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 2021

INTERIM RESULTS

The Board of Directors of Neo-Neon Holdings Limited is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2021, together with the unaudited comparative figures for the six months ended 30 June 2020. These results for the Period have been reviewed by the Company's auditors and the Audit Committee, comprising solely the independent non-executive Directors.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**342,517**	303,043
Cost of sales		**(234,855)**	(208,261)
Gross profit		**107,662**	94,782
Other income and gains/(losses), net	*4*	**11,919**	(8,281)
Provision of impairment, net		**(135,636)**	(23,350)
Selling and distribution expenses		**(70,432)**	(63,160)
Administrative expenses		**(72,498)**	(84,568)
Finance costs	*5*	**(2,806)**	(13,527)
LOSS BEFORE TAX	*5*	**(161,791)**	(98,104)
Income tax (expense)/credit	*6*	**(7,600)**	5,247
LOSS FOR THE PERIOD		**(169,391)**	(92,857)
Attributable to:			
Owners of the parent		**(169,761)**	(92,933)
Non-controlling interests		**370**	76
		(169,391)	(92,857)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*8*	**RMB(8.11) cents**	RMB(4.44) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	**(169,391)**	(92,857)
OTHER COMPREHENSIVE (LOSS)/INCOME:		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(1,093)**	21,799
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 (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(1,093)**	24,126
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(170,484)**	(68,731)
Attributable to:		
Owners of the parent	**(170,894)**	(69,691)
Non-controlling interests	**410**	960
	(170,484)	(68,731)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	**30 June 2021** *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**45,668**	48,130
Investment properties		**72,489**	74,441
Right-of-use assets		**63,653**	33,238
Goodwill		**90,220**	187,181
Other intangible assets		**32,185**	35,691
Prepayments and other assets		**2,063**	1,364
Financial assets at fair value through profit or loss		**135,069**	134,299
Deferred tax assets		**11,861**	11,980
Total non-current assets		**453,208**	526,324
CURRENT ASSETS			
Inventories		**192,454**	160,170
Trade and bills receivables	*9*	**171,488**	128,138
Loan receivable	*10*	**163,888**	159,579
Prepayments, other receivables and other assets		**118,179**	810,670
Financial assets at fair value through profit or loss		**29,784**	43,253
Cash held on behalf of clients		**14,855**	2,646
Cash and cash equivalents		**680,674**	408,485
Total current assets		**1,371,322**	1,712,941
CURRENT LIABILITIES			
Trade payables	*11*	**110,235**	90,784
Other payables and accruals		**66,168**	58,970
Lease liabilities		**12,768**	7,586
Interest-bearing bank borrowings		**54,257**	80,518
Tax payable		**9,019**	20,528
Provision		**6,687**	6,259
Contingent consideration payable		**23,282**	23,516
Total current liabilities		**282,416**	288,161

	Notes	**30 June 2021** *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
NET CURRENT ASSETS		**1,088,906**	1,424,780
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,542,114**	1,951,104
NON-CURRENT LIABILITIES			
Government grants		**242**	383
Lease liabilities		**40,557**	13,242
Interest-bearing bank borrowings		**–**	10,596
Deferred tax liabilities		**10,522**	10,987
Loan from the ultimate holding company	*12(b)*	**–**	254,619
Total non-current liabilities		**51,321**	289,827
Net assets		**1,490,793**	1,661,277
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**185,672**	185,676
Reserves		**1,299,352**	1,470,242
		1,485,024	1,655,918
Non-controlling interests		**5,769**	5,359
Total equity		**1,490,793**	1,661,277

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has 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 information does 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 2020.

2. CHANGES IN 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 2020, 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and impact of the revised HKFRSs are described below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had a interest-bearing bank borrowing denominated in US dollars based on the London Interbank Offered Rate ("LIBOR") as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the Period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the Period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021 and the amendment did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions.

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 the provision of lighting solutions and trading of lighting products 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, government grants, as well as unallocated corporate income and gains and expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, cash and cash equivalents 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, tax payable, 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 2021 (unaudited)

	PRC lighting	USA lighting	Securities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue ***(note 4):***				
Sales to external customers	**24,700**	**308,138**	**3,522**	**336,360**
Interest revenue	**–**	**–**	**6,157**	**6,157**
Intersegment sales	**31,110**	**–**	**–**	**31,110**
	55,810	**308,138**	**9,679**	**373,627**
Reconciliation:				
Elimination of intersegment sales				**(31,110)**
Revenue				**342,517**
Segment results	**(29,119)**	**23,079**	**(149,166)**	**(155,206)**
Reconciliation:				
Interest income and unallocated income and gains				**1,241**
Finance costs (other than interest on lease liabilities)				**(2,033)**
Government grants				**236**
Unallocated expenses				**(6,029)**
Loss before tax				**(161,791)**

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	(41,385)	1,595	(33,294)	(73,084)
Reconciliation:				
Interest income and unallocated income				1,839
Finance costs (other than interest on lease liabilities)				(12,888)
Government grants				1,037
Unallocated expenses				(15,008)
Loss before tax				(98,104)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2021 and 31 December 2020.

	30 June 2021 ***RMB'000*** **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Segment assets		
PRC lighting	**507,323**	1,185,780
USA lighting	**369,020**	319,812
Securities	**305,534**	392,967
Reconciliation:		
Elimination of intersegment receivables	**(50,547)**	(81,008)
Others	**693,200**	421,714
Total	**1,824,530**	2,239,265
Segment liabilities		
PRC lighting	**78,258**	28,170
USA lighting	**147,356**	154,423
Securities	**81,996**	94,425
Reconciliation:		
Elimination of intersegment payables	**(50,547)**	(81,008)
Others	**76,674**	381,978
Total	**333,737**	577,988

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

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**336,360**	289,775
Revenue from other sources		
Interest revenue	**6,157**	13,268
	342,517	303,043

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2021 (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	**24,700**	**308,138**	**–**	**332,838**
Advisory and management services	**–**	**–**	**799**	**799**
Agency services	**–**	**–**	**2,723**	**2,723**
Total revenue from contracts with customers	**24,700**	**308,138**	**3,522**	**336,360**
Geographic markets				
North America	**13,216**	**308,138**	**–**	**321,354**
Europe	**2,984**	**–**	**–**	**2,984**
PRC	**1,967**	**–**	**–**	**1,967**
Asia (excluding PRC)	**6,533**	**–**	**3,522**	**10,055**
Total revenue from contracts with customers	**24,700**	**308,138**	**3,522**	**336,360**
Timing of revenue recognition				
Goods transferred and services rendered at a point in time	**24,700**	**308,138**	**2,723**	**335,561**
Services rendered over time	**–**	**–**	**799**	**799**
Total revenue from contracts with customers	**24,700**	**308,138**	**3,522**	**336,360**

For the six months ended 30 June 2020 (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	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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	**492**	1,199
Other interest income	**1,749**	928
Dividend income from financial assets at FVTPL	**607**	1,500
Government grants*	**236**	1,037
Gross rental income	**3,657**	1,955
Others	**2,187**	640
	8,928	7,259
Gains/(losses), net		
Gain on disposal of items of property, plant and equipment	**271**	112
Loss on disposal of right-of-use assets	**(982)**	–
Gain on disposal of items of non-current assets classified as held for sale	**–**	9,548
Fair value gains/(losses) on financial assets at FVTPL, net	**7,707**	(1,231)
Fair value losses on investment properties, net	**(1,542)**	(27,539)
Change in fair value of contingent consideration payable	**–**	785
Foreign exchange differences, net	**(2,463)**	2,785
	2,991	(15,540)
	11,919	(8,281)

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

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance costs		
Interest on bank loans	**812**	4,129
Interest on a loan from the ultimate holding company	**1,221**	8,759
Interest on lease liabilities	**773**	639
	2,806	13,527
Depreciation of property, plant and equipment	**6,216**	7,134
Depreciation of right-of-use assets	**7,096**	7,764
Research and development costs:		
Deferred expenditure amortised	**1,263**	2,908
Amortisation of other intangible assets	**2,392**	2,523
Lease payments not included in the measurement of lease liabilities	**471**	476
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**586**	44
Impairment losses on financial assets, net:		
Trade and bills receivables	**4,556**	844
Other receivables	**36,115**	770
	40,671	1,614
Impairment of goodwill	**94,965**	21,736
Write-down of inventories to net realisable value	**7,623**	7,751
Foreign exchange differences, net	**2,462**	(2,785)

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 (six months ended 30 June 2020: Hong Kong profits tax was provided at the rate of 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 24.7% (six months ended 30 June 2020: 24.5%). No provision for the PRC corporate income tax has been made as the Group did not generate any assessable profits arising in the PRC during the current period (six months ended 30 June 2020: Nil). 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	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Underprovision in prior periods	**737**	–
Current – Elsewhere		
Charge for the period	**7,212**	1,303
Underprovision in prior periods	**8**	–
Deferred tax	**(357)**	(6,550)
Total tax charge/(credit) for the period	**7,600**	(5,247)

7. DIVIDENDS

The directors of the Company did not recommend the payment of a dividend for the six months ended 30 June 2021 and 2020.

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss 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 2020: 2,094,465,417) in issue during the period.

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(169,761)**	(92,933)

	Six months ended 30 June	
	2021	2020
	Number of shares	Number of shares
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**2,094,465,417**	2,094,465,417

Note: Diluted loss per share is calculated by dividing the loss 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 per share does not assume the exercise of a subsidiary of the Company's outstanding share options for the six months ended 30 June 2021 and 2020 because the exercise price of those share options was higher than the price of a subsidiary of the Company's share during the period.

9. TRADE AND BILLS RECEIVABLES

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**182,223**	133,921
Bills receivables	**128**	642
Less: Impairment loss on trade receivables	**(10,861)**	(6,409)
Less: Impairment loss on bills receivables	**(2)**	(16)
	171,488	128,138

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 2021			31 December 2020		
	Lighting	**Securities**	**Total**	Lighting	Securities	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	(Audited)	(Audited)	(Audited)
Within 1 month	**64,912**	**46,076**	**110,988**	59,023	4,763	63,786
1 to 2 months	**39,123**	**–**	**39,123**	22,699	431	23,130
2 to 3 months	**13,774**	**–**	**13,774**	4,698	97	4,795
3 to 6 months	**1,816**	**126**	**1,942**	24,832	2,082	26,914
Over 6 months	**5,535**	**126**	**5,661**	8,246	1,267	9,513
	125,160	**46,328**	**171,488**	119,498	8,640	128,138

10. LOAN RECEIVABLE

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loan receivable	**164,508**	160,206
Less: Impairment allowance	**(620)**	(627)
	163,888	159,579

The loan receivables bore interest rate at 8% per annum (p.a.) (31 December 2020: 8% p.a.) and was overdue (31 December 2020: overdue). As at 30 June 2021, the Group's loan receivable amounted to RMB164,508,000 (31 December 2020: RMB160,206,000) was secured by certain properties, other investments, listed securities, private equities of the borrowers and personal guarantees.

11. TRADE PAYABLES

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Trade payables to suppliers	**95,291**	88,138
Accounts payables to securities clients	**14,944**	2,646
	110,235	90,784

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 2021			31 December 2020		
	Accounts payables to securities clients *RMB'000* **(Unaudited)**	**Trade payables to suppliers** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**	Accounts payables to securities clients *RMB'000* (Audited)	Trade payables to suppliers *RMB'000* (Audited)	Total *RMB'000* (Audited)
Within 1 month	**14,944**	**60,490**	**75,434**	2,646	68,832	71,478
1 to 2 months	**–**	**16,333**	**16,333**	–	9,347	9,347
2 to 3 months	**–**	**9,982**	**9,982**	–	3,014	3,014
3 to 6 months	**–**	**6,855**	**6,855**	–	5,144	5,144
6 months to 1 year	**–**	**29**	**29**	–	162	162
Over 1 year	**–**	**1,602**	**1,602**	–	1,639	1,639
	14,944	**95,291**	**110,235**	2,646	88,138	90,784

12. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
	Note	**2021** *RMB'000* **(Unaudited)**	2020 *RMB'000* (Unaudited)
Interest expense to the ultimate holding company	*12(b)*	**1,221**	8,759

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

As at 31 December 2020, the loan from Tsinghua Tongfang Co., Ltd. with an amount of RMB254,619,000 was unsecured, interest-bearing at 4.95% per annum and originally repayable in 2022. The loan was early repaid during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The total revenue for the Period was approximately RMB342.5 million, representing an increase of approximately 13.0% as compared to approximately RMB303.0 million for the six months ended 30 June 2020. 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 RMB332.8 million, which represented an increase of approximately RMB49.2 million as compared to approximately RMB283.6 million for the six months ended 30 June 2020. Such increase was mainly attributable to the increased revenue of approximately RMB50.2 million from the USA lighting segment due to continuous expansion of business.

Securities Segment

During the Period, the revenue attributable to the securities segment was approximately RMB9.7 million, representing a decrease of approximately 50.0% as compared to approximately RMB19.4 million for the six months ended 30 June 2020 mainly caused by the COVID-19 pandemic and therefore the reduction of customers from cross-border travelling to Hong Kong for seeking advisory and assets management services.

Cost of goods sold

For the Period, the cost of goods sold was approximately RMB234.9 million, representing an increase of approximately RMB26.6 million over approximately RMB208.3 million for the six months ended 30 June 2020 primarily due to the increased sales from the USA lighting segment and the increase in material costs.

Gross profit and gross profit margin

For the Period, the Group recorded a gross profit of approximately RMB107.7 million, representing an increase of RMB12.9 million over the gross profit of approximately RMB94.8 million for the six months ended 30 June 2020.

Lighting Segment

For the Period, the Group recorded a gross profit of approximately RMB98.0 million for the lighting segment, representing an increase of approximately RMB22.6 million or 30.0% over approximately RMB75.4 million for the six months ended 30 June 2020 primarily due to the increased sales from the USA lighting segment.

For the Period, the Group recorded a gross profit margin of approximately 29.4% for the lighting segment, representing an increase of 2.8% over a gross profit margin of approximately 26.6% for the six months ended 30 June 2020 mainly resulting from the increase in gross profit for the lighting segment caused by the increased sales from the USA lighting segment.

Securities Segment

For the Period, the Group recorded a gross profit of approximately RMB9.7 million for the securities segment, representing a decrease of approximately RMB9.7 million over approximately RMB19.4 million for the six month ended 30 June 2020. The reason is the same as disclosed in the revenue section.

Other income and gains/(losses), net

For the Period, the Group recorded other income of approximately RMB11.9 million, representing an increase of approximately RMB20.2 million over the other losses of RMB8.3 million for the six months ended 30 June 2020, mainly due to the decrease in fair value losses on revaluation of investment properties of approximately RMB26.0 million.

Impairment loss of goodwill

For the Period, the amount of impairment losses recognised in respect of goodwill was approximately RMB95.0 million, representing an increase of approximately RMB73.3 million over approximately RMB21.7 million for the six months ended 30 June 2020, mainly due to the impairment loss of goodwill from securities cash-generating unit ("CGU").

Operating expenses

For the Period, total operating expenses were approximately RMB142.9 million, representing a slight decrease of approximately RMB4.8 million over approximately RMB147.7 million for the six months ended 30 June 2020 due to the decreased travel expense and entertainment expense caused by COVID-19 pandemic.

Finance costs

The finance costs for the Period was approximately RMB2.8 million, representing a decrease of RMB10.7 million over RMB13.5 million for the six months ended 30 June 2020, mainly due to the repayment of loan from the ultimate holding company of approximately RMB255.8 million and the net decrease in interest-bearing bank borrowings of approximately RMB36.9 million.

Taxation

For the Period, the Group's tax charge of approximately RMB7.6 million (six months ended 30 June 2020: tax credit of RMB5.2 million) mainly included tax provision for the Period of approximately RMB8.0 million and deferred tax credit of approximately RMB0.4 million.

Loss attributable to owners of the Company

For the Period, the Group recorded a loss attributable to owners of the Company of RMB169.8 million, representing an increase over a loss attributable to the owners of the Company of RMB92.9 million for the six months ended 30 June 2020, primarily due to the increase in provision of impairment loss of approximately RMB112.3 million mainly resulting from the impairment loss of goodwill from securities CGU and on other receivables.

Financial Resources and Liquidity and Gearing Ratio

The Group maintained a stable financial position. As at 30 June 2021, the Group had bank balances of RMB680.7 million and bank loans of RMB54.3 million. The gearing ratio representing the ratio of total debt to total equity of the Group was 7.2% as at 30 June 2021 (31 December 2020: 22.1%). Such decrease was mainly caused by the decrease in total debt resulting from the repayment of loan from the ultimate holding company of approximately RMB255.8 million and the net decrease in interest-bearing bank borrowings of approximately RMB36.9 million.

Assets and liabilities

As at 30 June 2021, the Group recorded the total assets of approximately RMB1,824.5 million (31 December 2020: RMB2,239.3 million) and total liabilities of approximately RMB333.7 million (31 December 2020: RMB578.0 million).

As at 30 June 2021, the Group's current assets and non-current assets were approximately RMB1,371.3 million (31 December 2020: RMB1,712.9 million) and approximately RMB453.2 million (31 December 2020: RMB526.3 million), respectively. The decreases in current assets and non-current assets were mainly attributable to the settlement of other receivables and cash consideration from disposal of two subsidiaries of the Company in October 2020 of approximately RMB676.1 million in total, and the decrease in goodwill of approximately RMB97.0 million mainly resulting from the impairment loss of goodwill from securities CGU, respectively.

As at 30 June 2021, the Group's current liabilities and non-current liabilities were approximately RMB282.4 million (31 December 2020: RMB288.2 million) and approximately RMB51.3 million (31 December 2020: RMB289.8 million), respectively. The decrease in non-current liabilities was mainly attributable to repayment of loan from the ultimate holding company.

As at 30 June 2021, the Group had a contingent consideration payable of approximately RMB23.3 million, arising from the acquisition of the remaining 20% membership interests of Novelty Lights, LLC by American Lighting, Inc, which is expected to be completed 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 2021, the Group pledged certain trade receivables and inventories with an aggregate carrying value of approximately RMB107.1 million (31 December 2020: RMB142.0 million) to secure bank credit facilities granted to the Group.

Capital Commitments

As at 30 June 2021, the Group had no capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment (31 December 2020: nil).

Contingent Liabilities

During the Period, certain subsidiaries of the Company are parties to various legal claims in their ordinary course of businesses. 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 2021, the issued share capital of the Company was RMB185,672,131 (equivalent to approximately HK$209,446,542) (31 December 2020: RMB185,675,677 (equivalent to HK$209,450,542)), divided into 2,094,465,417 ordinary Shares of HK$0.10 each. Such slightly decrease in the issued share capital of the Company during the Period was mainly attributable to the decrease in the total number of issued Shares due to cancellation of treasury Shares in February 2021.

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 (six months ended 30 June 2020: nil).

BUSINESS REVIEW

Overview

During the Period, both the global business environment and the Group continued to be affected by the COVID-19 pandemic. The Group continued to implement preventive and control measures against its outbreak so as to minimise the impact arising therefrom and to continue to increase revenue. During the Period, the Group's USA lighting segment delivered a good performance as it continued to optimise its resource allocation and facilitate the integration of upstream and downstream businesses to form an organic chain that creates value for customers. With the cooperation of customers, the R&D department of the USA lighting segment was directly involved in various initiatives such as the research and development of new products and quality control in the upstream factories according to customers' requirements. Its work met the needs of customers and gained their recognition and support. Targeting the high-end smart home market and engineering project market, the USA lighting segment actively launched and promoted two high-end brands, namely Proluxe and Prizm, thus further enhancing the overall gross margin level and competitiveness of the USA lighting segment and with the prospect of further bolstering its foothold in the North American market.

The business focus of Tongfang Securities Limited was adjusted to contribute to income. The management team of Tongfang Securities Limited made great efforts to overcome the decline in revenue from the securities segment caused by the COVID-19 pandemic and therefore the reduction of customers from cross-border travlling to Hong Kong for seeking advisory and assets management services. As a result, Tongfang Securities Limited had a sluggish first-half performance and recorded large impairment loss of goodwill and other receivables.

Sales and Distribution

Lighting Segment

During the Period, the Group took efforts in distribution and marketing, cultivating the new sales team and promoting the new brand of lighting products. The Group proactively made deployment in brand establishment and sales channel in the world's fastest growing markets and brought to its customers better sales services in energy-saving technologies and solutions.

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 2021, the Group's total number of employees was approximately 800 (31 December 2020: 800). The basic remunerations of the employees are determined with reference to the industry remuneration benchmark, the employees' experience and their performance. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The 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 of the Corporate Government Code, 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 of the Corporate Government Code and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code.

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, they 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 2021 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 (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 and available on the same websites in the due course.

DEFINITIONS

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

"Audit Committee"	the audit committee of the Company
"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 for the purpose of this announcement, Hong Kong, Macau and Taiwan
"Company"	Neo-Neon Holdings Limited (stock code: 1868), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange, and the depositary receipts of which are listed on the Taiwan Stock Exchange
"Corporate Governance Code"	the code on corporate governance practices contained in Appendix 14 to the Listing Rules
"COVID-19"	the novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries

"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
"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 2021
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	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 2021

As at the date of this announcement, the executive Directors of the Company are Mr. GAO Zhi and Mr. LIU Zhigang; the non-executive Directors are Mr. LIANG Wu Quan 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.