# 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 2020

### 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 2020, together with the unaudited comparative figures for the six months ended 30 June 2019. 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 2020*

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2020** | 2019 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| REVENUE | *4* | **303,043** | 372,568 |
| Cost of sales | | **(208,261)** | (244,284) |
| Gross profit | | **94,782** | 128,284 |
| Other income and (losses)/gains, net | *4* | **(8,281)** | 49,073 |
| (Provision)/reversal of impairment, net | | **(23,350)** | 351 |
| Selling and distribution expenses | | **(63,160)** | (69,895) |
| Administrative expenses | | **(84,568)** | (79,878) |
| Finance costs | *5* | **(13,527)** | (13,964) |
| (LOSS)/PROFIT BEFORE TAX | *5* | **(98,104)** | 13,971 |
| Income tax credit/(expense) | *6* | **5,247** | (2,645) |
| (LOSS)/PROFIT FOR THE PERIOD | | **(92,857)** | 11,326 |
| Attributable to: | | | |
| Owners of the parent | | **(92,933)** | 11,822 |
| Non-controlling interests | | **76** | (496) |
| | | **(92,857)** | 11,326 |
| (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted | *8* | **RMB(4.44) cents** | RMB0.56 cent |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the six months ended 30 June 2020*

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| (LOSS)/PROFIT FOR THE PERIOD | **(92,857)** | 11,326 |
| OTHER COMPREHENSIVE (LOSS)/INCOME: | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | **21,799** | 5,332 |
| Other comprehensive (loss)/income 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 | **(52)** | – |
| Surplus on revaluation upon transfer of right-of-use assets to investment properties | **352** | – |
| Income tax effect | **(88)** | – |
| | **264** | – |
| Surplus on revaluation upon transfers of property, plant and equipment to investment properties | **2,820** | – |
| Income tax effect | **(705)** | – |
| | **2,115** | – |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | **24,126** | 5,332 |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD | **(68,731)** | 16,658 |
| Attributable to: | | |
| Owners of the parent | **(69,691)** | 17,416 |
| Non-controlling interests | **960** | (758) |
| | **(68,731)** | 16,658 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*30 June 2020*

| | Notes | **30 June 2020 *RMB'000* (Unaudited)** | 31 December 2019 *RMB'000* (Audited) |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **87,122** | 82,405 |
| Investment properties | | **850,255** | 873,891 |
| Right-of-use assets | | **31,590** | 24,597 |
| Goodwill | | **203,121** | 220,978 |
| Other intangible assets | | **43,144** | 44,064 |
| Equity investments designated at fair value through other comprehensive income | | **352** | 404 |
| Prepayments and other assets | | **960** | 5,096 |
| Financial assets at fair value through profit or loss | | **106,173** | 113,458 |
| Deferred tax assets | | **3,703** | 4,127 |
| Total non-current assets | | **1,326,420** | 1,369,020 |
| CURRENT ASSETS | | | |
| Inventories | | **170,281** | 156,684 |
| Trade and bills receivables | *9* | **103,591** | 97,409 |
| Loan receivables | *10* | **185,392** | 302,648 |
| Prepayments, other receivables and other assets | | **188,429** | 119,555 |
| Financial assets at fair value through profit or loss | | **111,355** | 156,097 |
| Pledged deposits | | **35,398** | – |
| Cash held on behalf of clients | | **3,773** | 4,322 |
| Cash and cash equivalents | | **366,508** | 256,938 |
| | | **1,164,727** | 1,093,653 |
| Non-current assets classified as held for sale | | **–** | 32,076 |
| Total current assets | | **1,164,727** | 1,125,729 |
| CURRENT LIABILITIES | | | |
| Trade payables | *11* | **95,767** | 71,484 |
| Other payables and accruals | | **60,063** | 60,008 |
| Lease liabilities | | **9,816** | 9,957 |
| Interest-bearing bank borrowings | | **162,172** | 141,135 |
| Tax payable | | **7,486** | 9,232 |
| Provision | | **11,735** | 12,316 |
| Contingent consideration payable | | **27,433** | 27,800 |
| Total current liabilities | | **374,472** | 331,932 |

| | Notes | **30 June 2020** *RMB'000* **(Unaudited)** | 31 December 2019 *RMB'000* (Audited) |
|---|---|---|---|
| NET CURRENT ASSETS | | **790,255** | 793,797 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **2,116,675** | 2,162,817 |
| NON-CURRENT LIABILITIES | | | |
| Government grants | | **2,815** | 2,250 |
| Lease liabilities | | **8,665** | 905 |
| Interest-bearing bank borrowings | | **11,317** | – |
| Deferred tax liabilities | | **68,292** | 74,277 |
| Loan from the ultimate holding company | *12(b)* | **362,464** | 353,706 |
| Total non-current liabilities | | **453,553** | 431,138 |
| Net assets | | **1,663,122** | 1,731,679 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Issued capital | | **185,676** | 185,676 |
| Reserves | | **1,472,264** | 1,541,781 |
| | | **1,657,940** | 1,727,457 |
| Non-controlling interests | | **5,182** | 4,222 |
| Total equity | | **1,663,122** | 1,731,679 |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*30 June 2020*

### 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 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 consolidated financial statements for the year ended 31 December 2019.

### 2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

| | |
|---|---|
| Amendments to HKFRS 3 | *Definition of a Business* |
| Amendments to HKFRS 9, HKSA 39 and HKFRS 7 | *Interest Rate Benchmark Reform* |
| Amendments to HKFRS 16 | *COVID-19-Related Rent Concessions* (early adopted) |
| Amendments to HKAS 1 and HKAS 8 | *Definition of Material* |

Other than as explained below regarding the nature and impact of amendments to HKAS 1 and HKAS 8 *Definition of Material,* the revised HKFRSs are not relevant to the preparation of the Group's unaudited interim condensed consolidated financial statements. The nature and impact of the revised HKFRSs are described below:

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any 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/(loss) before tax except that bank interest income, non-lease-related finance costs, changes in fair value of investment properties, changes in fair value of financial assets 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, 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 2020 (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 | **25,735** | **257,898** | **6,142** | **289,775** |
| Interest revenue | **–** | **–** | **13,268** | **13,268** |
| Intersegment sales | **5,456** | **–** | **–** | **5,456** |
| | **31,191** | **257,898** | **19,410** | **308,499** |
| *Reconciliation:* | | | | |
| Elimination of intersegment sales | | | | **(5,456)** |
| Revenue | | | | **303,043** |
| **Segment results** | **(17,114)** | **1,631** | **(32,177)** | **(47,660)** |
| *Reconciliation:* | | | | |
| Interest income and unallocated income | | | | **6,222** |
| Finance costs (other than interest on lease liabilities) | | | | **(12,888)** |
| Fair value losses on investment properties | | | | **(27,539)** |
| Fair value losses on financial assets at FVTPL, net | | | | **(1,231)** |
| Unallocated expenses | | | | **(15,008)** |
| Loss before tax | | | | **(98,104)** |

**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 |

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2020 and 31 December 2019, respectively.

| | **30 June 2020** ***RMB'000*** **(Unaudited)** | 31 December 2019 *RMB'000* (Audited) |
|---|---|---|
| **Segment assets** | | |
| PRC lighting | **1,346,591** | 1,449,501 |
| USA lighting | **250,684** | 266,677 |
| Securities | **396,384** | 471,318 |
| *Reconciliation:* | | |
| Elimination of intersegment receivables | **(134,865)** | (227,811) |
| Others | **632,353** | 535,064 |
| Total | **2,491,147** | 2,494,749 |
| **Segment liabilities** | | |
| PRC lighting | **118,456** | 63,886 |
| USA lighting | **88,951** | 102,985 |
| Securities | **141,716** | 240,258 |
| *Reconciliation:* | | |
| Elimination of intersegment payables | **(134,865)** | (227,811) |
| Others | **613,767** | 583,752 |
| Total | **828,025** | 763,070 |

## 4. REVENUE, OTHER INCOME AND (LOSSES)/GAINS, NET

An analysis of revenue is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| *Revenue from contracts with customers* | **289,775** | 359,879 |
| *Revenue from other sources* | | |
| Interest revenue | **13,268** | 12,689 |
| | **303,043** | 372,568 |

**Revenue from contracts with customers**

***Disaggregated revenue information***

**For the six months ended 30 June 2020 (unaudited)**

| **Segments** | **PRC lighting** | **USA lighting** | **Securities** | **Total** |
|---|---|---|---|---|
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| **Types of goods or services** | | | | |
| Sale of lighting products | **25,735** | **257,898** | **–** | **283,633** |
| Advisory and management services | **–** | **–** | **5,161** | **5,161** |
| Agency services | **–** | **–** | **981** | **981** |
| Total revenue from contracts with customers | **25,735** | **257,898** | **6,142** | **289,775** |
| **Geographic markets** | | | | |
| North America | **11,461** | **257,898** | **–** | **269,359** |
| Europe | **7,353** | **–** | **–** | **7,353** |
| PRC | **976** | **–** | **–** | **976** |
| Asia (excluding PRC) | **5,945** | **–** | **6,142** | **12,087** |
| Total revenue from contracts with customers | **25,735** | **257,898** | **6,142** | **289,775** |
| **Timing of revenue recognition** | | | | |
| Goods transferred and services rendered at a point in time | **25,735** | **257,898** | **981** | **284,614** |
| Services rendered over time | **–** | **–** | **5,161** | **5,161** |
| Total revenue from contracts with customers | **25,735** | **257,898** | **6,142** | **289,775** |

**For the six months ended 30 June 2019 (unaudited)**

| Segments | PRC lighting *RMB'000* | USA lighting *RMB'000* | Securities *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **Types 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 |

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Other income** | | |
| Bank interest income | **1,199** | 488 |
| Other interest income | **928** | 2,391 |
| Dividend income from financial assets at FVTPL | **1,500** | 2,587 |
| Government grants* | **1,037** | 4,319 |
| Gross rental income | **1,955** | 5,504 |
| Others | **640** | 1,238 |
| | **7,259** | 16,527 |
| **(Losses)/gains, net** | | |
| Gain on disposal of property, plant and equipment | **112** | 5,018 |
| Gain on disposal of non-current assets held for sale | **9,548** | – |
| Fair value changes on financial assets at FVTPL, net | **(1,231)** | 27,646 |
| Fair value losses on revaluation of investment properties | **(27,539)** | – |
| Fair value change of contingent consideration payable | **785** | – |
| Foreign exchange gains/(losses), net | **2,785** | (120) |
| Others | **–** | 2 |
| | **(15,540)** | 32,546 |
| | **(8,281)** | 49,073 |

* A portion of government grants in the current period was granted from the Employment Support Scheme and Subsidy Scheme for the Securities Industry under the Anti-epidemic Fund of the Hong Kong Government, which aim to retain employment and combat COVID-19. As a condition of receiving the grant from the Employment Support Scheme, the Group undertakes not to make redundancies by 31 August 2020. Except for the above government grants, there are no unfulfilled conditions or contingencies relating to the remaining grants.

## 5. (LOSS)/PROFIT BEFORE TAX

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Finance costs | | |
| Interest on bank loans | **4,129** | 3,573 |
| Interest on a loan from the ultimate holding company | **8,759** | 9,240 |
| Interest on lease liabilities | **639** | 1,151 |
| | **13,527** | 13,964 |
| Depreciation of property, plant and equipment | **7,134** | 6,146 |
| Depreciation of right-of-use assets | **7,764** | 6,725 |
| Research and development costs: | | |
| Deferred expenditure amortised | **2,908** | 2,299 |
| Amortisation of other intangible assets | **2,523** | 5,004 |
| Lease payments not included in the measurement of lease liabilities | **476** | 410 |
| Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties | **44** | 35 |
| Provision/(reversal) of impairment losses on financial assets, net: | | |
| Trade and bills receivables | **844** | (58) |
| Other receivables | **770** | (293) |
| | **1,614** | (351) |
| Impairment of goodwill | **21,736** | – |
| Write-down of inventories to net realisable value | **7,751** | 7,493 |
| Foreign exchange losses/(gains), net | **(2,785)** | 120 |

## 6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the current period (30 June 2019: Nil). For the Group's subsidiaries established in the USA, income tax is calculated at the rate of 24.5% (30 June 2019: 24.5%). No provision for the PRC corporate income tax has been made as the Group did not generate any assessable profits arising in PRC during the current period (30 June 2019: 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** | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Current | | |
| Charge for the period | **1,303** | 3,725 |
| Deferred tax | **(6,550)** | (1,080) |
| Total tax (credit)/charge for the period | **(5,247)** | 2,645 |

## 7. DIVIDEND

The directors of the Company did not recommend the payment of a dividend for the six months ended 30 June 2020 and 2019.

## 8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,094,465,417 (30 June 2019: 2,094,505,417) in issue during the period.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Earnings** | | |
| (Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation | **(92,933)** | 11,822 |

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| | **Number of shares** | Number of shares |
| | **(Unaudited)** | (Unaudited) |
| Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation | **2,094,465,417** | 2,094,505,417 |

*Note:* Diluted (loss)/earnings per share is calculated by dividing the (loss)/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 (loss)/earnings per share does not assume the exercise of the Company's outstanding share options for the six months ended 30 June 2020 because the exercise price of those share options was higher than the average market price of the Company's share during the period.

## 9. TRADE AND BILLS RECEIVABLES

| | 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| Trade receivables | **108,208** | 100,742 |
| Bills receivables | **528** | 968 |
| Less: Impairment loss on trade receivables | **(5,131)** | (4,281) |
| Less: Impairment loss on bills receivables | **(14)** | (20) |
| | **103,591** | 97,409 |

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 2020** | | | 31 December 2019 | | |
|---|---|---|---|---|---|---|
| | **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 | **52,685** | **2,580** | **55,265** | 42,509 | 5,825 | 48,334 |
| 1 to 2 months | **25,045** | **–** | **25,045** | 21,502 | 38 | 21,540 |
| 2 to 3 months | **1,813** | **918** | **2,731** | 10,751 | 288 | 11,039 |
| 3 to 6 months | **1,898** | **4,144** | **6,042** | 6,356 | 47 | 6,403 |
| Over 6 months | **12,079** | **2,429** | **14,508** | 9,522 | 571 | 10,093 |
| | **93,520** | **10,071** | **103,591** | 90,640 | 6,769 | 97,409 |

## 10. LOAN RECEIVABLES

| | 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| Loan receivables | **185,859** | 303,115 |
| Less: impairment allowance | **(467)** | (467) |
| | **185,392** | 302,648 |

The loan receivables bear interest rate at 8% (31 December 2019: ranging from 8% to 12%) per annum and are repayable within one year. As at 30 June 2020, the Group's loan receivables amounted to RMB185,859,000 (31 December 2019: RMB303,115,000) and were secured by certain properties and equity shares (31 December 2019: secured by certain properties, other investments and listed securities).

## 11. TRADE PAYABLES

| | **30 June 2020** *RMB'000* **(Unaudited)** | 31 December 2019 *RMB'000* (Audited) |
|---|---|---|
| Accounts payables to suppliers | **91,995** | 67,162 |
| Accounts payables to securities clients | **3,772** | 4,322 |
| | **95,767** | 71,484 |

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

| | **30 June 2020** | | | 31 December 2019 | | |
|---|---|---|---|---|---|---|
| | **Accounts payables to securities clients** *RMB'000* **(Unaudited)** | **Accounts payables to suppliers** *RMB'000* **(Unaudited)** | **Total** *RMB'000* **(Unaudited)** | Accounts payables to securities clients *RMB'000* (Audited) | Accounts payables to suppliers *RMB'000* (Audited) | Total *RMB'000* (Audited) |
| Within 1 month | **3,772** | **38,411** | **42,183** | 4,322 | 37,774 | 42,096 |
| 1 to 2 months | **–** | **19,240** | **19,240** | – | 6,177 | 6,177 |
| 2 to 3 months | **–** | **7,632** | **7,632** | – | 2,442 | 2,442 |
| 3 to 6 months | **–** | **7,549** | **7,549** | – | 68 | 68 |
| 6 months to 1 year | **–** | **141** | **141** | – | 600 | 600 |
| Over 1 year | **–** | **19,022** | **19,022** | – | 20,101 | 20,101 |
| | **3,772** | **91,995** | **95,767** | 4,322 | 67,162 | 71,484 |

## 12. RELATED PARTY TRANSACTIONS

**(a)** The Group had the following transaction with a related party during the period:

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | *Note* | **2020** *RMB'000* **(Unaudited)** | 2019 *RMB'000* (Unaudited) |
| Interest expense to the ultimate holding company | *12(b)* | **8,759** | 9,240 |

**(b) Loan from the ultimate holding company**

At 30 June 2020, the loan from Tsinghua Tongfang Co., Ltd. with an amount of RMB362,464,000 (31 December 2019: RMB353,706,000) is unsecured, interest-bearing at 4.95% per annum and repayable in 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The total revenue for the Period was approximately RMB303.0 million, representing a decrease of approximately 18.7% as compared to approximately RMB372.6 million for the six months ended 30 June 2019. 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 and providing solutions of lighting products) for the Period was approximately RMB283.6 million, which represented a decrease of approximately RMB70.3 million as compared to approximately RMB353.9 million for the six months ended 30 June 2019. Such decrease was mainly attributable to decreased revenue of RMB57.5 million from PRC lighting segment due to production delay caused by the outbreak of coronavirus disease ("COVID-19").

*Securities Segment*

During the Period, the revenue attributable to the securities segment was approximately RMB19.4 million, representing a slight increase of approximately 3.7% as compared to approximately RMB18.7 million for the six months ended 30 June 2019 mainly due to the increased interest revenue.

### Cost of goods sold

For the Period, the cost of goods sold was approximately RMB208.3 million, representing a decrease of approximately RMB36.0 million over approximately RMB244.3 million for the six months ended 30 June 2019 primarily due to decrease in material costs and labour costs caused by the decreased sales.

### Gross profit and gross profit margin

For the Period, the Group recorded a gross profit of approximately RMB94.8 million, representing a decrease of RMB33.5 million over the gross profit of approximately RMB128.3 million for the six months ended 30 June 2019.

*Lighting Segment*

For the Period, the Group recorded a gross profit of approximately RMB75.4 million for the lighting segment, representing a decrease of approximately RMB34.2 million or 31.2% over approximately RMB109.6 million for the six months ended 30 June 2019 primarily due to the decreased sales from PRC lighting segment.

For the Period, the Group recorded a gross profit margin of approximately 26.6% for the lighting segment, representing a decrease of 4.4 percentage points over a gross profit margin of approximately 31.0% for the six months end 30 June 2019 mainly resulting from the effect of USA tariff and the decreased orders of lighting engineering.

*Securities Segment*

For the Period, the Group recorded a gross profit of approximately RMB19.4 million for the securities segment, representing an increase of approximately RMB0.7 million over approximately RMB18.7 million for the six month ended 30 June 2019. The reason is the same as disclosed in the revenue section.

**Other income and (losses)/gains, net**

For the Period, the Group recorded other losses of approximately RMB8.3 million, representing a decrease of approximately RMB57.4 million over the other gains of RMB49.1 million for the six months end 30 June 2019, mainly due to the decrease in fair value changes on financial assets at FVTPL of approximately RMB28.9 million and the decrease in fair value of investment properties of approximately RMB27.5 million

**Impairment loss of goodwill**

For the Period, the amount of impairment losses recognized in respect of goodwill was approximately RMB21.7 million (30 June 2019: nil) mainly due to the impairment loss of goodwill from securities cash-generating unit.

**Operating expenses**

For the Period, total operating expenses were approximately RMB147.7 million, representing a slight decrease of approximately RMB2.1 million over approximately RMB149.8 million for the six months ended 30 June 2019 due to the decreased travel expense and entertainment expense caused by COVID-19.

**Finance costs**

The finance costs for the Period was approximately RMB13.5 million, representing a slight decrease of RMB0.5 million over RMB14.0 million for the six months ended 30 June 2019.

**Taxation**

For the Period, the Group's tax credit of approximately RMB5.2 million (30 June 2019: tax charge of RMB2.6 million) mainly included tax provision for the year of 2020 of approximately RMB1.3 million and deferred tax credit of approximately RMB6.5 million.

**Loss attributable to owners of the Company**

For the Period, the Group recorded a loss attributable to owners of the Company of RMB92.9 million, representing a decrease over a profit attributable to the owners of the Company of RMB11.8 million for the six months ended 30 June 2019, primarily due to the provision of impairment loss of approximately RMB23.4 million, the decrease in gross profit of approximately RMB33.5 million, the decrease in fair value changes on financial assets at FVTPL of approximately RMB28.9 million and the decrease in fair value of investment properties of approximately RMB27.5 million.

**Financial Resources and Liquidity and Gearing Ratio**

The Group maintained a stable financial position. As at 30 June 2020, the Group had bank balances of RMB366.5 million and bank loans of RMB173.5 million. The gearing ratio representing the ratio of total debt to total equity of the Group was 33.3% as at 30 June 2020 (31 December 2019: 29.2%). Such slight increase was mainly caused by the increase in interest-bearing bank borrowings of approximately RMB32.4 million.

**Assets and liabilities**

As at 30 June 2020, the Group recorded the total assets of approximately RMB2,491.1 million (31 December 2019: RMB2,494.7 million) and total liabilities of approximately RMB828.0 million (31 December 2019: RMB763.1 million).

As at 30 June 2020, the Group's current assets and non-current assets were approximately RMB1,164.7 million (31 December 2019: RMB1,125.7 million) and approximately RMB1,326.4 million (31 December 2019: RMB1,369.0 million), respectively. The decrease in non-current assets was mainly attributable to the decrease in investment properties of approximately RMB23.6 million and the decrease in goodwill of approximately RMB17.9 which was mainly from the impairment loss of goodwill of Tongfang Securities Limited.

As at 30 June 2020, the Group's current liabilities and long-term liabilities were approximately RMB374.5 million (31 December 2019: RMB331.9 million) and approximately RMB453.6 million (31 December 2019: RMB431.1 million), respectively. The increase in current liabilities was mainly attributable to the increase in short-term interest-bearing bank borrowings of approximately RMB21.0 million.

As at 30 June 2020, the Group had a contingent consideration payable of approximately RMB27.4 million, arising from the acquisition of the remaining 20% membership interests of Novelty Lights, LLC by American Lighting, Inc, which is expected to complete no later than two business days after the third anniversary of 1 January 2019 (MST) subject to certain conditions having been satisfied. For details, please refer to the Company's announcement dated 1 January 2019. The fair value of the contingent consideration payable was estimated by applying income approach and the probability-weighted average of payouts associated with the earnings before interest, taxes, depreciation, and amortisation of Novelty Lights, LLC.

## 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 2020, the Group pledged certain property, plant and equipment totaling approximately RMB7.8 million (31 December 2019: RMB8.1 million), certain trade receivables and inventories with an aggregate carrying value of approximately RMB122.2 million (31 December 2019: RMB118.8 million), certain of the Group's right to use assets with an aggregate carrying value of approximately RMB8.2 million (31 December 2019: RMB8.3 million and certain of its non-current assets held for sale with an aggregate carrying value of approximately RMB28.1 million), and also certain term deposit with an aggregate carrying value of approximately RMB35.4 million (31 December 2019: nil) to secure bank credit facilities granted to the Group.

## Capital Commitments

As at 30 June 2020, 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 RMB5.6 million (31 December 2019: RMB9.9 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 2020, the issued share capital of the Company was RMB185,675,667 (equivalent to approximately HK$209,450,542) (31 December 2019: 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.

## Material Acquisition, Disposal and Significant Investment

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the 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 2019: nil).

## BUSINESS REVIEW

### Overview

During the Period, the outbreak of COVID-19 globally since early 2020 had an adverse impact on global economy. The Company experienced a decline in revenue resulting from production delay for the lighting segment and a decrease in gain recognised from the fair value changes of equity funds for the securities segment. The Company has taken proactive measures to mitigate the operational risks including providing facial masks, implementing working from home arrangement and using online meeting system. In order to minimize the impact of the COVID-19, the Group will continue to implement measures for COVID-19 pandemic prevention and control, whilst pursuing to recoup the Group's financial performance through various means. The lighting segment will continue to explore the online market, reduce the operation cost and dispose of bad assets.

### Sales and Distribution

*Lighting Segment*

During the Period, the Group took efforts in distribution and marketing, cultivating the new DIY sales team and promoting the new brand of 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 Limited is a licensed corporation to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities and expects to further develop its financial service business.

### 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 2020, the Group's total number of employees was approximately 960 (31 December 2019: 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.

Under the code provision A2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate chairman and a chief executive officer and Mr. Gao Zhi holds both positions. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company as non-executive Directors and independent non-executive Directors form the majority of the Board, with five out of seven of the Directors being non-executive directors and independent non-executive Directors. The Board believes that vesting the roles of both chairman and chief executive officer in the same person can facilitate execution of the Company's business strategies and boost effectiveness of its operation. The Board will review the current structure from time to time and shall make necessary arrangements when the Board considers appropriate.

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 financial report of the Group for the six months ended 30 June 2020 has 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 2020 |
| "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**
**Gao Zhi**
*Chairman*

Hong Kong, 24 August 2020

*As at the date of this announcement, the executive Directors of the Company are Mr. GAO Zhi and Mr. Daniel P.W.LI; the non-executive Directors are Mr. SEAH Han Leong and Mr. ZHOU Hai Ying; the independent non-executive Directors are Mr. FAN, Ren Da Anthony, Mr. LIU Tian Min and Ms. LI Ming Qi.*