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 2019

INTERIM RESULTS

The Board of Directors of Neo-Neon Holdings Limited is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2019, together with the unaudited comparative figures for the six months ended 30 June 2018. These results for the current period have been reviewed by the Company's auditors and audit committee, comprising solely the independent non-executive Directors of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
	Notes	**2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Unaudited)
REVENUE	*4*	**372,568**	331,821
Cost of sales		**(244,284)**	(199,875)
Gross profit		**128,284**	131,946
Other income and gains, net	*4*	**49,073**	29,738
Reversal/(provision) of impairment losses on financial assets, net	*5*	**351**	(8,087)
Selling and distribution expenses		**(69,895)**	(51,320)
Administrative expenses		**(79,878)**	(58,172)
Finance costs	*5*	**(13,964)**	(4,815)
PROFIT BEFORE TAX	*5*	**13,971**	39,290
Income tax expense	*6*	**(2,645)**	(2,300)
PROFIT FOR THE PERIOD		**11,326**	36,990
Attributable to:			
Owners of the parent		**11,822**	36,799
Non-controlling interests		**(496)**	191
		11,326	36,990
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*7*	**RMB0.56 cents**	RMB1.75 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**11,326**	36,990
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**5,332**	(6,846)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Change in fair value	**–**	(1,295)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**5,332**	(8,141)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**16,658**	28,849
Attributable to:		
Owners of the parent	**17,416**	28,549
Non-controlling interests	**(758)**	300
	16,658	28,849

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2019

	Notes	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**80,494**	83,450
Investment properties		**772,965**	772,965
Right-of-use assets		**62,879**	–
Prepaid land lease payments		**–**	46,321
Goodwill		**196,510**	129,421
Other intangible assets		**45,734**	44,483
Equity investments designated at fair value through other comprehensive income	*8*	**624**	624
Prepayments and other assets	*10*	**4,334**	85,683
Financial assets at fair value through profit or loss	*12*	**130,989**	130,989
Deferred tax assets		**8,027**	7,005
Total non-current assets		**1,302,556**	1,300,941
CURRENT ASSETS			
Inventories		**230,021**	198,205
Trade and bills receivables	*9*	**185,336**	155,844
Loan receivables	*11*	**307,159**	300,922
Prepayments, other receivables and other assets	*10*	**117,877**	95,290
Prepaid lease payments		**–**	1,081
Equity investments designated at fair value through other comprehensive income	*8*	**–**	600
Financial assets at fair value through profit or loss	*12*	**209,510**	194,333
Tax recoverable		**1,648**	2,527
Pledged deposits		**34,362**	34,307
Cash held on behalf of clients		**3,966**	4,056
Cash and cash equivalents		**177,525**	229,819
Total current assets		**1,267,404**	1,216,984
CURRENT LIABILITIES			
Trade and bills payables	*13*	**136,463**	101,798
Other payables and accruals	*14*	**57,127**	64,193
Lease liabilities		**10,575**	–
Interest-bearing bank borrowings		**216,266**	227,323
Provision		**9,546**	9,546
Total current liabilities		**429,977**	402,860
NET CURRENT ASSETS		**837,427**	814,124
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,139,983**	2,115,065

	Notes	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Government grants		**2,250**	6,725
Lease liabilities		**6,232**	–
Deferred tax liabilities		**51,482**	51,540
Loan from the ultimate holding company	*17(b)*	**350,000**	350,000
Total non-current liabilities		**409,964**	408,265
Net assets		**1,730,019**	1,706,800
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*15*	**185,676**	185,676
Reserves		**1,535,777**	1,518,142
		1,721,453	1,703,818
Non-controlling interests		**8,566**	2,982
Total equity		**1,730,019**	1,706,800

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Accounting Standard 34 Interim Financial Reporting ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balances of the statement of financial position at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets for most leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under operating leases of RMB47,402,000 that were reclassified from prepaid land lease payments.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease)
	RMB'000
	(Unaudited)
Assets	
Increase in right-of-use assets	66,227
Decrease in prepaid land lease payments	(47,402)
Increase in total assets	18,825
Liabilities	
Increase in lease liabilities	18,825
Increase in total liabilities	18,825

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000
	(Unaudited)
Operating lease commitments as at 31 December 2018	20,714
Weighted average incremental borrowing rate as at 1 January 2019	4.44%
Discounted operating lease commitments as at 1 January 2019	19,445
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(620)
Lease liabilities as at 1 January 2019	18,825

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets				
	Land	**Office and warehouse**	**Sub-total**	**Investment properties**	**Lease liabilities**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	47,402	18,825	66,227	758,765	18,825
Acquisition of a subsidiary	–	663	663	–	663
Addition	–	2,680	2,680	–	2,680
Depreciation charge	(535)	(6,190)	(6,725)	–	–
Interest expense	–	–	–	–	1,151
Payments	–	–	–	–	(6,552)
Exchange realignment	2	32	34	–	40
As at 30 June 2019	46,869	16,010	62,879	758,765	16,807

The Group recognised rental expenses from short-term leases of RMB410,000 for the six months ended 30 June 2019.

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- the People's Republic of China ("PRC") lighting segment consists of research and development, manufacture of lighting products in the PRC and distribution of lighting products in the PRC and overseas;
- the United States of America ("USA") lighting segment consists of provision of lighting solutions in the USA; and
- the securities segment consists of asset management services, investment advisory services and securities trading.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that bank interest income, finance costs, government grants, changes in fair value of investment properties, changes in fair value of equity investments at fair value through profit or loss ("FVTPL"), as well as unallocated corporate gains and expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents, equity investments designated at fair value through other comprehensive income ("FVTOCI"), financial assets at FVTPL and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, a loan from the ultimate holding company, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Six months ended 30 June 2019 (unaudited)

	PRC lighting *RMB'000* (unaudited)	**USA lighting** *RMB'000* (unaudited)	**Securities** *RMB'000* (unaudited)	**Total** *RMB'000* (unaudited)
Segment revenue ***(Note 4)*****:**				
Sales to external customers	83,186	270,725	5,968	359,879
Interest revenue	–	–	12,689	12,689
Intersegment sales	4,948	–	–	4,948
	88,134	270,725	18,657	377,516
Reconciliation:				
Elimination of intersegment sales				(4,948)
Revenue				372,568
Segment results	(3,451)	8,700	(6,477)	(1,228)
Reconciliation:				
Interest income and unallocated gains				12,209
Finance costs				(13,964)
Fair value gains on financial assets at FVTPL				27,646
Unallocated expenses				(10,692)
Profit before tax				13,971

Six months ended 30 June 2018 (unaudited)

	PRC lighting *RMB'000* (unaudited)	**USA lighting** *RMB'000* (unaudited)	**Securities** *RMB'000* (unaudited)	**Total** *RMB'000* (unaudited)
Segment revenue ***(Note 4)*****:**				
Sales to external customers	110,535	183,665	31,869	326,069
Interest revenue	–	–	5,752	5,752
Intersegment sales	8,359	–	–	8,359
	118,894	183,665	37,621	340,180
Reconciliation:				
Elimination of intersegment sales				(8,359)
Revenue				331,821
Segment results	21,031	16,698	9,204	46,933
Reconciliation:				
Interest income and unallocated gains				6,080
Finance costs				(4,815)
Fair value gains on financial assets at FVTPL				5,947
Unallocated expenses				(14,855)
Profit before tax				39,290

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2019 and 31 December 2018, respectively.

	30 June 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Segment assets		
PRC lighting	**1,618,539**	1,405,624
USA lighting	**284,558**	273,998
Securities	**556,385**	506,769
Others	**110,478**	331,534
Total	**2,569,960**	2,517,925
Segment liabilities		
PRC lighting	**204,911**	108,868
USA lighting	**101,302**	83,817
Securities	**373,975**	256,150
Others	**159,753**	362,290
Total	**839,941**	811,125

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**359,879**	326,069
Revenue from other sources		
Interest revenue	**12,689**	5,752
	372,568	331,821

Revenue from contracts with customers

(i) ***Disaggregated revenue information***

For the six months ended 30 June 2019 (unaudited)

Segments	**PRC lighting**	**USA lighting**	**Securities**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Type of goods or services				
Sale of lighting products	83,186	270,725	–	353,911
Advisory and management services	–	–	3,940	3,940
Agency services	–	–	2,028	2,028
Total revenue from contracts with customers	83,186	270,725	5,968	359,879
Geographic markets				
North America	53,490	270,725	–	324,215
Europe	20,708	–	–	20,708
PRC	2,275	–	–	2,275
Asia (excluding PRC)	5,949	–	5,968	11,917
Other countries	764	–	–	764
Total revenue from contracts with customers	83,186	270,725	5,968	359,879
Timing of revenue recognition				
Goods transferred and services rendered at a point in time	83,186	270,725	2,028	355,939
Services rendered over time	–	–	3,940	3,940
Total revenue from contracts with customers	83,186	270,725	5,968	359,879

For the six months ended 30 June 2018 (unaudited)

Segments	**PRC lighting** *RMB'000*	**USA lighting** *RMB'000*	**Securities** *RMB'000*	**Total** *RMB'000*
Type of goods or services				
Sale of lighting products	110,535	183,665	–	294,200
Advisory and management services	–	–	1,448	1,448
Agency services and others	–	–	30,421	30,421
Total revenue from contracts with customers	110,535	183,665	31,869	326,069
Geographic markets				
North America	61,849	183,665	–	245,514
Europe	20,129	–	–	20,129
PRC	12,680	–	–	12,680
Asia (excluding PRC)	15,852	–	31,869	47,721
Other countries	25	–	–	25
Total revenue from contracts with customers	110,535	183,665	31,869	326,069
Timing of revenue recognition				
Goods transferred and services rendered at a point in time	110,535	183,665	30,421	324,621
Services rendered over time	–	–	1,448	1,448
Total revenue from contracts with customers	110,535	183,665	31,869	326,069

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	**488**	1,591
Other interest income	**2,391**	–
Dividend income from financial assets at FVTPL	**2,587**	540
Government grants*	**4,319**	806
Gross rental income	**5,504**	1,488
Others	**1,238**	–
	16,527	4,425
Gains, net		
Gain on disposal of items of property, plant and equipment	**5,018**	71
Fair value gains of financial assets at FVTPL	**27,646**	5,947
Foreign exchange (losses)/gains, net	**(120)**	19,268
Others	**2**	27
	32,546	25,313
	49,073	29,738

* There are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance costs		
Interest on bank loans	**3,573**	2,560
Interest on a loan from an intermediate holding company	**–**	2,255
Interest on a loan from the ultimate holding company	**9,240**	–
Interest on lease liabilities	**1,151**	–
	13,964	4,815
Depreciation of property, plant and equipment	**6,146**	8,940
Depreciation of right-of-use assets	**6,725**	–
Research and development costs:		
Deferred expenditure amortised	**2,299**	1,574
Amortisation of land lease payments	**–**	644
Amortisation of other intangible assets	**5,004**	2,314
Minimum lease payments under operating leases	**410**	5,619
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**35**	47
(Reversal)/provision of impairment losses on financial assets, net:		
Trade and bills receivables	**(58)**	8,087
Other receivables	**(293)**	–
	(351)	8,087
Write-down of inventories to net realisable value	**7,493**	–
Foreign exchange (losses)/gains, net	**(120)**	19,268

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. For the Group's subsidiaries established in the USA, income tax is calculated at the rate of 24.5% (30 June 2018: 24.5%). For the Group's subsidiary established in Vietnam, income tax is calculated at the rate of 20.0% (30 June 2018: 20.0%). Tax on profits assessable in the PRC has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% (30 June 2018: 25.0%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current		
Charge for the period	**3,725**	1,487
Deferred tax	**(1,080)**	813
Total tax charge for the period	**2,645**	2,300

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,094,505,417 (30 June 2018: 2,099,477,931) in issue during the period.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**11,822**	36,799

	Six months ended 30 June	
	2019	2018
	Number of shares	Number of shares
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,094,505,417**	2,099,477,931

Note:

Diluted earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by weighted average number of ordinary shares in issue and adjusting the potential dilutive effect of the outstanding options.

The computation of diluted earnings per share does not assume the exercise of the Company's share options for the six months ended 30 June 2019 because the exercise price of those share options was higher than the average market price of the Company's share during the period.

8. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Equity investments designated at FVTOCI		
Unlisted equity investments, at fair value	**624**	1,224
Current portion	**–**	(600)
Non-current portion	**624**	624

The above equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature.

9. TRADE AND BILLS RECEIVABLES

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Trade receivables	**189,680**	160,226
Bills receivables	**4,420**	4,269
Less: Impairment loss on trade receivables	**(8,749)**	(8,636)
Less: Impairment loss on bills receivables	**(15)**	(15)
	185,336	155,844

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2019			31 December 2018		
	Lighting *RMB'000* **(Unaudited)**	**Securities** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**	Lighting *RMB'000* (Audited)	Securities *RMB'000* (Audited)	Total *RMB'000* (Audited)
Within 1 month	**121,991**	**759**	**122,750**	48,934	6,381	55,315
1 to 2 months	**19,887**	**–**	**19,887**	18,370	276	18,646
2 to 3 months	**3,885**	**417**	**4,302**	10,859	185	11,044
3 to 6 months	**1,029**	**338**	**1,367**	25,330	217	25,547
Over 6 months	**19,701**	**17,329**	**37,030**	27,949	17,343	45,292
	166,493	**18,843**	**185,336**	131,442	24,402	155,844

10. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Prepayments	**24,425**	94,617
Deposits and other receivables	**19,001**	12,607
Value added tax recoverable	**52,440**	47,807
Tax reserve certificates	**26,830**	26,724
	122,696	181,755
Less: impairment allowance	**(485)**	(782)
	122,211	180,973
Current portion	**(117,877)**	(95,290)
	4,334	85,683

11. LOAN RECEIVABLES

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Loan receivables	**307,815**	301,575
Less: impairment allowance	**(656)**	(653)
	307,159	300,922

The loan receivables bear interest rate ranged from 8% p.a. to 12% p.a. and repayable within one year. As at 30 June 2019, the Group's loan receivables amounted to RMB307,815,000 (31 December 2018: RMB301,575,000) were secured by certain properties and listed securities.

During the period, the Group grant a loan facilities of RMB52,780,000 (equivalent to HKD60,000,000), bearing interest rate at 8% p.a., to an independent third party. As at 30 June 2019, no balance was utilised.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Current			
Listed equity investments, at fair value	*(i)*	**99,475**	85,221
Other unlisted investments, at fair value	*(ii)*	**110,035**	109,112
		209,510	194,333
Non-current			
Unlisted investment, at fair value	*(iii)*	**130,989**	130,989
		340,499	325,322

Notes:

(i) The above equity investments at 30 June 2019 and 31 December 2018 were classified as financial assets at FVTPL as they were held for trading.

(ii) On 16 June 2017, Tongfang Securities Limited ("Tongfang Securities"), a wholly-owned subsidiary of the Company, entered into a discretionary client agreement with Hai Tong Asset Management (HK) Limited ("Investment Manager"), pursuant to which the Investment Manager has agreed to subscribe for 374,448.04 HK$ Class R1A Shares in the Haitong Freedom Multi-Tranche Bond Fund (the "Fund") for and on behalf of Tongfang Securities at the consideration of RMB348,600,000 (the "Investment Amount"). The Fund will invest all or substantially all of its assets, to the extent not retained in cash to meet operating expenses, in the shares of the Haitong Freedom Multi-Tranche Master Bond Fund (the "Master Fund"). The Master Fund will primarily invest in fixed income securities such as government, corporate or convertible bonds, private placement debts, notes linked to fixed income instruments or preferred shares, other bond funds, money market funds or cash. The Master Fund may invest in debt securities that are rated below investment grade or are unrated by any relevant agency.

On 9 February 2018, the Investment Manager has redeemed certain interest in the Fund in the amount of HK$370,000,000 (equivalent to approximately RMB316,757,000), for and on behalf of Tongfang Securities pursuant to its discretionary authority under the discretionary client agreement.

On 18 March 2019, the Investment Manager has redeemed the remaining interest in the Fund in the amount of HK$13,562,000 (equivalent to approximately RMB11,906,000), for and on behalf of Tongfang Securities pursuant to its discretionary authority under the discretionary client agreement. As at 30 June 2019, the balance was fully redeemed.

Except for the Fund, the above unlisted investments included various investing funds issued by Burwill Holdings Limited and 8.5% Senior Unsecured Notes issued by Sunshine 100 China Holdings Limited (31 December 2018: various investing funds issued by Burwill Holdings Limited and 8.125% Senior Secured Notes issued by Jiayuan International Group Limited). The convertible bond and the funds were mandatorily classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest.

(iii) On 29 October 2014, Guangdong Tongfang Science Park Company Limited ("Tongfang Science Park"), a wholly-owned subsidiary of the Company, entered into an overseas asset management plan contract (the "Contract") with China Asset Management Co., Ltd. and China Construction Bank Corporation, pursuant to which Tongfang Science Park has agreed to participate in the overseas asset management plan operated by China Asset Management Co., Ltd. (the "Fund") by depositing the investment amount of RMB105,500,000 (the "Investment Amount") in a designated account maintained with China Construction Bank Corporation. Pursuant to the Contract, 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. It was mandatorily classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest.

13. TRADE AND BILLS PAYABLES

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Trade payables	**132,497**	97,742
Accounts payables to securities clients	**3,966**	4,056
	136,463	101,798

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019			31 December 2018		
	Accounts payables to securities clients *RMB'000* **(Unaudited)**	**Trade payables** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**	Accounts payables to securities clients *RMB'000* (Audited)	Trade payables *RMB'000* (Audited)	Total *RMB'000* (Audited)
Within 1 month	**3,966**	**71,208**	**75,174**	4,056	53,275	57,331
1 to 2 months	**–**	**26,144**	**26,144**	–	16,797	16,797
2 to 3 months	**–**	**8,957**	**8,957**	–	1,862	1,862
3 to 6 months	**–**	**2,571**	**2,571**	–	2,272	2,272
6 months to 1 year	**–**	**3,333**	**3,333**	–	3,469	3,469
Over 1 year	**–**	**20,284**	**20,284**	–	20,067	20,067
	3,966	**132,497**	**136,463**	4,056	97,742	101,798

14. OTHER PAYABLES AND ACCRUALS

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Accruals	**18,789**	25,825
Other payables	**22,986**	22,641
Contract liabilities	**15,352**	15,727
	57,127	64,193

15. SHARE CAPITAL

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Authorised:		
5,000,000,000 (2018: 5,000,000,000) ordinary shares of RMB0.10 (2018: RMB0.10) each	**500,000**	500,000
Issued and fully paid:		
2,094,505,417 (2018: 2,094,505,417) ordinary shares	**185,676**	185,676

No movement in share capital was noted during the six-month period ended 30 June 2019.

16. BUSINESS COMBINATION

On 1 January 2019, the Group acquired a 80% interest in Novelty Lights, LLC from third parties. Novelty Lights, LLC is engaged in the trading of lighting products. The acquisition was made as part of the Group's strategy to expand its market share of lighting products in the USA. The purchase consideration for the acquisition was in the form of cash, with USD12,000,000 paid on 27 December 2018 and the remaining USD1,400,000 paid on 30 January 2019.

The provisional fair values of the identifiable assets and liabilities of Novelty Lights, LLC as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000* (Unaudited)
Property, plant and equipment	343
Right-of-use assets	663
Cash and bank balances	15,140
Trade receivables	1,682
Inventories	23,301
Other receivables	69
Trade payables	(6,170)
Lease liabilities	(663)
Accrual and other payables	(2,652)
Total identifiable net assets at fair value	31,713
Non-controlling interests	(6,342)
	25,371
Provisional goodwill on acquisition	66,597
Satisfied by cash	91,968

The provisional fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB1,682,000 and RMB69,000, respectively. All provisional trade receivables and other receivables are expected to be collectible.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	RMB'000 (Unaudited)
Cash consideration	(91,968)
Deposits paid in prior years	82,428
Cash and bank balances acquired	15,140
Net inflow of cash and cash equivalents included in cash flows from investing activities	5,600

17. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Interest paid to an intermediate holding company	*(i)*	**–**	2,255
Interest paid to the ultimate holding company	*17(b)*	**9,240**	–

Notes:

(i) The loan from Resuccess Investment Ltd., an intermediate holding company, was unsecured and interest-bearing at 6.0% per annum and was repaid in 2018.

(b) Loan from the ultimate holding company

At 30 June 2019, the loan from Tsinghua Tongfang Co., Ltd. with an amount of RMB350,000,000 (31 December 2018: RMB350,000,000) is unsecured, interest-bearing at 4.95% per annum and repayable in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The total revenue for the Period ended 30 June 2019 was approximately RMB372.6 million, representing an increase of approximately 12.3% as compared to approximately RMB331.8 million for the six months ended 30 June 2018. For further details, please refer to the below.

Lighting Segment

The revenue attributable to the lighting segment (research and development, manufacturing of lighting products and distribution of lighting products and distribution and providing solutions of lighting products) for the Period was approximately RMB353.9 million, which represented an increase of approximately RMB59.7 million as compared to approximately RMB294.2 million for the six months ended 30 June 2018. Such increase was mainly attributable to the increased revenue of approximately RMB19.9 million, approximately RMB43.6 million and approximately RMB15.2 million from Novelty, American Lighting and Tivoli respectively, and the decreased revenue of approximately RMB 22.2 million from the PRC lighting segment.

Securities Segment

During the Period, the revenue attributable to the securities segment was approximately RMB18.7 million, representing a decrease of approximately 50.3% as compared to approximately RMB37.6 million for the six months ended 30 June 2018. Such decrease was mainly attributable to the decreased revenue from agency services and others.

Cost of goods sold

For the Period, the cost of goods sold was approximately RMB244.3 million, representing an increase of approximately RMB44.4 million over approximately RMB199.9 million for the six months ended 30 June 2018 primarily due to the increase in material costs and labour costs.

Gross profit and gross profit margin

For the Period, the Group recorded a gross profit of approximately RMB128.3 million, representing a decrease of RMB3.6 million over the gross profit of approximately RMB131.9 million for the six months ended 30 June 2018.

Lighting Segment

For the Period, the Group recorded a gross profit of approximately RMB109.6 million for the lighting segment, representing an increase of approximately RMB15.3 million or 16.2% over approximately RMB94.3 million for the six months ended 30 June 2018 primarily due to the increased sales from the USA lighting segment.

For the Period, the Group recorded a gross profit margin of approximately 31.0% for the lighting segment, representing a decrease of 1.1 percentage points over a gross profit margin of approximately 32.1% for the six months end 30 June 2018 because of the decreased gross profit margin for the PRC lighting segment.

Securities Segment

For the Period, the Group recorded a gross profit of approximately RMB18.7 million for the securities segment.

Other gains, losses and expenses

For the Period, the Group recorded other losses of approximately RMB32.5 million, representing an increase of approximately RMB7.2 million over the other gains of RMB25.3 million for the six months end 30 June 2018, mainly due to the net gain of approximately RMB27.6 million resulting from the fair value gains of financial assets at FVTPL.

Impairment loss of property, plant and equipment

For the Period, the amount of impairment losses recognized in respect of property, plant and equipment was nil (30 June 2018: nil).

Operating expenses

For the Period, total operating expenses were approximately RMB149.8 million, representing an increase of approximately RMB40.3 million over approximately RMB109.5 million for the six months ended 30 June 2018, mainly attributable to the acquisition of Novelty , the new DIY sales team and the promotion of the new brand for the USA lighting segment.

Finance costs

The finance costs for the Period was approximately RMB14.0 million, representing an increase of RMB9.2 million over RMB4.8 million for the six months ended 30 June 2018, mainly due to the interest of the loan from the ultimate holding company of approximately RMB350 million for payment for the land grant fee of Tongfang Science and Technology City* (同方科技城) in December 2018.

Taxation

For the Period, the Group's tax charge of RMB2.6 million (30 June 2018: tax charge of RMB2.3 million) mainly included tax provision for the year of 2019 of approximately RMB3.7 million and deferred tax credited of approximately RMB1.1 million.

Profit attributable to owners of the Company

For the Period, the Group recorded a profit attributable to owners of the Company of RMB11.8 million, representing a decrease over RMB36.8 million for the six months ended 30 June 2018, primarily due to the decrease in foreign exchange by approximately RMB19 million and the increased finance cost of approximately RMB9.2 million due to loans granted by the ultimate holding company. Such profit was mainly derived from the USA lighting segment profit.

Financial Resources and Liquidity and Gearing Ratio

The Group maintained a stable financial position. As at 30 June 2019, the Group had bank balances of RMB211.9 million and short-term bank loans of RMB216.3 million. The gearing ratio representing the ratio of total debt to total equity of the Group was 32.7% as at 30 June 2019 (31 December 2018: 33.8%). Such slight decrease was mainly caused by the decrease in interest-bearing bank borrowings of approximately RMB11.1million.

Cash flows

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

The Group recorded (1) cash outflow from operating activities of approximately RMB45.5 million for the Period (the six months ended 30 June 2018: cash outflow of RMB89.8 million), (2) cash inflow from investing activities of approximately RMB23.0 million for the Period (the six months ended 30 June 2018: cash outflow of approximately RMB141.7 million), and (3) cash outflow from financing activities of approximately RMB29.1 million for Period (the six months ended 30 June 2018: cash inflow of approximately RMB273.9 million).

The above decrease in cash outflow from operating activities was mainly attributable to the decrease in cash used in operations of approximately RMB32.6 million and the increase in interest income received from money lending business of approximately RMB13.9 million.

The above increase in cash inflow from investing activities was mainly attributable to the decrease in the cash outflow of other cash flows arising from investing activities of approximately RMB27.9 million, and the decrease in the cash outflow of purchase of financial assets at fair value through profit or loss of approximately RMB377.5 million, and cash inflow of proceeds from disposal of financial assets at fair value through profit or loss of approximately RMB519.6 million.

The above decrease in cash inflow from financing activities was mainly attributable to the decrease in the new bank loans of approximately RMB212.9 million, and the increase in the repayment of bank loans of approximately RMB78.9 million.

Assets and liabilities

As at 30 June 2019, the Group recorded the total assets of approximately RMB2,570.0 million (31 December 2018: RMB2,517.9 million) and total liabilities of approximately RMB839.9 million (31 December 2018: RMB811.1 million).

As at 30 June 2019, the Group's current assets and non-current assets were approximately RMB1,267.4 million (31 December 2018: RMB1,217.0 million) and approximately RMB1,302.6 million (31 December 2018: RMB1,300.9 million), respectively. The increase in current assets was mainly attributable to the increase in inventories of approximately RMB31.8 million (including the increased inventories of approximately RMB19.6 million and approximately RMB8.8 million for Novelty and the PRC lighting segment respectively), trade and bills receivables of approximately RMB29.5 million, and financial assets at fair value though profit or loss of approximately RMB15.2 million.

As at 30 June 2019, the Group's current liabilities and long-term liabilities were approximately RMB430.0 million (31 December 2018: RMB402.9 million) and approximately RMB410.0 million (31 December 2018: RMB408.3 million), respectively. There was no obvious movement for Group's liabilities during the period.

Foreign Currency Risk

Several subsidiaries of the Company have sales and purchases denominated in currencies other than the functional currency of the 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.

Charge on Assets

As at 30 June 2019, the Group pledged certain of its land and buildings with an aggregate carrying value of approximately RMB111.9 million (31 December 2018: nil). The Group pledged certain of its trade receivables and inventories with an aggregate carrying value of approximately RMB134.6 million (31 December 2018: RMB135.4 million), and also bank deposits of aggregate carrying value of RMB34.4 million (31 December 2018: RMB34.3 million) to secure bank credit facilities granted to the Group.

Capital Commitments

As at 30 June 2019, 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 RMB0.8 million (31 December 2018: RMB4.4 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 2019, the issued share capital of the Company was RMB185,675,667 (equivalent to approximately HK$209,450,542) (31 December 2018: RMB185,675,667 (equivalent to HK$209,450,542), divided into 2,094,505,417 ordinary shares of HK$0.10 each. No movement in share capital was noted during the period.

Advance to an Entity

On 6 April 2018, Tongfang Finance Limited, a wholly-owned subsidiary of the Company, had agreed to advance an aggregate of secured loans of HK$269,102,000 to Mr. Wang Li Feng as the borrower (the "Borrower") by way of (i) an acquisition of bonds (the "Bonds") issued by the Borrower at a consideration of HK$185,450,000; and (ii) a provision of a secured loan in cash of HK$83,652,000 at an interest rate of 8% per annum under a loan agreement(the "Loan Agreement") dated 6 April 2018 and entered into between Tongfang Finance Limited and the Borrower. On 6 April 2018, Tongfang Finance Limited had also entered into a supplemental agreement (the "Supplemental Agreement") with the Borrower to amend certain terms of the Bonds. The transactions contemplated under the Bonds as amended by the Supplemental Agreement and the Loan Agreement constitute an advance to an entity by the Company under Rule 13.13 of the Listing Rules and details of the relevant interest rates, repayment terms and collaterals are disclosed in the announcement of the Company dated 6 April 2018.

As at 30 June 2019, the circumstances giving rise to the disclosure under Rule 13.13 of the Listing Rules continued to exist and the advance to the Borrower by the Group as at 30 June 2019 amounted to HK$269,102,000. The maturity dates of the Bonds and the secured loan have been extended to 31 March 2020 and 31 December 2019 respectively.

Material Acquisition, Disposal and Significant Investment

On 1 January 2019 (MST), American Lighting, Inc. ("American Lighting"), an indirect non-wholly-owned subsidiary of the Company, entered into a membership interest purchase agreement with Lighten Up Holdings, Inc. ("Lighten Up"), pursuant to which American Lighting has agreed to purchase 100% membership interest of Novelty Lights, LLC ("Novelty Lights") from Lighten Up. After the initial closing on 1 January 2019 (MST), the Company indirectly holds 80% of the membership interests in Novelty Lights for an aggregate consideration of approximately US$12,000,000 subject to adjustment under the said purchase agreement and Novelty Lights became an indirectly non-wholly owned subsidiary of the Company. For details, please refer to the Company's announcement dated 1 January 2019.

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

Interim Dividend

The Board resolved not to declare any dividend for the Period (30 June 2018: nil).

BUSINESS REVIEW

Overview

During the Period, the trade war between China and USA had a certain impact on sales and is expected to have a greater impact in future. However, lighting segment of the Group still made efforts to seize the opportunity to explore the overseas market, improved the management level, and revitalized idle assets.

As disclosed above, American Lighting purchased 80% membership interest of Novelty Lights, and Novelty Lights became an indirectly non-wholly-owned subsidiary of the Company. The acquisition of Novelty Lights was made as part of the Group's strategy to expand its market share of lighting products in the USA.

On the other hand, the Company continued to cultivate the following businesses: fund management, investment banking, financial management and technology – based financial business investments from emerging industries. The deployment and development of such national strategic emerging industries would facilitate the Group to continue to innovate and develop.

Sales and Distribution

Lighting Segment

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 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.

Securities Segment

Tongfang Securities, a direct wholly-owned subsidiary of the Company, expects to leverage on the Company's diversified business portfolio, solid client bases and extensive expertise in the high technology industry to further develop its financial service business and to explore cross-selling opportunities within the Company, especially relating to the technology sector.

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 2019, the Group's total number of employees was approximately 1,200 (31 December 2018: 1,100). 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.

Mr. Fan Ren Da, Anthony was re-elected as an independent non-executive Director at the annual general meeting of the Company held on 18 June 2019. The Board reviewed the track record of Mr. Fan in attending the Company's meetings. Mr. Fan had a high level of participation at board meetings and committee meetings in the past years. The Board believes that Mr. Fan will still be able to devote sufficient time to the Board in the future notwithstanding that he is holding the directorship of seven or more listed companies. It was an inadvertent omission that such assessment of the Board was not disclosed in the circular or the notice of the annual general meeting as required under paragraph A.5.5 (2) of Appendix 14 to the Listing Rules which took effect since 1 January 2019. The Company commits to comply with such code provision for future election of independent non-executive Directors.

Save as disclosed in this announcement, 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 BY 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, redeemed or sold any of the Company's listed securities during the Period.

INDEPENDENT AUDITORS AND AUDIT COMMITTEE REVIEW

The unaudited interim results and interim report for the six months ended 30 June 2019 have been reviewed by Ernst & Young, which report is included in the interim report to be dispatched to the shareholders, and the Company's Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT 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.

DEFINITIONS

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

"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of directors of the Company
"BVI"	British Virgin Islands
"China" or "PRC"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan
"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 the depositary receipts of which are listed on the Taiwan Stock Exchange
"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
"Period"	the six months ended 30 June 2019
"RMB"	Renminbi, the lawful currency of the PRC
"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)
"%"	per cent.

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

Hong Kong, 19 August 2019

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