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

ANNOUNCEMENT OF INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

INTERIM RESULTS

The Board of Directors of Neo-Neon Holdings Limited is pleased to announce the interim results and the unaudited consolidated interim financial statements of the Company and its subsidiaries for the Period, together with the comparative figures for the six months ended 30 June 2015. These results have been reviewed by the Company's audit committee, comprising solely the independent non-executive Directors of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016
(Expressed in Renminbi ("RMB"))

		Six months ended	
		30 June	30 June
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	**286,907**	242,306
Cost of goods sold		**(196,888)**	(178,839)
Gross profit		**90,019**	63,467
Other income		**2,738**	3,850
Other gains and losses	*5a*	**15,607**	46,271
Other expenses	*5b*	**(255)**	(1,370)
Distribution and selling expenses		**(43,407)**	(38,269)
Administrative expenses		**(51,276)**	(66,910)
Finance costs		**(1,625)**	(1,214)
Profit before taxation	*6*	**11,801**	5,825
Income tax	*7*	**(3,899)**	(3,559)
Profit for the period		**7,902**	2,266
Other comprehensive income for the period:			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of financial statements of overseas subsidiaries, net of nil tax		**13,031**	202
Total comprehensive income for the period		**20,933**	2,468
Profit/(loss) for the period attributable to			
– Owners of the Company		**7,929**	3,379
– Non-controlling interests		**(27)**	(1,113)
		7,902	2,266

	Notes	Six months ended **30 June 2016** *RMB'000* **(unaudited)**	30 June 2015 *RMB'000* (unaudited)
Total comprehensive income for the period attributable to			
– Owners of the Company		**20,901**	3,195
– Non-controlling interests		**32**	(727)
		20,933	2,468
Proposed interim dividend	*8*	**–**	–
Earnings per share	*9*		
		RMB cents	*RMB cents*
Basic and diluted		**0.4**	0.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016
(Expressed in RMB)

	Notes	**30 June 2016 RMB'000 (unaudited)**	31 December 2015 RMB'000 (audited)
Non-current assets			
Investment properties		**14,996**	14,700
Property, plant and equipment	*10*	**226,105**	231,803
Prepaid lease payments	*11*	**37,894**	38,097
Goodwill		**8,281**	8,109
Intangible assets		**26,708**	23,853
Interest in associates		**1,345**	1,345
Available-for-sale investments		**2,308**	2,308
Financial asset at fair value through profit or loss		**107,347**	105,380
Deposits made on acquisition of property, plant and equipment		**968**	1,341
		425,952	426,936
Current assets			
Inventories		**199,907**	189,174
Trade and other receivables	*12*	**227,674**	210,922
Tax recoverable		**21,752**	11,943
Pledged bank deposits		**23,249**	20,353
Cash and cash equivalents		**589,840**	615,663
		1,062,422	1,048,055
Current liabilities			
Trade and other payables	*13*	**174,885**	194,373
Taxation payable		**2,163**	4,094
Bank borrowings repayable within one year		**107,972**	95,129
		285,020	293,596
Net current assets		**777,402**	754,459
Total assets less current liabilities		**1,203,354**	1,181,395

	Notes	**30 June 2016** *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
Non-current liabilities			
Government grants		**13,875**	13,914
Deferred taxation		**3,742**	3,997
		17,617	17,911
Net assets		**1,185,737**	1,163,484
Capital and reserves			
Share capital	*14*	**171,897**	171,897
Reserves		**1,013,116**	990,713
Equity attributable to owners of the Company		**1,185,013**	1,162,610
Non-controlling interests		**724**	874
Total equity		**1,185,737**	1,163,484

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in RMB)

1. GENERAL

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

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. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2016 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 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any 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 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 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 22 March 2016.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*

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

Annual Improvements to HKFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

4. 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

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

Segment Information

Business segment

	Six months ended	
	30 June 2016	30 June 2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue		
LED Decorative Lighting	**192,817**	141,868
General Illumination Lighting	**90,956**	99,722
All Others	**3,134**	716
	286,907	242,306
Gross profit		
LED Decorative Lighting	**63,919**	38,599
General Illumination Lighting	**25,335**	24,727
All Others	**765**	141
	90,019	63,467

	Six months ended 30 June 2016 RMB'000 (unaudited)	30 June 2015 RMB'000 (unaudited)
Results		
Gain/(Loss) from operations		
LED Decorative Lighting	**4,874**	(15,174)
General Illumination Lighting	**(2,518)**	(13,070)
All Others	**(194)**	(131)
	2,162	(28,375)
Unallocated expenses	**(4,343)**	(10,857)
Unallocated other gains and losses	**15,607**	46,271
Finance costs	**(1,625)**	(1,214)
Profit before taxation	**11,801**	5,825
Taxation	**(3,899)**	(3,559)
Profit for the period	**7,902**	2,266

Geographical segment

	Six months ended 30 June 2016 RMB'000 (unaudited)	30 June 2015 RMB'000 (unaudited)
Revenue		
United States of America ("USA")	**181,506**	155,055
PRC	**13,620**	29,209
Other countries*	**91,781**	58,042
	286,907	242,306

* Countries included in this category representing their revenues from external customers are individually less than 10% of the total sales of the Group for the six months ended 30 June 2016 and for the six months ended 30 June 2015, respectively.

5a. OTHER GAINS AND LOSSES

	Six months ended 30 June 2016 RMB'000 (unaudited)	30 June 2015 RMB'000 (unaudited)
Gain on disposal of property, plant and equipment and prepaid lease payments	**1,196**	27,424
Net reversal of allowance for bad and doubtful debts	**3,665**	13,295
Net exchange gain	**8,481**	3,572
Others	**2,265**	1,980
	15,607	46,271

5b. OTHER EXPENSES

	Six months ended 30 June 2016 RMB'000 (unaudited)	30 June 2015 RMB'000 (unaudited)
Research and development costs	**(255)**	(1,370)

6. PROFIT BEFORE TAXATION

	Six months ended 30 June 2016 RMB'000 (unaudited)	30 June 2015 RMB'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation	**15,150**	13,706
Amortisation		
– prepaid lease payments	**498**	699
– intangible assets	**1,447**	1,266
Operating lease rentals in respect of		
– rented premises	**3,740**	3,144
and after crediting:		
Interest income from bank deposits	**(1,125)**	(2,262)
Property rental income before deduction of negligible outgoings	**(811)**	(511)

7. TAXATION

	Six months ended 30 June 2016 RMB'000 (unaudited)	30 June 2015 RMB'000 (unaudited)
The tax charge comprises:		
Taxation in overseas jurisdictions	**4,143**	4,278
Taxation in Hong Kong Profits Tax	**11**	6
	4,154	4,284
Deferred taxation	**(255)**	(725)
	3,899	3,559

8. DIVIDEND

No interim dividend will be paid for the six months ended 30 June 2016 (30 June 2015: Nil).

9. EARNINGS PER SHARE

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

	Six months ended	
	30 June	30 June
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit attributable to owners of the Company	**7,929**	3,379
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,939,319,694**	1,939,319,694

The equity-settled share options were not included in the calculation of diluted earnings per share because they are antidilutive for the six months ended 30 June 2016 and 30 June 2015.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group incurred RMB22,200,000 (six months ended 30 June 2015: RMB8,500,000) on additions to property, plant and equipment to expand and upgrade its manufacturing capabilities. Property, plant and equipment of the Group with a net value of RMB14,500,000 (six months ended 30 June 2015: RMB5,800,000) were disposed during the six months ended 30 June 2016.

11. PREPAID LEASE PAYMENTS

During the six months ended 30 June 2015, prepaid lease payments of the Group with a net value of RMB18,800,000 was disposed. There was no disposal of prepaid lease payments during the six months ended 30 June 2016.

12. TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**150,702**	151,777
Bills receivables	**29,511**	6,941
Less: allowance for bad and doubtful debts	**(57,033)**	(61,924)
	123,180	96,794
Deposits paid to suppliers	**26,262**	23,702
Value added tax recoverable	**4,587**	4,221
Value added tax refundable on export sales	**63,423**	72,470
Other receivables	**10,222**	13,735
	227,674	210,922

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

	30 June 2016 *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
0 to 60 days	**97,108**	38,384
61 to 90 days	**11,574**	8,602
91 to 180 days	**7,801**	7,717
Over 180 days	**6,697**	42,091
	123,180	96,794

13. TRADE AND OTHER PAYABLES

	30 June 2016 *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
Trade payables	**90,502**	72,822
Bills payables	**17,983**	33,321
	108,485	106,143
Customers' deposits	**13,771**	13,825
Payroll and welfare payables	**9,419**	7,681
Other tax payables	**2,540**	7,146
Other payables	**40,670**	59,578
	174,885	194,373

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

	30 June 2016 *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
Aging		
0 to 30 days	**52,630**	49,861
31 to 60 days	**13,820**	551
61 to 90 days	**9,571**	10,517
91 to 180 days	**5,939**	8,238
181 to 360 days	**2,958**	14,697
Over 360 days	**23,567**	22,279
	108,485	106,143

14. 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 January 2015	5,000,000,000	520,000	1,939,319,694	171,897
– At 31 December 2015 and 30 June 2016	5,000,000,000	520,000	1,939,319,694	171,897

Neither the Company nor its subsidiaries have purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2016 and 30 June 2015.

15. SHARE OPTIONS

(a) Share option scheme of the Company

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

	30 June 2016		31 December 2015	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	**HK$1.31**	**33,000,000**	–	–
Granted during the period	**–**	**–**	HK$1.31	33,000,000
Forfeited during the period	**HK$1.31**	**(7,200,000)**	–	–
Outstanding at the end of the period	**HK$1.31**	**25,800,000**	HK$1.31	33,000,000
Exercisable at the end of the period	**–**	**–**	–	–

The options outstanding at 30 June 2016 had an exercise price of HK$1.31 (31 December 2015: HK$1.31) and a weighted average remaining contractual life of 4.38 years (31 December 2015: 4.88 years).

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 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.

(b) Share option scheme of the American Lighting, Inc.

During the Period, 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.

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

	30 June 2016		31 December 2015	
	Weighted average exercise price (unaudited)	**Number of options (unaudited)**	Weighted average exercise price (audited)	Number of Options (audited)
Outstanding at the beginning of the period	**US$330**	**2,869**	–	–
Granted during the period	**–**	**–**	US$330	2,869
Outstanding at the end of the period	**US$330**	**2,869**	US$330	2,869
Exercisable at the end of the period	**–**	**–**	–	–

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 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.

16. CAPITAL COMMITMENTS

	30 June 2016	31 December 2015
	RMB'000	*RMB'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	**10,499**	4,556

17. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with the controlling shareholder and its subsidiaries

	Six months ended	
	30 June 2016	30 June 2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of products	**4,128**	3,978

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

The controlling shareholder of the Company, Tsinghua Tongfang is a state-controlled enterprise controlled by the PRC government. Apart from transactions with Tsinghua Tongfang and its subsidiaries which were disclosed in note 17(a) above, the Group also has transactions with other state-controlled entities, included but not limited to the following:

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue for the Period was approximately RMB286.9 million, representing an increase of approximately 18.4% as compared to approximately RMB242.3 million for the six months ended 30 June 2015, mainly attributable to sales in America kept on increasing during the Period.

Cost of goods sold

For the Period, the cost of goods sold was approximately RMB196.9 million, representing an increase of approximately RMB18.1 million over approximately RMB178.8 million for the six months ended 30 June 2015. Such increase was mainly attributable to the increase in sales revenue.

Gross profit and gross profit margin

For the Period, the Group recorded a gross profit of approximately RMB90.0 million, representing an increase of approximately RMB26.5 million or 41.7% over approximately RMB63.5 million for the six months ended 30 June 2015.

The Group recorded a gross profit margin of approximately 31.4% for the Period, representing an increase of approximately 5.2% over a gross profit margin of approximately 26.2% for the six months ended 30 June 2015, primarily due to (1) improvement of technology and efficiency, and (2) the prudent selective acceptance of orders with higher profit margin.

Other gains, losses and expenses

For the Period, the Group recorded other gains of approximately RMB15.4 million, representing a decrease of approximately RMB29.5 million over other gains of approximately RMB44.9 million for the six months ended 30 June 2015, due to the net gains of approximately RMB1.2 million resulting from sales of plant and equipment and property of Heshan Tongfang Lighting Technology Co., Ltd. (鶴山同方照明科技有限公司) ("**Heshan Tongfang**"), and Neo-Neon Development Company Limited, a subsidiary of the Company, as compared to the nets gains of approximately RMB27.4 million from disposal of plant and land 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, for the six months ended 30 June 2015.

Impairment loss of property, plant and equipment

For the Period, the Group of amount of impairment losses recognised in respect of property, plant and equipment was nil (as to 30 June 2015: nil).

Operating expenses

For the Period, total operating expenses were approximately RMB94.7 million, representing a decrease of approximately RMB10.5 million over approximately RMB105.2 million for the six months ended 30 June 2015, mainly attributable to the reduction of the staff number as a result of the adjustment of the Group's internal organization structure.

Finance costs

The finance costs for the Period was approximately RMB1.6 million, representing an increase of approximately RMB0.4 million over approximately RMB1.2 million for the six months ended 30 June 2015, mainly due to the bank loan of approximately RMB108.0 million as at 30 June 2016, representing an increase of approximately RMB18.2 million as compared to approximately RMB89.8 million as at 30 June 2015.

Taxation

For the Period, the Group's tax charge of approximately RMB3.9 million (30 June 2015: tax charge of RMB3.6 million) mainly included taxation imposed in overseas jurisdictions of approximately RMB4.1 million, and deferred taxation of approximately RMB0.3 million.

Profit attributable to owners of the Company

For the Period, the Group recorded a profit attributable to owners of the Company of approximately RMB7.9 million. This represents an improvement compared with the six months ended 30 June 2015 when the Group recorded a profit attributable to owners of the Company of approximately RMB3.4 million. Such improvement was mainly due to increase in gross profit of approximately RMB26.5 million.

Financial Resources and Liquidity and Gearing Ratio

The Group maintained a stable financial position. As at 30 June 2016, the Group had bank balances of RMB589.8 million and short-term bank loans of RMB108.0 million. The gearing ratio representing the ratio of short-term bank loans to total equity of the Group was 9.1% as at 30 June 2016 (31 December 2015: 8.2%). Such increase was mainly caused by increase in bank loan of RMB12.9 million.

Cash flows

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

For the Period, the Group recorded (1) cash outflow from operating activities of approximately RMB37.7 million (the six months ended 30 June 2015: RMB62.3 million), (2) cash outflow from investing activities of approximately RMB8.7 million (the six months ended 30 June 2015: RMB12.1 million), and (3) cash inflow from financing activities of approximately RMB8.7 million (the six months ended 30 June 2015: cash outflow of approximately RMB23.1 million).

The above decrease in cash outflow from operating activities was mainly attributable to increase in the inventories of approximately RMB15.1 million during the Period as compared to the increase in the inventories of approximately RMB37.0 million for the six months ended 30 June 2015.

The above decrease in cash outflow from investing activities was mainly attributable to the sales of property, plant and equipment of approximately RMB11.0 million during the Period, as compared to approximately RMB0.9 million, for the six months ended 30 June 2015.

The above increase in cash inflow from financing activities was mainly attributable to increase in bank loans of approximately RMB10.7 million during the Period by approximately RMB32.6 million, as compared to the repayment of bank loan of approximately RMB21.9 million, for the six months ended 30 June 2015.

Assets and liabilities

As at 30 June 2016, the Group recorded the total assets of approximately RMB1,488.4 million (31 December 2015: RMB1,475.0 million) and total liabilities of approximately RMB302.6 million (31 December 2015: RMB311.5 million).

As at 30 June 2016, the Group's current assets and non-current assets were approximately RMB1,062.4 million (31 December 2015: RMB1,048.1 million) and approximately RMB426.0 million (31 December 2015: RMB426.9 million) respectively.

As at 30 June 2016, the Group's current liabilities and non-current liabilities were approximately RMB285.0 million (31 December 2015: RMB293.6 million) and approximately RMB17.6 million (31 December 2015: RMB17.9 million) respectively. The decrease in current liabilities was mainly attributable to the trade and other payables of approximately RMB174.9 million as at 30 June 2016, representing a decrease of approximately RMB19.5 million as compared to approximately RMB194.4 million as at 31 December 2015.

Foreign exchange Risk

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

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

Charge on Assets

As at 30 June 2016, the Group had pledged certain of its land and buildings with an aggregate carrying value of RMB19.6 million (31 December 2015: RMB20.1 million), certain of its trade receivables and inventories with an aggregate carrying value of RMB52.5 million (31 December 2015: RMB51.4 million), and also bank deposits of aggregate carrying value of RMB23.2 million (31 December 2015: RMB20.4 million) to secure bank credit facilities granted to the Group.

Capital Commitments

As at 30 June 2016, 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 RMB10.5 million (31 December 2015: RMB4.6 million).

Contingent Liabilities

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

Capital Structure

As at 30 June 2016, the issued share capital of the Company was RMB171,896,724 (equivalent to HK$193,931,969) (31 December 2015: RMB171,896,724 (equivalent to HK$193,931,969)), divided into 1,939,319,694 ordinary shares of HK$0.10 each.

Material Acquisition, Disposal and Significant Investment

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

Interim Dividend

The Board resolved not to declare any interim dividend for the Period. (30 June 2015: nil)

BUSINESS REVIEW

Overview

During the Period, focusing on management, technology, product and market development, the Group actively optimised the functional system construction, continued to improve its product research and development and manufacturing capability, and strengthened its control over product quality management to expand the Company's market share in the global decorative lighting and professional lighting industry.

During the Period, the Company obtained 17 patents including one invention patent for "a type of flexible LED stripe lights with diffuser sheets", 5 utility model patents and 11 design patents. We consistently improved the production and manufacturing process with new skills such as anti-erosion board. By enhancing its control over product quality and product safety certification, the Company was acclaimed as an "Exported Industrial Products Quality and Safety Demonstration Zone Enterprise" of Guangdong Province. To consolidate and expand our presence in the global market, the Company stepped up its efforts in developing sales channels in America, and was granted the "China TOP 10 LED Enterprise International Competitiveness" Award. The Management believes that our products will enjoy continuous growth in terms of global market share in the foreseeable future.

Sales and Distribution

During the Period, 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 brand establishment and sales channel in the world's fastest growing markets and brought to its customers better sales services in energy-saving technologies and solutions.

Research and Development (“R&D”)

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

Employees and Remuneration Policy

As at 30 June 2016, the Group’s total number of employees was approximately 1,940 (31 December 2015: 2,800). The basic remunerations of the employees are determined with reference to the industry remuneration benchmark, the employees’ experience and their performance. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors’ remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits required by laws, the Group provides discretionary bonus based upon the Group’s results and the individual performance of the staff.

CORPORATE GOVERNANCE CODE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS OF LISTED ISSUERS

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

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

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

DEFINITION

"associate(s)"	has the meaning given to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors
"Company"	Neo-Neon Holdings Limited (stock code: 1868), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange, and part of shares of which are listed on the Taiwan Stock Exchange as depositary receipts
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Corporate Governance Code"	Code on corporate governance practices contained in Appendix 14 to the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
"Period"	the six months ended 30 June 2016
"PRC" or "China"	The People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	Shareholder(s) of the Company
"subsidiary(ies)"	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"THTF ES"	THTF Energy Saving Holdings Limited, a substantial shareholder of the Company
"Tsinghua Tongfang"	同方股份有限公司 (Tsinghua Tongfang Co., Ltd.), a joint stock limited company incorporated in the PRC, whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600100)
"*"	For identification only
"%"	per cent

By order of the board of
Neo-Neon Holdings Limited
Huang Yu
Chairman

Hong Kong, 15 August 2016

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