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## **Neo-Neon Holdings Limited**

**真明麗控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1868)**

### **PROFIT ALERT**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board wishes to inform the shareholders of the Company and potential investors that the consolidated results of the Group for the six months ended 30 September 2011 are expected to record a loss.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

This announcement is made by Neo-Neon Holdings Limited (the “Company”, and together with its subsidiaries, the “Group”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The board of directors of the Company (the “Board”) wishes to inform the shareholders of the Company and potential investors that the unaudited consolidated interim results of the Group for the six months ended 30 September 2011 are expected to record a loss.

The Board considers that the decline in unaudited consolidated interim results for the six months ended 30 September 2011 is primarily attributable to: (i) a lower turnover than expected, despite increasing orders from our domestic customers in China, as a result of generally increasing customer prudence in placing orders caused by unfavourable prospects in the European markets; (ii) a decrease in gross profit margins as a result of the soaring prices of raw materials, increase in labor costs and appreciation of RMB; (iii) an increase in provisions for doubtful debts of trade receivables due to the deteriorating economic environment; (iv) a significant increase in depreciation expenses related to our expansion into the upstream plant and equipments of chips; and (v) significant amount of investment in MOCVD (Metal Organic Chemical Vapour Deposition) led to oversupply and resulted in a decrease of its market price, and a decrease in gross profit margins as a result of intense competition between Wafer factories.

In addition, the Board will improve the efficiency of resource allocation by the Company so as to strengthen the Group’s competitiveness. The Group will efficiently reallocate its resources to create a rational organisation structure and achieve strategic growth by becoming more cost-effective, simplified in structure, effective in performance management and better-positioned to implement employee-oriented long-term incentive schemes. Moreover, 2011 is the first year in the “Twelfth

Five-year Plan”. As the State strengthens its supports for green lighting products, it is expected that the government subsidy policy for LED lighting products will be introduced at the end of this year. As part of this policy, the Guangdong provincial government will give priority to promotion of 30 million LED products by providing a government subsidy.

As the urbanization of China gains pace and consumers continuously seek higher standards of living, there will be greater demand for LED products which will create more opportunities for the Group. The Group has mitigated the negative impact of economic recessions in Europe and the United States of America on the Group by increasing its share of the domestic market and increasing the proportion of high value-added products in its business. During the year, the China market has gradually become a major source of profits and a driving force for sustained growth in the Company.

The information contained in this announcement is only based on a preliminary review of the latest management accounts of the Company and its subsidiaries currently available to the Board, and not derived from any data or information that has been audited or reviewed by the Company’s auditors. The Company is still in the process of finalizing the Group’s unaudited consolidated interim results for the six months ended 30 September 2011. The interim results and other information of the Group will be contained in the interim report of the Company which is expected to be published in November 2011.

The Board considers that the overall operation and financial position of the Group remains sound. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board  
**Neo-Neon Holdings Limited**  
**Ben FAN**  
*Chairman*

Hong Kong, 21 October 2011

*As at the date of this announcement, the Executive Directors of the Company are Mr. Ben FAN, Ms. Michelle WONG and Mr. FAN Pong Yang and the Independent Non-Executive Directors are Mr. WU Tak Lung, Mr. WENG Shih Yuan and Mr. ZHAO Shan Xiang.*