Neo-Neon Holdings Limited
同方友友控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1868)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

ANNUAL RESULTS

The Board of Directors of Neo-Neon Holdings Limited is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2015, together with the comparative figures for the nine months ended 31 December 2014. These results have been audited by the Company's auditors and reviewed by the Company's audit committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015
(Expressed in Renminbi ("RMB"))

	Note	**Year ended 31 December 2015** *RMB'000*	Nine months ended 31 December 2014 *RMB'000*
Revenue	3	**602,438**	558,173
Cost of goods sold		**(435,150)**	(509,765)
Gross profit		**167,288**	48,408
Other income		**10,262**	7,457
Other gains and losses	4(A)	**63,603**	3,444
Other expenses	4(B)	**(4,751)**	(18,511)
Impairment losses recognised in respect of property, plant and equipment		**–**	(32,737)
Distribution and selling expenses		**(88,527)**	(68,554)
Administrative expenses		**(135,607)**	(124,864)
Finance costs	5	**(2,693)**	(4,174)
Share of losses of associates and a jointly controlled entity		**(99)**	(6,409)

	Note	**Year ended 31 December 2015** *RMB'000*	Nine months ended 31 December 2014 *RMB'000*
Profit/(Loss) before taxation	*6*	**9,476**	(195,940)
Income tax	*7*	**(4,991)**	(4,186)
Profit/(Loss) for the year		**4,485**	(200,126)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
– exchange differences arising on translation of financial statements of overseas subsidiaries, net of nil tax		**19,373**	(5,406)
Total comprehensive income for the year		**23,858**	(205,532)
Profit/(Loss) for the year attributable to			
– owners of the Company		**5,817**	(196,048)
– non-controlling interests		**(1,332)**	(4,078)
		4,485	(200,126)
Total comprehensive income for the year attributable to			
– owners of the Company		**25,021**	(201,826)
– non-controlling interests		**(1,163)**	(3,706)
		23,858	(205,532)
		RMB cents	*RMB cents*
Earnings/(Loss) per share	*8*		
– Basic and diluted		**0.30**	(13.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015
(Expressed in RMB)

	Note	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000
Non-current assets			
Investment properties		**14,700**	15,300
Property, plant and equipment		**231,803**	244,143
Prepaid lease payments		**38,097**	58,049
Goodwill		**8,109**	7,661
Intangible assets		**23,853**	16,292
Interests in associates		**1,345**	1,444
Available-for-sale investments		**2,308**	3,126
Financial asset at fair value through profit or loss		**105,380**	105,500
Deposits made on acquisition of property, plant and equipment		**1,341**	4,380
		426,936	455,895
Current assets			
Inventories		**189,174**	170,024
Trade and other receivables	*9*	**210,922**	218,500
Tax recoverable		**11,943**	4,159
Pledged bank deposits		**20,353**	1,167
Cash and cash equivalents		**615,663**	674,806
		1,048,055	1,068,656
Current liabilities			
Trade and other payables	*10*	**194,373**	250,179
Taxation payable		**4,094**	4,827
Bank borrowings repayable within one year		**95,129**	112,783
		293,596	367,789
Net current assets		**754,459**	700,867
Total assets less current liabilities		**1,181,395**	1,156,762

	Note	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000
Non-current liabilities			
Government grants		**13,914**	15,811
Deferred taxation		**3,997**	4,194
		17,911	20,005
Net assets		**1,163,484**	1,136,757
Capital and reserves			
Share capital	*11*	**171,897**	171,897
Reserves		**990,713**	962,021
Equity attributable to owners of the Company		**1,162,610**	1,133,918
Non-controlling interests		**874**	2,839
Total equity		**1,163,484**	1,136,757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB)

1 GENERAL

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and Group's interest in associates and a joint venture.

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

– investment property; and

– financial instruments classified as available-for-sale or as financial asset at fair value through profit or loss.

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

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

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

(c) Change in financial year end date

Pursuant to the announcement dated 19 November 2014, the Company changed its financial year end date from 31 March to 31 December. The change of the Company's financial year end date is to unify the financial year end date of the Company and its ultimate holding company, Tsinghua Tongfang, which is established in the People's Republic of China ("PRC"). Accordingly, the comparative figures (which cover a period of nine months from 1 April 2014 to 31 December 2014) for the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes are therefore not entirely comparable with those of the year ended 31 December 2015.

(d) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

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

Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Group does not operate defined benefit plans.

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

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3 REVENUE 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 or services rendered. Specifically, the Group's reportable segments under HKFRS 8 are as follows:

LED decorative lighting	– manufacture and distribution of LED decorative lighting products and incandescent decorative lighting products
General illumination lighting	– manufacture and distribution of LED general illumination lighting products and entertainment lighting products
All others	– distribution of lighting product accessories

During the year ended 31 December 2015, the chief operating decision maker of the Group changed the structure of internal reports they review regularly in allocating resources to segments and in assessing their performance. The incandescent decorative lighting segment is combined into the LED decorative lighting segment, while the LED general illumination lighting segment and the entertainment lighting segment are combined to form the general illumination lighting segment. The change in the basis of internal reports to the chief operating decision maker is to combine segments with similar economic characteristics for the purpose of a more efficient resources allocation and performance assessment. As a result of the above change, the corresponding figures of segment reporting for the nine months ended 31 December 2014 were restated to reflect the combination of segments.

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

Segment revenue and results

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

	Year ended 31 December 2015 *RMB'000*	Nine months ended 31 December 2014 *RMB'000*
Segment revenue		
LED decorative lighting	**415,681**	361,075
General illumination lighting	**183,845**	190,105
All others	**2,912**	6,993
	602,438	558,173
Segment results		
LED decorative lighting	**76,121**	(43,235)
General illumination lighting	**25,203**	(102,885)
All others	**716**	(1,467)
	102,040	(147,587)
Unallocated expenses	**(32,104)**	(30,160)
Unallocated other gains, losses and expenses	**(55,873)**	(7,863)
Finance costs	**(2,693)**	(4,174)
Change in fair value of investment properties	**(1,795)**	253
Share of losses of associates and a jointly controlled entity	**(99)**	(6,409)
Profit/(Loss) before taxation	**9,476**	(195,940)

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

Segment assets and liabilities

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

	At 31 December 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Segment assets		
LED decorative lighting	**627,675**	535,268
General illumination lighting	**316,324**	290,476
All others	**6,092**	7,418
Total segment assets	**950,091**	833,162
Unallocated assets	**524,900**	691,389
Consolidated assets	**1,474,991**	1,524,551
Segment liabilities		
LED decorative lighting	**134,793**	164,853
General illumination lighting	**59,304**	86,954
All others	**4,370**	3,199
Total segment liabilities	**198,467**	255,006
Unallocated liabilities	**113,040**	132,788
Consolidated liabilities	**311,507**	387,794

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

- all assets are allocated to reportable and operating segments other than investment properties, interest in associates, interest in a jointly controlled entity, financial asset at fair value through profit or loss and available-for-sale investments. Assets used jointly by reportable and operating segments are allocated on the basis of the revenues earned by individual reportable and operating segments; and

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

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment, prepaid lease payments, intangible assets, goodwill, interests in associates and deposits made on acquisition of property, plant and equipment ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset.

	Revenues from external customers		**Specified non-current assets**	
	Year ended 31 December 2015	Nine months ended 31 December 2014	**31 December 2015**	31 December 2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
United States of America ("USA")	**310,899**	182,346	**42,944**	38,501
PRC	**84,398**	61,418	**199,029**	237,333
Other countries*	**207,141**	314,409	**77,275**	71,435
	602,438	558,173	**319,248**	347,269

* Countries included in this category representing their revenues from external customers and balances of specified non-current assets are individually less than 10% of the total sales and non-current assets of the Group for the year ended 31 December 2015 and for the nine months ended 31 December 2014, respectively.

Information about major customers

There were no customers who individually contribute over 10% of the total sales of the Group for the year ended 31 December 2015 and for the nine months ended 31 December 2014.

4(A) OTHER GAINS AND LOSSES

	Year ended 31 December 2015	Nine months ended 31 December 2014
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment and prepaid lease payments	**27,436**	52,751
Net reversal of allowance for/(allowance for) bad and doubtful debts	**13,934**	(47,513)
Net exchange gain	**22,771**	1,519
Others	**(538)**	(3,313)
	63,603	3,444

4(B) OTHER EXPENSES

	Year ended 31 December 2015 *RMB'000*	Nine months ended 31 December 2014 *RMB'000*
Research and development costs, net	**3,516**	9,403
Compensation relating to litigation	**1,235**	9,108
	4,751	18,511

5 FINANCE COSTS

	Year ended 31 December 2015 *RMB'000*	Nine months ended 31 December 2014 *RMB'000*
Interest on bank borrowings	**2,693**	4,174

6 PROFIT/(LOSS) BEFORE TAXATION

	Year ended 31 December 2015 *RMB'000*	Nine months ended 31 December 2014 *RMB'000*
Profit/(loss) before taxation has been arrived at after charging/(crediting):		
Directors' remuneration		
– current year	**4,410**	3,503
– waived during the year	**–**	(1,768)
Contributions to defined contribution retirement plan	**103**	131
Equity-settled share based payment expenses	**2,291**	934
Salaries, wages and other benefits	**152,040**	179,759
	158,844	182,559
Depreciation	**30,603**	25,509
Amortisation		
– prepaid lease payment	**1,196**	1,303
– intangible assets	**2,430**	2,554
Auditor's remuneration		
– audit service	**2,362**	2,297
– non-audit services	**176**	1,575
	2,538	3,872

	Year ended 31 December 2015 *RMB'000*	Nine months ended 31 December 2014 *RMB'000*
Cost of inventories	**435,167**	512,435
Operating lease rentals in respect of – rented premises	**6,782**	3,506
and after crediting:		
Interest income from bank deposits	**(3,434)**	(2,019)
Property rental income before deduction of negligible outgoings	**(1,099)**	(2,184)

7 TAXATION

	Year ended 31 December 2015 *RMB'000*	Nine months ended 31 December 2014 *RMB'000*
Taxation in the consolidated statement of comprehensive income represents:		
Provision for the year	**5,483**	3,041
Under-provision in respect of prior years	**–**	1,997
	5,483	5,038
Deferred taxation	**(492)**	(852)
	4,991	4,186

8 EARNINGS/(LOSS) PER SHARE

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

	Year ended 31 December 2015	Nine months ended 31 December 2014
	RMB'000	*RMB'000*
Profit/(loss) for year attributable to owners of the Company	**5,817**	(196,048)

	Number of shares	
	Year ended 31 December 2015	Nine months ended 31 December 2014
	'000	*'000*
Issued ordinary shares at beginning of the year	**1,939,319**	939,320
Effect of shares issued upon the Subscription	**–**	555,555
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	**1,939,319**	1,494,875

The equity-settled share options were not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 December 2015 and nine months ended 31 December 2014.

9 TRADE AND OTHER RECEIVABLES

	At 31 December 2015	At 31 December 2014
	RMB'000	*RMB'000*
Trade receivables	**151,777**	155,005
Bills receivables	**6,941**	20,514
Less: allowance for bad and doubtful debts	**(61,924)**	(87,588)
	96,794	87,931
Deposits paid to suppliers	**23,702**	14,957
Value added tax recoverable	**4,221**	3,526
Value added tax refundable on export sales	**72,470**	90,401
Other receivables	**13,735**	21,685
	210,922	218,500

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

	At 31 December 2015	At 31 December 2014
	RMB'000	*RMB'000*
0 to 60 days	**38,384**	41,523
61 to 90 days	**8,602**	10,447
91 to 180 days	**7,717**	19,941
Over 180 days	**42,091**	16,020
	96,794	87,931

10 TRADE AND OTHER PAYABLES

	At 31 December 2015	At 31 December 2014
	RMB'000	*RMB'000*
Trade payables	**72,822**	96,745
Bills payables	**33,321**	3,256
Payroll and welfare payables	**7,681**	15,736
Other payables	**59,578**	103,394
Financial liabilities measured at amortised cost	**173,402**	219,131
Customers' deposits	**13,825**	15,611
Other taxes payable	**7,146**	15,437
	194,373	250,179

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

	At 31 December 2015	At 31 December 2014
	RMB'000	*RMB'000*
0 to 30 days	**49,861**	25,319
31 to 60 days	**551**	6,774
61 to 90 days	**10,517**	5,155
91 to 180 days	**8,238**	24,473
181 to 360 days	**14,697**	16,932
More than 360 days	**22,279**	21,348
	106,143	100,001

11 SHARE CAPITAL

	Authorized Number of shares	Authorized Amount *RMB'000*	Issued and fully paid Number of shares	Issued and fully paid Amount *RMB'000*
Ordinary shares of nominal value HK$0.10 each				
– at 1 April 2014	5,000,000,000	520,000	939,319,694	92,317
Issuance of new shares	–	–	1,000,000,000	79,580
– at 31 December 2014 and 31 December 2015	5,000,000,000	520,000	1,939,319,694	171,897

During the nine months ended 31 December 2014, THTF ES subscribed for an aggregate of 1,000,000,000 shares at the subscription price of HK$0.90 per share on 1 August 2014.

12. EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) The number and weighted average exercise prices of share options are as follows:

	31 December 2015		31 December 2014	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	**–**	**–**	HK$3.94	47,437,000
Forfeited/lapsed during the period	**–**	**–**	HK$3.94	(47,437,000)
Granted during the period	**HK$1.31**	**33,000,000**	–	–
Outstanding at the end of the period	**HK$1.31**	**33,000,000**	–	–
Exercisable at the end of the period	**–**	**–**	–	–

The options outstanding at 31 December 2015 had an exercise price of HK$1.31 (2014: nil) and a weighted average remaining contractual life of 4.88 years (2014: nil).

(b) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes model.

	Granted in May 2015
Fair value of share options and assumptions	
Fair value at measurement date	
– Options granted with 1 year service	**HK$0.27**
– Options granted with 2 years service	**HK$0.33**
Share price	**HK$1.31**
Exercise price	**HK$1.31**
Expected volatility	**40.66%**
Option life	**1.1-2.1 years**
Expected dividends	**0%**
Risk-free interest rate	**0.54%**

The expected volatility is based on the historic volatility of the share prices of the Company. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service and non-market performance condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(c) During the year ended 31 December 2015, American Lighting, Inc.("ALI"), an indirect wholly-owned subsidiary of the Company, has adopted a share option scheme for eligible employees of ALI, the Company and Tivoli, LLC, the wholly-owned subsidiary of ALI ("Tivoli"). On 30 June 2015, 2,869 share options were granted to certain employees and directors of the Company, ALI, and Tivoli. The closing price immediately before the date on which the options were granted was US$330 per share. Under the scheme of ALI, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Options may be exercised in accordance with the terms stipulated in the scheme of ALI. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes model.

Fair value of share options and assumptions

Fair value at measurement date	US$121.08
Share price	US$330
Exercise price	US$330
Expected volatility	23.31%
Option life	10 years
Expected dividends	0%
Risk-free interest rate	2.15%

The expected volatility is based upon reference to 10 years analysis of the industrial stock price index. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service and non-market performance condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

13 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with the controlling shareholder and its subsidiaries

	Year ended 31 December 2015	Nine months ended 31 December 2014
	RMB'000	*RMB'000*
Sales of products	**27,411**	4,960

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

The controlling shareholder of the Company, Tsinghua Tongfang is a state-controlled enterprise controlled by the PRC government. Apart from transactions with Tsinghua Tongfang and its subsidiaries which were disclosed in note 13(a) above, the Group also has transactions with other state-controlled entities, included but not limited to the following:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

The revenue for the year ended 31 December 2015 was approximately RMB602.4 million, as compared to approximately RMB558.2 million for the nine months ended 31 December 2014, which remained stable, mainly attributable to (1) the selective acceptance of orders (during the year, the Group took a prudent approaching in dealing with orders by selecting the orders with relatively higher profit margin), and (2) the relatively slow-down in economy in some European countries.

Cost of goods sold

For the year ended 31 December 2015, the cost of goods sold was approximately RMB435.2 million, representing a decrease of approximately RMB74.6 million over approximately RMB509.8 million for the nine months ended 31 December 2014.

Gross profit and gross profit margin

For the year ended 31 December 2015, the Group recorded a gross profit of approximately RMB167.3 million, representing a significant improvement as compared with the gross profit of approximately RMB48.4 million for the nine months ended 31 December 2014.

The Group recorded a gross profit margin of approximately 27.8% for the year ended 31 December 2015, representing an increase of 19.1% over a gross profit margin of approximately 8.7% for the nine months ended 31 December 2014, primarily due to (1) the improvement on impairment provision for inventory of approximately RMB3.7 million (the nine months ended 31 December 2014: RMB37.9 million), (2) the selective acceptance of orders (during the year, the Group took a prudent approaching to sales by selecting the orders with relatively higher profit margin), and (3) a decrease in manufacturing expenses by approximately RMB17.8 million, mainly comprised of staff salaries, depreciation costs and utility charges.

Other gains, losses and expenses

For the year ended 31 December 2015, the Group recorded other gains of approximately RMB58.9 million, representing an increase of approximately RMB74.0 million over other losses of RMB15.1 million for the nine months ended 31 December 2014, due to (1) the net gains of approximately RMB27.4 million resulting from sales of workshops and land use right of Yinyu Semiconductor Photovoltaic (Guangdong) Limited (廣東銀雨芯片半導體有限公司) ("Yinyu Semiconductor"), a subsidiary of the Company, as compared to RMB52.8 million from disposal of plant and land of Heshan Tongfang Lighting Technology Co., Ltd. (鶴山同方照明科技有限公司) ("Heshan Tongfang"), a subsidiary of the Company, for the nine months ended 31 December 2014, (2) the reversal of allowance for bad debt amounting to RMB13.9 million for the year under review due to the improvement on receivables recovery, as compared to allowance for bad debt amounting to RMB47.5 million for the nine months ended 31 December 2014, and (3) the changes in exchange rates, resulting in material increase in foreign exchange gains of RMB22.8 million for the year ended 31 December 2015 as compared to RMB1.5 million for the nine months ended 31 December 2014.

Impairment loss of property, plant and equipment

As at 31 December 2015, the amount of impairment losses recognised in respect of property, plant and equipment was nil (31 December 2014: RMB32.7 million).

Operating expenses

The distribution and selling expenses were mainly comprised of staff costs, promotion and advertising, freight and transportation, agency and custom costs and rent and rates. For the year ended 31 December 2015, the distribution and selling expenses of the Group were approximately RMB88.5 million, representing an increase of approximately RMB19.9 million or 29.0% over approximately RMB68.6 million for the nine months ended 31 December 2014, mainly due to (1) that RMB88.5 million covered twelve months while RMB68.6 million covered nine months, (2) the increase in staff costs for approximately RMB10.8 million.

The administrative expenses were mainly comprised of staff salaries, directors remuneration, depreciation charge, professional and legal fee and share option related expenses. The administrative expenses for the year ended 31 December 2015 were approximately RMB135.6 million, representing an increase of approximately RMB10.7 million or 8.6% over approximately RMB124.9 million for the nine months ended 31 December 2014, mainly due to depreciation of idle fixed, resulting in the increase in depreciation on fixed assets for approximately RMB9.2 million.

Finance costs

The finance costs for the year ended 31 December 2015 were approximately RMB2.7 million, representing a decrease over RMB4.2 million for the nine months ended 31 December 2014, mainly due to the bank loan of RMB95.1 million as at 31 December 2015, representing a decrease of RMB17.7 million as compared to the bank loan of RMB112.8 million as at 31 December 2014.

Taxation

For the year ended 31 December 2015, the Group's tax charge of RMB5.0 million (31 December 2014: RMB4.2 million) mainly included taxation imposed in overseas jurisdictions of approximately RMB5.5 million, and deferred taxation of approximately RMB0.5 million.

Profit attributable to owners of the Company

For year ended 31 December 2015, the Group recorded a profit attributable to owners of the Company of RMB5.8 million, as compared to a loss attributable to owners of the Company of RMB196.0 million for the nine months ended 31 December 2014. Such improvement was mainly attributable to (1) an increase in gross profit margin of 118.9 million due to selective acceptance of orders with relatively high gross profit margins, which resulted in the gross profit for approximately RMB167.3 million for the year ended 31 December 2015 as compared to RMB48.4 million for the nine months ended 31 December 2014, (2) the net gains on disposal of property, plant and equipment and prepaid lease agreements of RMB27.4 million for the year ended 31 December 2015, representing a decrease by RMB25.3 million against RMB52.7 million for the nine months ended 31 December 2014, (3) the impairment losses recognised in respect of property, plant and equipment for the year ended 31 December 2015 being nil, as compared to RMB32.7 million for the nine months ended 31 December 2014, (4) the net reversal of allowance for bad and doubtful debts of approximately RMB13.9 million, representing a decrease in provision on receivables of RMB61.4 million over RMB47.5 million for the nine months ended 31 December 2014, and (5) the foreign exchange gain of RMB22.8 million for the year ended 31 December 2015, representing an increase of RMB21.3 million over RMB1.5 million for the nine months ended 31 December 2014.

Financial Resources and Liquidity and Gearing Ratio

The Group maintained a stable financial position. As at 31 December 2015, the Group had bank balances of RMB615.7 million and short-term bank loans of RMB95.1 million. The gearing ratio representing the ratio of short-term bank loans to total equity of the Group was 8.2% as at 31 December 2015 (31 December 2014: 9.9%). Such decrease was mainly caused by decrease in bank loan of RMB17.7 million for the year under review against the year of 2014.

Cash flows

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

The Group recorded (1) cash outflow from operating activities of approximately RMB44.7 million (the nine months ended 31 December 2014: RMB56.1 million) for the year ended 31 December 2015, (2) cash outflow from investing activities of approximately RMB25.4 million (the nine months ended 31 December 2014: RMB2.4 million) for the year ended 31 December 2015, and (3) cash outflow from financing activities of approximately RMB24.9 million (the nine months ended 31 December 2014: cash inflow of approximately RMB646.5 million) for year ended 31 December 2015.

The above decrease in cash outflow from operating activities was mainly attributable to the increase in trade and other receivables of approximately RMB17.1 million.

The above increase in cash outflow from investing activities was mainly attributable to placement of pledged bank deposits of approximately RMB20.4 million.

The above increase in cash outflow from financing activities was mainly attributable to repayment of bank loan of approximately RMB49.4 million, during the year ended 31 December 2015.

Assets and liabilities

As at 31 December 2015, the Group recorded the total assets of approximately RMB1,475.0 million (31 December 2014: RMB1,524.6 million) and total liabilities of approximately RMB311.5 million (31 December 2014: RMB387.8 million).

As at 31 December 2015 the Group's current assets and non-current assets were approximately RMB1,048.1 million (31 December 2014: RMB1,068.7 million) and approximately RMB426.9 million (31 December 2014: RMB455.9 million) respectively. The decrease in assets was mainly attributable to the sales of workshops and land use right of Yinyu Semiconductor.

As at 31 December 2015, the Group's current liabilities and long-term liabilities were approximately RMB293.6 million (31 December 2014: RMB367.8 million) and approximately RMB17.9 million (31 December 2014: RMB20.0 million), respectively. The decrease in current liabilities was mainly attributable to (1) the bank loan of RMB95.1 million as at 31 December 2015, representing a decrease of RMB17.7 million as compared to RMB112.8 million as at 31 December 2014, and (2) the refunding of the government grants amounting to RMB37.2 million due to change of the Group's investment plan in one of the economic development zones.

Foreign Exchange Risk

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

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

Charge on Assets

As at 31 December 2015, the Group had pledged certain of its land and buildings with an aggregate carrying value of RMB20.1 million (31 December 2014: RMB10.7 million), certain of its trade receivables and inventories with an aggregate carrying value of RMB51.4 million (31 December 2014: RMB27.0 million), and also bank deposits of aggregate carrying value of RMB20.4 million (31 December 2014: RMB1.2 million) to secure bank credit facilities granted to the Group.

Capital Commitments

As at 31 December 2015, the Group had capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment of RMB4.6 million (31 December 2014: RMB13.0 million).

Contingent Liabilities

During the year ended 31 December 2015, certain subsidiaries are parties to various legal claims in their ordinary course of business. In the opinion of the Directors, these claims would not have a significant impact on the Group's results and financial position.

Capital Structure

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

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year, nor was there any plan authorized by the Board for other material investments or additions of capital assets at the date of this announcement.

Final Dividend

The Board resolved not to declare any dividend for the year ended 31 December 2015 (nine months ended 31 December 2014: nil).

BUSINESS REVIEW

Overview

During the year, the Group seized the opportunity to explore the overseas market without slack, vigorously developed sales channels in the PRC market, increased the gross margins, improved the management level, and revitalized idle assets, which lead to the improvement in operating performance.

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

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

Sales and Distribution

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

Research and Development ("R&D")

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

Employees and Remuneration Policy

As at 31 December 2015, the Group's total number of employees was approximately 2,800 (31 December 2014: 3,300). The basic remunerations of the employees are determined with reference to the industry remuneration benchmark, the employees' experience and their performance. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits required by laws, the Group provides discretionary bonus based upon the Group's results and the individual performance of the staff.

Prospects

The Company is committed to a sustainable social development of low-carbon economy, and providing the human comfort, safety, energy-saving light environment with more than 30 years of LED lighting industry expertise and experience.

CORPORATE GOVERNANCE CODE

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

Throughout the year ended 31 December 2015, the Company complied with the code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors' securities transactions for the year ended 31 December 2015.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference. The audit committee currently comprises of three members, being all independent non-executive Directors, Mr. Fan Ren Da Anthony, Mr. Liu Tian Min and Ms. Li Ming Qi. Ms. Li Ming Qi is the chairman of the audit committee. The primary duties of the audit committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the internal control and risk management systems of the Company. Their composition and written terms of reference are in line with the Corporate Governance Code.

The Group's audited annual results for the year ended 31 December 2015 have been reviewed by the audit committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

PROPOSED ADOPTION OF 2016 SHARE OPTION SCHEME

On 22 March 2016, the Board of the Company unanimously resolved to adopt the 2016 Share Option Scheme under Chapter 17 of the Listing Rules, subject to, amongst others, approvals by the Shareholders of the Company because the 2006 Share Option Scheme will expire on 20 November 2016 and the Board would like to enable the continuity of share option scheme of the Company to motivate the employees and the management of the Group.

A circular containing further details of the 2016 Share Option Scheme together with a notice of the general meeting will be dispatched to the Shareholders in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.neo-neon.com). The annual report for the year ended 31 December 2015 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders of the Company and available on the same websites in due course.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

"2006 Share Option Scheme"	the share option scheme adopted by the Company on 20 November 2006, the principal terms of which are summarized under Appendix VII of the prospectus of the Company dated 4 December 2006
"2016 Share Option Scheme"	the share option scheme proposed to be adopted by the Shareholders at the Shareholders' meeting
"Articles of Association" or "Articles"	the articles of association of the Company adopted by the written resolution of the Shareholders on 20 November 2006 and as amended, supplemented and otherwise modified from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of directors of the Company
"Business Day" or "business day"	a day on which banks in Hong Kong and Cayman Islands are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong or Cayman Islands
"BVI"	British Virgin Islands
"China" or "PRC"	the People's Republic of China, excluding for the purpose of the Prospectus, Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company"	means Neo-Neon Holdings Limited (stock code: 1868), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange, and part of shares of which are listed on the Taiwan Stock Exchange as depositary receipts
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"controlling shareholders"	has the meaning ascribed thereto under the Listing Rules
"Corporate Governance Code"	code on corporate governance practices contained in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange

"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Model Code"	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	means share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	the shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"THTF ES"	THTF Energy Saving Holdings Limited, a substantial shareholder of the Company
"Tsinghua Tongfang"	同方股份有限公司(Tsinghua Tongfang Co., Ltd*), a joint stock limited company incorporated in the PRC, whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600100)
"%"	per cent.

By order of the board of
Neo-Neon Holdings Limited
Fan Xin
Chairman

Hong Kong, 22 March 2016

As at the date of this announcement, the executive Directors of the Company are Mr. FAN Xin (chairman), 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.