips. It is expected to make a breakthrough in future.

To better consolidate its production capacity and cope with the ever-rising labour cost in the PRC after the implementation of new Labour Law, the Group completed the transfer of incandescent lighting and LED decorative lighting production lines (which involve labour-intensive process) to a plant, which had occupied 90,000 square meters in Thai Binh Province of Vietnam in consideration of the intense competition, low technology and labour-intensive production, concessionary electricity tariff and other favourable policies there. For one thing, the Group could then employ labors at a lower wage in Vietnam to continue the production of traditional lighting devices, so that the market status of Neo-Neon can be maintained. For another, the vacated plant and spared resources in Heshan could be better utilized to set up a facility that vertically integrates the functions of R&D, production, sales of LED products as well as project design and construction, in pursuit of higher efficiency and cost-effectiveness. Currently, the Vietnam plant has employed more than 1,600 employees. The Group will develop it into the largest LED lighting production base in Asia, and further expand the production scale of Vietnam plant in the future.

Quality Control

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

Sales and Distribution

The Group maintained a sales team of over 180 staff members with offices in 16 countries and regions including the PRC, Korea, Taiwan, Hong Kong, Macau, Vietnam, Malaysia, Dubai, UK, Thailand, Netherlands, Germany, Russia, USA and Brazil. The Group planned to establish flagship showrooms in Shanghai (already established), Tianjin and Chongqing. We are confident that, through our constant consolidation of market resources and the best use of various resources by mergers within the industry, can keep its industry leading role in the competitive LED market and constantly enlarge its LED market share in the future!

RESEARCH AND DEVELOPMENT

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

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

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

Trade Receivable Management

As at 30th September, 2011, the Group's receivable were HK$500.6 million (31st March, 2011: HK$389.1 million), representing an increase of HK$111.5 million; in which the amount of receivables due within 180-360 days rose to HK$36.6 million. The rise was mainly due to a 14.1% increase in turnover resulting from the rapid market expansion during the period under review, the extension of credit period to 180 days for facilitating some creditworthy long-term clients' plans for business development, and the long payment periods of certain large projects at low risk (such as Yangzhou Streetlight Project) under relevant contracts.

Inventory Management

The Group operated an integrated industry chain that covered more than ninety percent of the production process in the whole business chain. During the period under review, the Group's inventory balances decreased to HK$1,253.8 million from HK$1,419.7 million as at the month ended 31st March, 2011, a decrease of approximately 11.7%, which was mainly due to an increase in turnover by 14.1% when the management had implemented strict inventory management, control measures and obsolete inventories disposal. Looking ahead, the Group will monitor its inventory management policy so as to give quicker response to customer orders and speed up inventory turnover. A number of internal management measures were also implemented which, as per the Group's expectation, will reap the benefits in the coming fiscal year.

EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2011, the Group's total number of employees was approximately 6,000 (31st March, 2011: 9,200). The basic remunerations of the employees are determined with reference to the industry remuneration benchmark, the employees' experience and their performance. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each director. Apart from the basic remuneration and statutory benefits required by laws, the Group provides discretionary bonus based upon the Group's results and the individual performance of the staff.

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

The Group also adopts an employee share option scheme at the time of listing of its shares.

FUTURE PLANS AND PROSPECTS

We are "prudent and optimistic" about LED's future prospects. In the meantime, we have also noticed that there is a trend of over-investment recently and obviously it is blind. The Group is the only company which has successfully completed vertical integration from the upper stream, middle stream to the lower stream of enterprise supply chain in the LED industry of the world. With respect to sales of products to end-users, we focus on cost reduction and strive to research, develop and produce over ten thousand kinds of prominent products, including LED chips, LED packaging and LED application lighting products. Over so many years, the Group has never used any agent for selection of customers, thereby preventing cumulative price increment from intermediary agents.

National Development and Reform Commission ("NDRC") published the Route Map for Elimination of Incandescent Lamps in the PRC (Draft for Soliciting Opinions) (《中國淘汰白熾燈路線圖（徵求意見稿）》), which, step by step, prohibits the sale and import of general lighting incandescent lamps. It is anticipated that the prohibition on production and use of incandescent lamps all over the world would stimulate alternative lighting, which is seen to create tremendous market demand for LED lighting products. LED lighting, as an emerging industry for energy conservation and environmental protection, has been drawing significant attention from the state. In order to encourage and promote a healthy yet rapid growth of the industry, the state has so far formulated a complete policy system. With regard to subsidy, the Ministry of Finance, NDRC and other competent departments will provide subsidy for semiconductor lighting products, which is expected to commence in the fourth quarter. Concentration of many favorable policies in the fourth quarter will further benefit LED application lighting industry, and thus the domestic LED industry will remain a stable growth in the coming years.

As regions across the world have launched plans on prohibition of incandescent lamps one after another, and there is a gradual decline in cost of LED lighting, these will facilitate the application and spread of LED lighting, therefore bringing abundant business opportunities to the Group in future.

INTERIM DIVIDEND

No dividend will be paid for the six months ended 30th September, 2011 (June 2010: HK$0.028).

CORPORATE GOVERNANCE PRACTICES

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

The Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange stipulates the principles of good corporate governance and two levels of recommendations: (1) Code Provisions; and (2) Recommended Best Practices. As disclosed in the Corporate Governance Report contained in the Company's 2009 annual report, the Company has applied the principles under the CG Code, and has been in full compliance with all the Code Provisions and certain Recommended Best Practices as set out in the CG Code. Throughout the Period, the Company has been in full compliance with all the Code Provisions and certain Recommended Best Practices as set out in the CG Code except a deviation on 12th July, 2010, in respect to the rapid strategic development of LED lighting market, Mr. Ben FAN, the Chairman has been appointed as CEO and Mr. Tseng Jinsui has resigned as the CEO of the Company due to Mr. Tseng's capabilities in research and development, production and sales, corporate management and years of experience in Yangzhou to serve as chairman in Yangzhou subsidiary of the Group. Mr. Ben FAN took the role of the Chairman of the Board and the CEO because Mr. FAN has the vision on the LED industry, technology and market development which is necessary for the Group to maximize the edge solutions for the upstream, middle steam and downstream industrial chain integration from LED wafers & chip production packaging and the LED lighting applications.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by Directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the six months ended 1st April, 2011 to 30th September, 2011. The Model Code also applies to other specified senior management of the Group.

AUDIT COMMITTEE

The Audit Committee was established on 20th November, 2006 and its current members include:

Mr. WU Tak Lung *(Chairman)*
Mr. WENG Shih Yuan
Mr. ZHAO Shan Xiang

All Audit Committee members are Independent Non-Executive Directors. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business and accounting and financial management on the Audit Committee. The composition and members of the Audit Committee satisfies the requirements under Rule 3.21 of the Listing Rules which requires a minimum of three members and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee meets not less than twice a year to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's external auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the external auditors.

The condensed consolidated interim financial information has not been audited but has been reviewed by the Audit Committee.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the financial statements for the ended 1st April, 2011 to 30th September, 2011. At the meeting held on 28th November, 2011, the Audit Committee reviewed the unaudited financial statements for the ended 1st April, 2011 to 30th September, 2011 together with the interim results announcement, with a recommendation to the Board of Directors for approval.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 20th November, 2006 and the current members include:

Mr. WENG Shih Yuan *(Chairman)*
Ms. Michelle WONG
Mr. WU Tak Lung
Mr. ZHAO Shan Xiang

The majority of the Remuneration Committee members are Independent Non-Executive Directors. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of Directors and senior management. The Remuneration Committee ensures that no Director or any of his associate is involved in deciding his own remuneration.

In determining the remuneration for Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and the desirability of performance-based remuneration. The Remuneration Committee meets to determine the policy for the remuneration of Directors and assess the performance of Executive Directors and members of senior management.

NOMINATION COMMITTEE

The Nomination Committee was established on 20th November, 2006. Its current members include:

Mr. ZHAO Shan Xiang *(Chairman)*
Mr. WENG Shih Yuan
Ms. Michelle WONG
Mr. WU Tak Lung

The majority of the Nomination Committee members are Independent Non-Executive Directors. The Nomination Committee is mainly responsible for reviewing the candidates' qualification and competence, and making recommendations to the Board on appointment of Directors, so as to ensure that all nominations are fair and reasonable.

The Nomination Committee meets to discuss the procedures and criteria which should be adopted by them in nominating candidates for directorship and agreed that such criteria should include the candidates' professional background, their experiences and their past track record with other listed companies (if any).

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 1st April, 2011 to 30th September, 2011.

The six months ended 30th September, 2011 is the interim review for the financial year ended 31st March, 2012 of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and will also be published on the website of the Company at http://www.neo-neon.com and the "HKExnews" website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk in due course.

By order of the Board
Neo-Neon Holdings Limited
Ben FAN
Chairman

28th November, 2011, Hong Kong

As of the date of this announcement, the Board comprises Mr. Ben FAN (Chairman), Ms. Michelle WONG and Mr. FAN Pong Yang, all as executive directors; Mr. WU Tak Lung, Mr. ZHAO Shan Xiang and Mr. WENG Shih Yuan, all as independent non-executive directors.