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Neo-Neon Holdings Limited
真明麗控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1868)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2014
AND
RESUMPTION OF TRADING

The board (the "Board") of directors (the "Directors") 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, 2014 (the "Review Period") together with comparative figures for the same period in 2013. These results have been reviewed by the Company's Audit Committee which is only comprised by the independent non-executive Directors.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September, 2014

	Notes	Six months ended 1.4.2014 to 30.9.2014 HK$'000 (unaudited)	1.4.2013 to 30.9.2013 HK$'000 (unaudited)
Turnover	5	**509,541**	540,592
Cost of goods sold	6	**(522,565)**	(638,409)
Gross loss		**(13,024)**	(97,817)
Other income		**8,406**	5,063
Other gains and losses	7a	**17,302**	72,257
Other expenses	7b	**(15,194)**	(8,663)
Impairment losses recognised in respect of property, plant and equipment		**(41,194)**	–
Distribution and selling expenses		**(53,895)**	(36,990)
Administrative expenses		**(88,698)**	(78,370)
Finance costs		**(5,650)**	(7,760)
Share of (loss)/profit of a jointly controlled entity		**(8,090)**	1,998
Loss before taxation	8	**(200,037)**	(150,282)
Taxation	9	**(110)**	(203)
Loss for the period		**(200,147)**	(150,485)
Other comprehensive income for the period:			
Item that may be subsequently reclassified to profit or loss:			
– Exchange differences arising from translation		**(7,544)**	27,970
Total comprehensive expenses for the period		**(207,691)**	(122,515)
Loss for the period attributable to the following persons:			
Equity holders of the Company		**(196,999)**	(149,556)
Non-controlling interests		**(3,148)**	(929)
		(200,147)	(150,485)
Total comprehensive expenses for the period attributable to:			
Equity holders of the Company		**(204,543)**	(123,444)
Non-controlling interests		**(3,148)**	929
		(207,691)	(122,515)
Proposed interim dividend	10	**–**	–
Loss per share	11		
Basic		**HK$(0.155)**	HK$(0.159)
Diluted		**HK$(0.155)**	HK$(0.159)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2014

	Notes	30.9.2014 HK$'000 (unaudited)	31.3.2014 HK$'000 (audited)
Non-current assets			
Investment properties		**19,017**	19,017
Property, plant and equipment	*12*	**314,409**	334,173
Prepaid lease payments	*13*	**71,011**	76,135
Goodwill	*4*	**9,681**	–
Intangible assets	*14*	**23,070**	8,857
Interest in an associate		**611**	628
Interest in a jointly controlled entity	*4*	**–**	21,663
Available-for-sale investments		**3,950**	3,950
Deposits made on acquisition of property, plant and equipment		**8,532**	19,263
Deposit made on formation of an associate		**1,204**	1,204
		451,485	484,890
Current assets			
Inventories		**228,924**	348,627
Trade and other receivables	*15*	**378,808**	272,243
Loan receivable		**–**	44,246
Tax recoverable		**5,256**	5,256
Pledged bank deposits		**43,036**	44,411
Cash and cash equivalents		**973,953**	113,357
		1,629,977	828,140
Current liabilities			
Trade and other payables	*16*	**307,931**	267,886
Taxation payable		**5,324**	5,474
Bank borrowings repayable within one year		**212,011**	221,743
		525,266	495,103
Net current assets		**1,104,711**	333,037
Total assets less current liabilities		**1,556,196**	817,927

	Notes	**30.9.2014** ***HK$'000*** **(unaudited)**	31.3.2014 *HK$'000* (audited)
Non-current liabilities			
Government grants		**65,205**	20,118
Deferred taxation		**6,136**	6,375
		71,341	26,493
Net assets		**1,484,855**	791,434
Capital and reserves			
Share capital	*17*	**193,932**	93,932
Share premium		**2,404,369**	1,683,128
Other reserves		**517,579**	524,404
Retained loss		**(1,634,967)**	(1,516,727)
Equity attributable to equity holders of the Company		**1,480,913**	784,737
Non-controlling interests		**3,942**	6,697
Total equity		**1,484,855**	791,434

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30th September, 2014 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 annual financial statements for the year ended 31st March, 2014, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31st March, 2015. Details of these changes in accounting policies are set out in note 3.

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 2013/2014 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 31st March, 2014 that is included in the interim financial report as being previously reported 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 year ended 31st March, 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 25th June, 2014.

3. 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. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities
- Amendments to HKAS 32, Offsetting financial assets and financial liabilities
- Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets
- HK (IFRIC) – Int 21, Levies

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. These amendments do not have an impact on the Group's interim financial report.

HK (IFRIC) – Int 21, Levies

The interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

4. SIGNIFICANT ACQUISITION AND CAPITAL INCREASE

THTF ES' Conditional Subscription of the Shares in the Company

The subscription agreement dated 19th March, 2014 entered into between the Company and Tsinghua Tongfang Co., Ltd. ("Tsinghua Tongfang") via THTF Energy-Saving Holdings Limited ("THTF ES") (an indirectly wholly-owned subsidiary of Tsinghua Tongfang), was 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 HK$0.90 per share by THTF ES. The completion of the Subscription pursuant to the subscription agreement took place on 1st 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 1st August, 2014. When completion, THTF ES has subscribed for an aggregate of approximately 51.56% of the issued share capital of the Company. THTF ES made an announcement on the Stock Exchange regarding the mandatory unconditional cash offers for all the issued shares and outstanding options of the Company on 8th August, 2014. The joint announcement dated 22nd September, 2014 confirmed that THTF ES had received 692,690 shares under the share offer (representing approximately 0.0357% of the issued share capital of the Company as at the date of the said announcement). As at the date of this announcement, the shareholding of THTF ES, Mr. Ben FAN and its associated parties, and other shareholders in the Company is 51.6%, 18.75% and 29.65% respectively.

Acquisition of Tivoli, LLC.

On 8th May, 2014, Neo-Neon LED USA Holdings Limited and American Lighting Inc. (the "Purchasers"), both of which are wholly-owned subsidiaries of the Company, and Targetti Poulsen USA Inc. (the "Vendor") entered into an acquisition agreement. Pursuant to the acquisition agreement, the Purchasers agreed to acquire and the Vendor agreed to sell 50% issued share capital of Tivoli, LLC. at the consideration of US$3,000,000 (equivalent to approximately HK$23,271,000) (the "Acquisition"), to be funded by the existing general working capital of the Group. Completion of the Acquisition took place on 15th May, 2014. Prior to the completion of the acquisition agreement, Tivoli was a jointly controlled entity owned by the Company and the Vendor. Upon the completion of the acquisition agreement, Tivoli became a wholly-owned subsidiary of the Company.

5. 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
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 external customers during the period.

Segment Information

Business segment

	Six months ended	
	1.4.2014 to 30.9.2014	1.4.2013 to 30.9.2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Business segment		
LED Decorative Lighting	**306,840**	289,613
LED General Illumination Lighting	**135,076**	151,186
Incandescent Decorative Lighting	**40,187**	62,005
Entertainment Lighting	**24,047**	28,883
All Others	**3,391**	8,905
	509,541	540,592
Gross loss		
LED Decorative Lighting	**(1,355)**	(49,223)
LED General Illumination Lighting	**(4,899)**	(31,362)
Incandescent Decorative Lighting	**(3,917)**	(13,925)
Entertainment Lighting	**(2,177)**	(2,939)
All Others	**(676)**	(368)
	(13,024)	(97,817)
Results		
Loss from operations		
LED Decorative Lighting	**(75,378)**	(99,214)
LED General Illumination Lighting	**(37,486)**	(57,459)
Incandescent Decorative Lighting	**(13,612)**	(24,628)
Entertainment Lighting	**(7,979)**	(7,925)
All Others	**(1,493)**	(1,904)
	(135,948)	(191,130)
Unallocated other income	**8,406**	5,063
Unallocated other gains and losses	**(39,086)**	63,594
Unallocated expenses	**(19,669)**	(22,047)
Finance costs	**(5,650)**	(7,760)
Share of (loss)/profit of a jointly controlled entity and an associate	**(8,090)**	1,998
Loss before taxation	**(200,037)**	(150,282)
Taxation	**(110)**	(203)
Loss for the period	**(200,147)**	(150,485)

Geographical segment

	Six months ended 1.4.2014 to 30.9.2014 HK$'000 (unaudited)	1.4.2013 to 30.9.2013 HK$'000 (unaudited)
Turnover		
America	**260,128**	264,303
Europe	**95,938**	93,581
the PRC	**55,163**	70,300
Russia	**39,140**	46,110
Asia Pacific and Middle East (excluding the PRC)	**59,172**	66,298
	509,541	540,592
Gross loss		
America	**25,592**	(46,543)
Europe	**(11,390)**	(10,640)
the PRC	**(10,736)**	(19,122)
Russia	**(6,220)**	(3,581)
Asia Pacific and Middle East (excluding the PRC)	**(10,270)**	(17,931)
	(13,024)	(97,817)
Results		
Loss from operations		
– America	**(51,809)**	(100,353)
– Europe	**(34,628)**	(22,969)
– the PRC	**(18,746)**	(31,950)
– Asia Pacific and Middle East (excluding the PRC)	**(30,765)**	(35,858)
	(135,948)	(191,130)
Unallocated other income	**8,406**	5,063
Unallocated other gains and losses	**(39,086)**	63,594
Unallocated expenses	**(19,669)**	(22,047)
Finance costs	**(5,650)**	(7,760)
Share of (loss)/profit of a jointly controlled entity and an associate	**(8,090)**	1,998
Loss before taxation	**(200,037)**	(150,282)
Taxation	**(110)**	(203)
Loss for the period	**(200,147)**	(150,485)

6. COST OF GOODS SOLD

	Six months ended	
	1.4.2014 to 30.9.2014	1.4.2013 to 30.9.2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Actual cost of goods sold	**449,415**	495,881
Net impairment losses of inventory	**73,150**	142,528
	522,565	638,409

During the period, excluding net impairment losses of inventory, the Group's actual cost of goods sold amounted to HK$449,400,000 and its gross profit margin amounted to 11.8%, as compared to HK$495,900,000 and 8.3% respectively in the same period of 2013. During the Review Period, the Group's gross profit margin grew by 3.5 percentage points.

7a. OTHER GAINS AND LOSSES

	Six months ended	
	1.4.2014 to 30.9.2014	1.4.2013 to 30.9.2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	**66,351**	110,739
Net allowance for bad and doubtful debts	**(53,449)**	(26,748)
Decrease in fair value of investments held-for-trading	**–**	(612)
Net exchange gain/(loss)	**4,400**	(11,122)
	17,302	72,257

7b. OTHER EXPENSES

	Six months ended	
	1.4.2014 to 30.9.2014	1.4.2013 to 30.9.2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Research and development costs	**(8,368)**	(8,663)
Compensation relating to litigation*	**(6,826)**	–
	(15,194)	(8,663)

* Compensation relating to litigation includes the following:

In October 2013, a customer of the Group filed a claim to Shanghai Arbitration Commission against Heshan Yinyu Illumination Co., Ltd. (鶴山市銀雨照明有限公司) ("Heshan Yinyu") for the dispute on a special sale and purchase agreement. On 13th August, 2014, Shanghai Arbitration Commission issued a verdict and ordered Heshan Yinyu to pay RMB2,927,000 (equivalent to HK$3,681,000) to the plaintiff.

In November 2013, a customer of the Group filed a claim to the Court of the State of Illinois in the U.S. against Neo-Neon International Limited ("NNI"), a wholly-owned subsidiary of the Group. On 24th October, 2014, the Company has paid to the plaintiff HK$3,145,000 for compromising the case and for the legal fees incurred.

8. LOSS BEFORE TAXATION

	Six months ended	
	1.4.2014 to 30.9.2014	1.4.2013 to 30.9.2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**22,069**	31,454
Less: Depreciation included in research and development costs	**(157)**	(725)
	21,912	30,729
Amortisation of intangible assets	**–**	388
Research and development costs	**3,215**	3,348
Operating lease rentals in respect of		
– prepaid lease payments	**852**	855
– rented premises	**4,854**	2,202
and after crediting:		
Interest income	**1,990**	3,404
Property rental income before deduction of negligible outgoings	**2,245**	1,402

9. TAXATION

	Six months ended	
	1.4.2014 to 30.9.2014	1.4.2013 to 30.9.2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")	**–**	(203)
Taxation in other overseas jurisdictions	**(110)**	–

During the period, Neo-Neon (Vietnam) Development Company Limited, a wholly-owned subsidiary of the Group, paid back its EIT of 2013. The PRC Enterprise Income Tax and overseas taxation are calculated at the rates prevailing in the respective jurisdictions.

10. DIVIDEND

No interim dividend will be paid for the six months ended 30th September, 2014 (2013: Nil).

11. LOSS PER SHARE

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

	Six months ended	
	1.4.2014 to 30.9.2014	1.4.2013 to 30.9.2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss attributable to equity holders of the Company	**(196,999)**	(149,556)
Weighted average number of ordinary shares in issue for basic earnings per share	**1,272,653,027**	939,319,694
Basic loss per share	**HK$(0.155)**	HK$(0.159)
Weighted average number of ordinary shares for diluted earnings per share	**1,272,653,027**	939,319,694
Diluted loss per share	**HK$(0.155)**	HK$(0.159)

During the period, 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 1st August, 2014. The Company has a weighted average number of ordinary shares in issue of 1,272,653,027 during the period.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK$23,700,000 (30th September, 2013: HK$8,400,000) on additions to property, plant and equipment to expand and upgrade its manufacturing capabilities. Among which, amount for buildings was nil (30th September, 2013: nil); leasehold improvement was HK$500,000 (30th September, 2013: HK$1,500,000); furniture, fixture and equipment was HK$700,000 (30th September, 2013: HK$1,200,000); motor vehicles was nil (30th September, 2013: HK$300,000); plant and machinery was HK$20,300,000 (30th September, 2013: HK$3,500,000); mould was HK$2,200,000 (30th September, 2013: HK$600,000); construction in progress was nil (30th September, 2013: nil), land use right was nil (30th September, 2013: HK$1,300,000). In addition, due to its acquisition of Tivoli, the Group recorded an increase of HK$2,000,000 in the furniture, fixtures and equipment and plant and machinery (for details, please refer to note 4).

During the period, the decrease in property, plant and equipment of the Group was mainly due to its disposal of Lide advertising lighting factory with a net value of HK$20,200,000.

13. PREPAID LEASE PAYMENTS

During the period, the decrease in prepaid lease payments of the Group was mainly due to the net amount of HK$3,700,000 asset disposal income relating to Lide advertising lights.

14. INTANGIBLE ASSETS

During the period, the Group recorded an increase of HK$14,200,000 in intangible assets, mainly resulting from its acquisition of Tivoli (for details, please refer to note 4).

15. TRADE AND OTHER RECEIVABLES

	30.9.2014	31.3.2014
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**279,683**	214,508
Bills receivables	**54,509**	11,700
Less: Allowance for bad and doubtful debts	**(110,947)**	(90,542)
	223,245	135,666
Deposits paid to suppliers	**26,115**	30,739
Value added tax recoverable	**6,362**	7,623
Value added tax refundable on export sales	**91,081**	71,280
Other receivables	**32,005**	26,935
	378,808	272,243

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. As from July to September every year is the peak sales season of the Group, the trade receivables and bills receivables during the period amounted to HK$334,200,000, representing a decrease of HK$28,000,000 or 7.7% as compared to HK$362,200,000 in September 2013. The following is an aged analysis of trade and bills receivables presented based on the invoice date (which approximated the respective revenue recognition dates) at the end of the reporting period:

	30.9.2014	31.3.2014
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Age		
0 to 60 days	**123,438**	51,338
61 to 90 days	**70,207**	11,955
91 to 180 days	**28,364**	39,467
181 to 360 days	**1,236**	32,906
	223,245	135,666

16. TRADE AND OTHER PAYABLES

	30.9.2014	31.3.2014
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**151,091**	104,753
Bills payables	**2,998**	7,848
	154,089	112,601
Customers' deposits	**24,798**	35,613
Payroll and welfare payables	**22,166**	18,927
Payables for acquisition of property, plant and equipment	**44**	44
Other tax payables	**21,640**	21,729
Obligation under onerous contract in connection with acquisition of property, plant and equipment	**277**	2,731
Other payables	**84,917**	76,241
	307,931	267,886

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

	30.9.2014	31.3.2014
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Age		
0 to 30 days	**28,936**	45,080
31 to 60 days	**29,793**	11,330
61 to 90 days	**26,274**	13,102
91 to 180 days	**39,010**	9,258
181 to 360 days	**5,330**	14,525
Over 1 year	**24,746**	19,306
	154,089	112,601

17. SHARE CAPITAL

	Number of Shares		Share capital	
	30.9.2014	31.3.2014	**30.9.2014**	31.3.2014
			HK$'000	*HK$'000*
			(unaudited)	(audited)
Ordinary Shares of HK$0.10 each				
Authorised	**5,000,000,000**	5,000,000,000	**500,000**	500,000
At beginning of the period/year	**1,939,319,694**	939,319,694	**193,932**	93,932
At end of the period/year	**1,939,319,694**	939,319,694	**193,932**	93,932

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

For the six months ended 30th 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 1st 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 (for details, please refer to note 4).

18. 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	
	30.9.2014	31.3.2014
	(unaudited)	(audited)
Outstanding at 1st April	**47,437,000**	50,386,000
Forfeited during the period/year	**(47,437,000)**	(2,949,000)
	–	47,437,000

During the year ended 31st March, 2014, the weighted average exercise price of options forfeited during the year and outstanding at the balance sheet date is HK$4.92 (2013: HK$3.5) and HK$3.94 (2013: HK$4), respectively.

These fair values were calculated using the binomial option pricing model.

The response document of the offer announced on 8th September, 2014 declared that the rights to exercise options were terminated with immediate effect after the latest time and date for acceptance of the share offers, being 4:00 p.m. on 22nd September, 2014, as set out in the offer document.

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

19. CAPITAL COMMITMENTS

	30.9.2014	31.3.2014
	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	**11,860**	15,967

20. RELATED PARTY TRANSACTIONS

During the Review Period, the Group sold goods totalling HK$Nil (September 2013: HK$77,000) to its associates and jointly controlled entity.

American Lighting, LLC, a wholly-owned subsidiary of the Group, rented a building from Miss Camielle FAN (the daughter of Mr. Ben FAN and Ms. Michelle WONG and the niece of Mr. FAN Pong Yang) for warehouse purpose, which incurred rental expenses of US$111,000 (equivalent to approximately HK$890,461) during the period.

During the Review Period, the emoluments to the Company's Directors, who are the Group's key management, were HK$711,000 (September 2013: HK$707,000). During the Review Period, Mr. Ben FAN and other Directors have waived their emoluments of HK$2,160,000 and HK$540,000 in relation to their services respectively.

21. EVENTS AFTER THE REPORTING PERIOD

On 29th October, 2014 (after trading hours), Heshan Lide Electronic Enterprise Limited ("Heshan Lide", as principal), a wholly-owned subsidiary of the Company, entered into an overseas assets management plan contract (the "Contract") with China Asset Management Co., Ltd. ("China AMC", as asset manager) and China Construction Bank Corporation ("CCBC", as asset custodian), pursuant to which Heshan Lide has agreed to participate in the overseas assets management plan operated by China AMC (the "Plan") by depositing the investment amount of RMB105,500,000 (equivalent to approximately HK$133,600,000) (the "Investment Amount") in a designated account maintained with CCBC. Pursuant to the Plan, the Investment Amount is proposed to be invested principally in equity interest and equity-linked structured products of Sinopec Marketing Co., Ltd. and bonds (including convertible bonds), funds, money market instruments, derivatives commodities and other financial instruments as permitted by the applicable securities laws and the requirements of the China Securities Regulatory Commission. As all of the applicable percentage ratios in respect of the Contract was more than 5% but less than 25%, the Contract and the transactions contemplated thereunder constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules. Therefore, on 29th October, 2014, the Company announced a discloseable transaction on entering into the Contract.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

During the Review Period, the Group has recorded a turnover of approximately HK$509.5 million, representing a decrease of 5.7% as compared to approximately HK$540.6 million in the corresponding period in September 2013, which was basically stable.

Cost of Goods Sold

The Group's costs of goods sold were HK$522.6 million, representing a decrease of 18.1% as compared to HK$638.4 million in the corresponding period in September 2013.

Gross Loss and Gross Loss Margin

The Group experienced a turnaround from gross loss and gross loss margin of HK$97.8 million (18.1%) in September 2013 to gross loss and gross loss margin of HK$13.0 million (2.6%). The reduce is mainly because of (i) impairment provision for inventory of HK$73.1 million (September 2013: HK$142.5 million), a decrease of HK$69.4 million or 48.7%; (ii) depreciation cost of HK$22.9 million (September 2013: HK$32.7 million), a decrease of HK$9.8 million or 30.0%; (iii) other cost of goods sold was affected by the decrease in the average price of bulk purchase of material, reflected by 3 to 7 percentage points drop in the average price of bulk purchase of material in September 2014 as compared to September 2013. During the period, excluding net impairment losses of inventory, the actual cost of goods sold was HK$449.4 million as compared to HK$495.9 million in the corresponding period of 2013. During the Review Period, the gross profit margin of the Group (excluding impairment losses of inventory) increased by 3.5 percentage points (for details, please refer to note 6).

Other Income

Other income was HK$8.4 million during the Review Period (September 2013: HK$5.1 million) representing an increase of HK$3.3 million or 64.7%, mainly due to the increase of rental income.

Other Gains and Losses

Other gains and losses showed a gain of HK$17.3 million during the six months ended 30th September, 2014 (September 2013: HK$72.3 million). The gain was mainly due to net income of HK$66.4 million from disposal of plant and land of Lide advertising lights factory during the period, as compared to the income from disposal of fixed assets during the same period of last year, which referred to the gain on disposal of its Hong Kong office and exhibition hall on ground floor and basement Level 1 located at New East Ocean Centre, No. 9 Science Museum Road, Tsim Sha Tsui East, Hong Kong amounting to HK$110.7 million. The purchaser of the property is a property holding company and its ultimate beneficial owners are independent unrelated parties.

Administrative, Distribution and Selling Expenses

For the six months ended 30th September, 2014, the Group's administrative, distribution and selling expenses were HK$142.6 million, an increase of HK$27.2 million or 23.6% from HK$115.4 million in September 2013. The increase was mainly attributable to: (i) increase in salaries of HK$20.5 million or 49.2%; (ii) increase in promotion expenses of HK$4.6 million or 196.2%; and (iii) increase in professional service fees of HK$3.0 million or 32.3%.

Finance Costs

The finance costs of the Group for the six months ended 30th September, 2014 were HK$5.7 million, a decrease of 26.9% from HK$7.8 million in September 2013. The decrease was due to the Group's repayment of bank borrowings after disposal of its Hong Kong office and exhibition hall on ground floor and basement Level 1 located at New East Ocean Centre, No. 9 Science Museum Road, Tsim Sha Tsui East, Hong Kong in August 2013.

Net Loss

For the six months ended 30th September, 2014, the Group's net loss was HK$200.1 million, an increase of HK$49.6 million or 33.0% compared with the Group's net loss of HK$150.5 million in September 2013. The net loss margin for the period was 39.3% compared with net loss margin of 27.8% in September 2013. The reasons could be analysed from two main perspectives. Earnings: i) a decrease in gross loss of HK$84.8 million; ii) a decrease in income from disposal of fixed assets of HK$44.4 million or 40.0%, net effect of which was a decrease of HK$40.4 million in loss. Expenses: i) an increase in impairment of fixed assets of HK$41.2 million; ii) an increase in investment losses of HK$10.1 million; iii) an increase in other expenditure, administrative, distribution and selling expenses of HK$33.8 million resulted from an increase in current litigation, staff cost and other expenses, net effect of which was an increase of HK$85.1 million in loss. Net effect of these two integrated factors lead to an increase in net loss.

Financial Resources and Liquidity

The Group maintained a stable financial position. As at 30th September, 2014, the Group had bank balances and cash of HK$974.0 million (31st March, 2014: HK$113.4 million) and short-term bank loans of HK$212.0 million (31st March, 2014: 221.7 million). All short-term bank loans were denominated in Hong Kong dollars and at prevailing market interest. The liabilities-to-equity ratio representing the ratio of short-term bank loans to total equity of the Group was 14.3% as at 30th September, 2014 (31st March, 2014: 28.0%).

Assets and Liabilities

As of 30th September, 2014, the Group's total assets were HK$2,081.5 million, an increase of HK$768.5 million or 58.5% compared with HK$1,313.0 million as of 31st March, 2014. The Group's total liabilities as of 30th September, 2014 were HK$596.6 million, increased by 14.4% from HK$521.6 million as of 31st March, 2014.

The Group's shareholders' equity as of 30th September, 2014 was HK$1,480.9 million, representing an increase of 88.7% when compared with HK$784.7 million as of 31st March, 2014.

Taxation

Taxation of the Group for the six months ended 30th September, 2014 was HK$0.11 million (September 2013: HK$0.203 million). The effective tax rate was minus 0.05% for the six months ended 30th September, 2014, compared to 0.14% for September 2013. The Group's PRC subsidiaries 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% lower than that applicable to those for the 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, the management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

During the Review Period, there were no significant changes in capital commitments and contingent liabilities.

MARKET OVERVIEW

The LED lighting market continued to grow during the Review Period. The incessant falling price in LED lighting products, increasingly mature technology along with strong support from the government contributed to continuous expanding in the market share of LED lighting products and sustainable fast growing market demand. Due to further development of the industry integration, a number of small and medium enterprises entered bankruptcy and certain competitive enterprises continuously improved, leading to the emergence of the industry leader.

BUSINESS REVIEW

In the first half of 2014, the US economy saw gradual recovery driven by the continuous growth in the property and individual consumption markets. However, the economic depression in Europe became more profound, whereas emerging economies such as China experienced a significant slowdown in domestic demand.

During the Review Period, the Group proactively made adjustment and improvement to its business operation in order to cope with the changing market. In respect of our channel development and marketing, our Group persisted to both domestic and overseas development. During the Review Period, the Group also launched a number of LED lighting products to enrich its product category continuously, which enabled it to meet customers' diversified demands. In addition, to improve its profitability, the Group strengthened its control over production cost and enhanced the effectiveness in management.

The sales revenue of the Group amounted to HK$509.5 million, representing a decrease of 5.7% over the same period of last year, whereas the gross loss margin decreased to 2.6% from 18.1%. Also, the Group made impairment provision for inventory of HK$73.1 million (September 2013: HK$142.5 million) for items that was identified as obsolete, slow-moving and for inventories with net realizable values lower than their carrying amounts taking into account of market demands and the estimated selling prices and an aging analysis as 50% provision of more than 180 days and full provision of more than one year under the accounting policies for inventories provision.

Sales and Distribution

During the Review Period, the Group recorded total sales of HK$509.5 million, representing a decrease of 5.7% over the same period of last year. The Group maintained a sales team of over 100 staff members. Its sales network covers more than 100 countries and regions including mainland China, Hong Kong, Taiwan, Korea, Japan, Europe and the Americas. The Group puts much effort 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 and brought to its customers a brand new experience in energy-saving technologies and solutions with reference to overseas and local markets.

Research and Development

The Group's R&D efforts were driven towards product design, new product development and production efficiency improvement in order to reduce the overall production cost. We believe an enterprise must master its own core technology to realise its business upgrade. Only in this way can an enterprise maintain its spirit and this is also one of the secrets for an enterprise to sustain its success. Furthermore, this can stimulate an enterprise to revolutionise its operating model, so as to enhance the industrial competitiveness.

Trade Receivable Management

As at 30th September, 2014, the Group's receivables were HK$378.8 million (31st March, 2014: HK$272.2 million), representing an increase of HK$106.6 million, in which the amount of receivables due within 0-60 days increased by HK$72.1 million. The increase was mainly due to the peak season of delivery of seasonal decorative lighting products at the end of September each year. During the period, trade receivables and bills receivables amounted to HK$334.2 million, representing a decrease of HK$28.0 million or 7.7% as compared to HK$362.2 million in September 2013. 50% provision for bad debt was made with respect to receivables overdue for more than 180 days and full provision for bad debt was made with respect to receivables overdue for more than one year under the accounting policies for bad debts provision.

Inventory Management

During the Review Period, the Group's inventory balances decreased by approximately 34.3% to HK$228.9 million from HK$348.6 million as at 31st March, 2014. In September 2014, the Group made provision for inventories of HK$73.1 million (September 2013: HK$142.5 million) and for inventories with net realizable values lower than their carrying amounts taking into account of market demands and the estimated selling prices and an aging analysis as 50% provision of more than 180 days and full provision of more than one year under the accounting policies for inventories provision, due to lower than expected demand for our products, resulting lower valuations of inventory. It was mainly due to the Group's efforts to strengthen the relationship between inventory control and customer orders, and implement a number of internal management measures to reduce the inventory turnover days.

Disciplinary Hearing Result

On 8th August, 2014, the Company received a letter from the Secretary to the Listing (Disciplinary) Committee of the Stock Exchange (the "**Committee**"). The letter stated that the Committee conducted a hearing into the conduct of the Company and its Directors, and the disciplinary hearing result concluded that the Company and its Directors did not breach Rule 13.09(1) of the Listing Rules, and the Committee decided not to impose any sanctions or directions on the Company and its Directors. The hearing was about the failure for the Company to publish an announcement as soon as reasonably practicable to inform its shareholders and the market of the significant magnitude of expected loss for the year ended 31st March, 2012, which was enquired by the Committee in March 2014; and the Company might be faced with certain disciplinary actions.

Tsinghua Tongfang's Investment of Neo-neon Created "Win-Win" Era

Tsinghua Tongfang is a renowned high-tech enterprise in the PRC, which possesses the capabilities to manufacture upstream LED chips and wafers. Furthermore, Tsinghua Tongfang has strong technical know-how and global sales network in the related applications industries such as multi-media television industry, computer industry, intelligent building industry and energy saving industry. By leveraging on the strong technical know-how and global sales network of Tsinghua Tongfang in the abovementioned areas, it is believed that the introduction of Tsinghua Tongfang as a strategic investor of the Group can support the rapid development and expansion of the Group's business. Besides, the implementation of the standard management system adopted by Tsinghua Tongfang can enhance the corporate governance of the Group and create more room for the Group to diversify its business structure in the future.

Combined with the advantages of Tsinghua Tongfang in channels and lights in the energy conservation of city, industry and construction, we introduced these solutions of integrated energy saving, intelligent building, smart home furnishing, and intelligent environment. At present, the LED smart lighting system of Tsinghua Tongfang can adjust the lightness wirelessly, and can choose different colors according to the degree of the temperatures. The intelligent lighting will definitely bring new opportunities for LED lighting. Electronically adjusted colors of LED lighting have met the aspirations of young people. For example, the LED lamp can be adjusted with different colors at the user's wish, when installed on the faucet, the water temperature changes can be displayed with different light color, which allows the user intuitively feel the water temperature.

By leveraging the brand effect of Tsinghua Tongfang and our own powerful products, and improving our internal management through adjustment, we have adjusted the industrial chain layout by grasping the foremost and abandoning the secondary, and produced more marketable and competitive products, thus "turning into profitability" is just a matter of time. While Tsinghua Tongfang will also benefit from Neo-neon: its reputation in the field of lighting at home and abroad, more than 1,000 authorized patents, and brand name of NEONEON in lighting industry, as well as its perfect sales channels, which can also facilitate Tsinghua Tongfang a prosperous future in LED lighting industry. Tsinghua Tongfang's complementarily joining Neo-neon with alliances will definitely create a "win-win" partnership.

INTERIM DIVIDEND

No dividend will be paid for the six months period from 1st April to 30th September, 2014 (September 2013: Nil).

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 Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules stipulates the principles of good corporate governance and two levels of recommendations: (1) Code Provisions; and (2) Recommended Best Practices. Throughout the Review 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 for Code Provision A.2.1.

Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by same individual. During the period from 1st April, 2014 to 24th August, 2014, Mr. Ben FAN continuously took the role of the Chairman of the Board and the Chief Executive Officer ("CEO") of the Company because Mr. FAN has the vision on the LED industry, technology and market development which is necessary for the Group to maximise the edge solutions for the upstream, middle steam and downstream industrial chain integration from LED wafers & chip production packaging to LED lighting applications. Since THTF ES became the controlling shareholder of the Company, on 25th August, 2014, Mr. Ben FAN resigned as the Chairman of the Board but remained as an executive Director, and on 25th August, 2014, Mr. LU Zhi Cheng was appointed as the Chairman of the Board and on 26th August, 2014, Mr. SEAH Han Leong was appointed as the CEO of the Company respectively, which was in compliance with Code Provision A.2.1.

The Company has adopted a board diversity policy to enhance its corporate governance standard. The appointment of members of the Board shall take into consideration a number of factors, including but not limited to gender, age, culture and education background, race, professional experience, skills, knowledge and working experience.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company 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 as its own code of conduct regarding securities transactions by Directors of the Company. All the members of the Board have confirmed, following specific enquiries by the Company, that they have complied with the required standards as set out in the Model Code throughout the six months ended 30th September, 2014. The Model Code also applies to other specified senior management of the Group.

APPOINTMENT OF JOB DUTIES OF DIRECTORS AND CHANGE OF MEMBERS OF VARIOUS BOARD COMMITTEES

With effect from 25th August, 2014, Mr. LU Zhi Cheng was appointed as executive Director of the Company and the chairman of the Board of directors; Mr. WANG Liang Hai, Mr. SEAH Han Leong and Mr. PAN Jin were appointed as executive Directors of the Company; Mr. LIU Wei Dong was appointed as non-executive Director of the Company; Mr. FAN Ren Da Anthony, Mr. LIU Tian Min and Ms. LI Ming Qi were appointed as independent non-executive Directors of the Company.

With effect from 26th August, 2014, Mr. SEAH Han Leong was appointed as president and Chief Executive Officer of the Company and Mr. PAN Jin as vice president of the Company.

With effect from 22nd September, 2014, Ms. Michelle WONG and Mr. FAN Pong Yang resigned from positions of executive Directors of the Company; Mr. WENG Shih Yuan, Mr. WONG Kon Man, Jason, Ms. LIU Sheng Ping and Mr. SUEN Man Tak, Stephen resigned from positions of independent non-executive Directors of the Company.

Summary of the Directors and their positions in the board committees are shown below:

Board Committee / Director	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Regulatory Compliance Committee**
Mr. LU Zhi Cheng		M	C	
Mr. Ben FAN				
Mr. WANG Liang Hai				
Mr. SEAH Han Leong				
Mr. PAN Jin				M
Mr. LIU Wei Dong				
Mr. FAN Ren Da Anthony	M	M	M	C
Mr. LIU Tian Min	M	C	M	M
Ms. LI Ming Qi	C	M	M	M

Notes:

C Chairman of the relevant Board committee M Member of the relevant Board committee

AUDIT COMMITTEE

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

Ms. LI Ming Qi *(Chairman)*
Mr. FAN Ren Da Anthony
Mr. LIU Tian Min

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, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee satisfy 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 six months ended 30th September, 2014. At the meeting held on 19th November, 2014, the Audit Committee reviewed the unaudited financial statements for the six months ended 30th September, 2014 together with the interim results announcement, with a recommendation to the Board for approval.

REMUNERATION COMMITTEE

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

Mr. LIU Tian Min *(Chairman)*
Mr. LU Zhi Cheng
Mr. FAN Ren Da Anthony
Ms. LI Ming Qi

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/her associates is involved in deciding his/her 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 and its current members include:

Mr. LU Zhi Cheng *(Chairman)*
Mr. FAN Ren Da Anthony
Mr. LIU Tian Min
Ms. LI Ming Qi

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 agrees that such criteria should include the candidates' professional background, their experience and their past track record with other listed companies (if any).

REGULATORY COMPLIANCE COMMITTEE

The Regulatory Compliance Committee was established on 23rd August, 2013 and its current members include:

Mr. FAN Ren Da Anthony *(Chairman)*
Mr. PAN Jin
Mr. LIU Tian Min
Ms. LI Ming Qi

The Regulatory Compliance Committee comprises independent non-executive Directors in majority who are qualified as certified public accountants and have many years of experience in corporate finance, business management, corporate restructuring, merger and acquisition and venture capital, etc. The duties of the committee are to monitor the compliance of the Company's existing or future business, and review and make recommendations on the compliance of applicable laws and regulations, including matters relating to the Listing Rules.

The Regulatory Compliance Committee shall regularly report to the Board on any alleged frauds and non-compliances, internal control deficiencies or alleged violation of laws, regulations and rules. The committee is authorised by the Board to seek relevant information from the management of the Company to achieve its objectives, duties and responsibilities, and all employees must cooperate to meet its needs. The committee may seek independent professional advice to perform its duties if necessary, and the expenses arising therefrom shall be borne by the Company.

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

Save as disclosed above, THTF ES completed the Subscription of 1,000,000,000 shares at the price of HK$0.90 per share on 1st August, 2014. Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30th September, 2014.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted with effect from 9:00 a.m. on 20th November, 2014 pending the release of this announcement. The Company has applied to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:00 a.m. on 21st November, 2014.

The interim report for the six months ended 30th September, 2014 of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at www.neo-neon.com and the "HKExnews" website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk in due course.

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

Hong Kong, 20th November, 2014

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.