



## NEO-NEON HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)  
Stock Code: 1868.HK; 911868.TDR



# 2016 INTERIM REPORT

Professional LED product research,  
development and production.

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Director*

Mr. Seah Han Leong

#### *Non-executive Directors*

Mr. Huang Yu (*Chairman*)  
Mr. Wang Liang Hai  
Mr. Liu Wei Dong

#### *Independent non-executive Directors*

Mr. Fan Ren Da Anthony  
Mr. Liu Tian Min  
Ms. Li Ming Qi

### AUDIT COMMITTEE

Ms. Li Ming Qi (*Chairman*)  
Mr. Liu Tian Min  
Mr. Fan Ren Da Anthony

### REMUNERATION COMMITTEE

Mr. Liu Tian Min (*Chairman*)  
Mr. Huang Yu  
Mr. Fan Ren Da Anthony  
Ms. Li Ming Qi

### NOMINATION COMMITTEE

Mr. Huang Yu (*Chairman*)  
Mr. Fan Ren Da Anthony  
Mr. Liu Tian Min  
Ms. Li Ming Qi

### RISK MANAGEMENT AND REGULATORY COMPLIANCE COMMITTEE

Mr. Fan Ren Da Anthony (*Chairman*)  
Mr. Huang Yu  
Mr. Seah Han Leong  
Mr. Wang Liang Hai  
Mr. Liu Wei Dong  
Mr. Liu Tian Min  
Ms. Li Ming Qi

**CORPORATE INFORMATION** *(Continued)*

<b>AUTHORIZED REPRESENTATIVES</b>	Mr. Seah Han Leong Mr. Leung Lok Wai
<b>COMPANY SECRETARY</b>	Mr. Leung Lok Wai
<b>HONG KONG BRANCH SHARE REGISTRAR</b>	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>AUDITOR</b>	KPMG
<b>LAWYER AS TO HONG KONG LAWS</b>	Orrick, Herrington & Sutcliffe 43rd Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
<b>PRINCIPAL BANKS</b>	China Construction Bank Limited, HeShan Branch Taishin International Bank, Hong Kong Branch China Everlight Bank Company Limited, Jiangmen Branch
<b>REGISTERED OFFICE</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>PRINCIPAL PLACE OF BUSINESS IN HONG KONG</b>	Unit 806-810, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
<b>PRINCIPAL SHARE REGISTRAR</b>	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
<b>COMPANY WEBSITE ADDRESS</b>	<a href="http://www.neo-neon.com">www.neo-neon.com</a>
<b>STOCK CODE</b>	1868

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

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

#### Cost of goods sold

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

#### Gross profit and gross profit margin

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

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

#### Other gains, losses and expenses

For the Period, the Group recorded other gains of approximately RMB15.4 million, representing a decrease of approximately RMB29.5 million over other gains of approximately RMB44.9 million for the six months ended 30 June 2015, due to the net gains of approximately RMB1.2 million resulting from sales of plant and equipment and property of Heshan Tongfang Lighting Technology Co., Ltd. (鶴山同方照明科技有限公司) (“**Heshan Tongfang**”), and Neo-Neon Development Company Limited, each of which is a subsidiary of the Company, as compared to the net gains of approximately RMB27.4 million from disposal of plant and land of Yinyu Semiconductor Photovoltaic (Guangdong) Limited (廣東銀雨芯片半導體有限公司) (“**Yinyu Semiconductor**”), a subsidiary of the Company, for the six months ended 30 June 2015.

## FINANCIAL REVIEW *(Continued)*

### **Impairment loss of property, plant and equipment**

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

### **Operating expenses**

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

### **Finance costs**

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

### **Taxation**

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

### **Profit attributable to owners of the Company**

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

### **Financial Resources and Liquidity and Gearing Ratio**

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



## FINANCIAL REVIEW *(Continued)*

### Cash flows

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

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

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

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

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

### Assets and liabilities

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

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

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

## FINANCIAL REVIEW *(Continued)*

### Foreign exchange Risk

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

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

### Charge on Assets

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

### Capital Commitments

As at 30 June 2016, the Group had capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment of RMB10.5 million (31 December 2015: RMB4.6 million).

### Contingent Liabilities

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

### Capital Structure

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

### Material Acquisition, Disposal and Significant Investment

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

### Interim Dividend

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



## BUSINESS REVIEW

### Overview

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

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



### Sales and Distribution

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

### Research and Development ("R&D")

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

**BUSINESS REVIEW** *(Continued)***Employees and Remuneration Policy**

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

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **CORPORATE GOVERNANCE CODE**

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

Throughout the Period, the Company complied with all 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**

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.

### **REVIEW OF INTERIM FINANCIAL STATEMENTS**

The Directors confirm that disclosure of financial information in this interim report complies with Appendix 16 of the Listing Rules. The audit committee of the Company has held meetings to discuss the internal controls, risk management and financial reporting matters of the Company, including the review of the interim results and the unaudited consolidated interim financial statements for the Period. The interim financial report is unaudited.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

### **DIVIDENDS**

The Board of Directors resolved not to declare any interim dividend for the Period.

## DISCLOSURE OF INTERESTS

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2016, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

#### Long Positions in the Shares and underlying Shares of the Company:

Name	Capacity	Number of Ordinary Shares as at the date of this report	Percentage of total issued share capital as at the date of report
Mr. Wang Liang Hai <sup>(1)</sup>	Beneficial owner	1,500,000	0.08%
Mr. Seah Han Leong <sup>(2)</sup>	Beneficial owner	1,500,000	0.08%
Mr. Liu Wei Dong <sup>(3)</sup>	Beneficial owner	1,000,000	0.05%
Mr. Fan, Ren Da Anthony <sup>(4)</sup>	Beneficial owner	600,000	0.03%
Mr. Liu Tian Min <sup>(5)</sup>	Beneficial owner	600,000	0.03%
Ms. Li Ming Qi <sup>(6)</sup>	Beneficial owner	600,000	0.03%
Mr. Pan Jin <sup>(7)</sup>	Beneficial owner	1,500,000	0.08%

## DISCLOSURE OF INTERESTS *(Continued)*

### **Long Positions in the Shares and underlying Shares of the Company:** *(Continued)*

Notes:

- (1) Mr. Wang Liang Hai is deemed to be interested in 1,500,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 May 2015 under the 2006 Share Option Scheme.
- (2) Mr. Seah Han Leong is deemed to be interested in 1,500,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 May 2015 under the 2006 Share Option Scheme.
- (3) Mr. Liu Wei Dong is deemed to be interested in 1,000,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 May 2015 under the 2006 Share Option Scheme.
- (4) Mr. Fan, Ren Da Anthony is deemed to be interested in 600,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 May 2015 under the 2006 Share Option Scheme.
- (5) Mr. Liu Tian Min is deemed to be interested in 600,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 May 2015 under the 2006 Share Option Scheme.
- (6) Ms. Li Ming Qi is deemed to be interested in 600,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 May 2015 under the 2006 Share Option Scheme.
- (7) Mr. Pan Jin is deemed to be interested in 1,500,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 May 2015 under the 2006 Share Option Scheme. Mr. Pan Jin ceased to be an executive Director on 15 July 2016.

**DISCLOSURE OF INTERESTS** *(Continued)***Long Positions in the Shares and underlying Shares of the associated corporation:***American Lighting*

<b>Name</b>	<b>Capacity</b>	<b>Number of Ordinary Shares as at the date of this report</b>	<b>Percentage of total issued share capital of American Lighting as at the date of report</b>
Mr. Seah Han Leong <sup>(1)</sup>	Beneficial owner	363	0.99%
Mr. Pan Jin <sup>(2)</sup>	Beneficial owner	363	0.99%

*Notes:*

- (1) Mr. Seah Han Leong is deemed to be interested in 363 common stocks which may be issued to him upon the exercise of the share options granted to him under the Subsidiary Share Incentive Plan on 30 June 2015.
- (2) Mr. Pan Jin is deemed to be interested in 363 common stocks which may be issued to him upon the exercise of the share options granted to him under the Subsidiary Share Incentive Plan on 30 June 2015. Mr. Pan Jin ceased to be a director of American Lighting on 31 May 2016 and an executive Director of the Company on 15 July 2016.

Save as disclosed above, as at 30 June 2016, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).



**DISCLOSURE OF INTERESTS** (Continued)**Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares**

So far as is known to any Director or chief executive of the Company, as at 30 June 2016, the persons or corporations (other than the Directors or chief executive of the Company) who had interest or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

<b>Name</b>	<b>Capacity</b>	<b>Number of Ordinary Shares as at the date of this report</b>	<b>Percentage of total issued share capital as at the date of report</b>
THTF ES <sup>(1)</sup>	Beneficial owner	1,348,360,690	69.52 %
Resuccess Investments Limited <sup>(1)(2)</sup>	Interest of controlled corporation and beneficial owner	1,351,298,690	69.68 %
Tsinghua Tongfang <sup>(1)(2)</sup>	Interest of controlled corporation	1,351,298,690	69.68 %

*Notes:*

- (1) Resuccess holds the entire issued share capital of THTF ES and Tsinghua Tongfang holds the entire issued share capital of Resuccess. Therefore, each of Resuccess and Tsinghua Tongfang is deemed to be interested in all 1,348,360,690 Shares held by THTF ES.
- (2) Resuccess directly holds 2,938,000 Shares in the Company. Tsinghua Tongfang holds the entire issued share capital of Resuccess. Therefore, Tsinghua Tongfang is deemed to be interested in all Shares held by Resuccess.

Save as disclosed above, as at 30 June 2016, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## SHARE OPTION SCHEMES

### 2006 Share Option Scheme

The 2006 Share Option Scheme was adopted by the Company pursuant to the Shareholders' resolutions passed on 20 November 2006 for the primary purpose of providing incentives to Directors and eligible employees. The 2006 Share Option Scheme became effective on 15 December 2006 and the options issued pursuant to the 2006 Share Option Scheme will expire no later than 10 years from the date of grant of the option. Under the 2006 Share Option Scheme, the Board may grant options to any employees of the Company or any of its subsidiaries to subscribe shares of the Company.

For any options granted to Directors, chief executives or substantial shareholders of the Company, options to be granted shall be approved by the independent non-executive Directors of the Company (excluding any independent non-executive Director who is the proposed grantee of options).

The maximum number of shares which may be issued upon the exercise of all the options to be granted under the 2006 Share Option Scheme was refreshed at the annual general meeting of the Company held on 10 August 2012. Upon the adoption of the 2016 Share Option Scheme on 13 May 2016, the 2006 Share Option Scheme be terminated and no further share options can be granted under the 2006 Share Option Scheme.

The number of shares issued and to be issued in respect of options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the total shares of the Company in issue at any point in time, without prior approval from the Company's Shareholders.

The amount payable on acceptance of an option is HK\$1.00. In relation to any options granted under the 2006 Share Option Scheme, the exercise price is determined by the Directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

**SHARE OPTION SCHEMES** (Continued)**2006 Share Option Scheme** (Continued)

Details of the share options under the 2006 Share Option Scheme as at 30 June 2016 are set forth as below:

Category of participants	Date of grant	Exercise price per share (HK\$)	Outstanding	Granted during the Period	Exercise during the Period	Forfeited/	Outstanding as at 30 June 2016
			as at 1 January 2016			Lapsed during the Period	
<b>Directors</b>							
Mr. Wang Liang Hai	15 May 2015	1.31	1,500,000	-	-	-	1,500,000
Mr. Seah Han Leong	15 May 2015	1.31	1,500,000	-	-	-	1,500,000
Mr. Liu Wei Dong	15 May 2015	1.31	1,000,000	-	-	-	1,000,000
Mr. Fan, Ren Da Anthony	15 May 2015	1.31	600,000	-	-	-	600,000
Mr. Liu Tian Min	15 May 2015	1.31	600,000	-	-	-	600,000
Ms. Li Ming Qi	15 May 2015	1.31	600,000	-	-	-	600,000
Mr. Pan Jin <sup>(1)</sup>	15 May 2015	1.31	1,500,000	-	-	-	1,500,000
Mr. Ben Fan <sup>(2)</sup>	15 May 2015	1.31	1,500,000	-	-	(1,500,000)	-
<b>Employees</b>	15 May 2015	1.31	24,200,000	-	-	(5,700,000)	18,500,000

Notes:

- (1) Mr. Pan Jin ceased to be an executive Director on 15 July 2016.
- (2) Mr. Ben Fan ceased to be an executive Director on 20 January 2016.
- (3) Share options granted under the 2006 Share Option Scheme on 15 May 2015 vest in the relevant grantee in accordance with the timetable below with a 5-year exercise period.

Vesting date	Percentage of options to vest	Vesting condition
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1 July 2016	50% of the total number of share options granted	The vesting of the share options shall be conditional upon the Company meeting its performance targets for the year of 2015
1 July 2017	50% of the total number of share options granted	The vesting of the share options shall be conditional upon the Company meeting its performance targets for the year of 2016

Save as disclosed above, no share option was granted, exercised, lapsed, or cancelled under the 2006 Share Option Scheme during the Period.

Further details of the 2006 Share Option Scheme are set out in note 15a to the financial statements.

## SHARE OPTION SCHEMES *(Continued)*

### 2016 Share Option Scheme

The Company has adopted the 2016 Share Option Scheme on 13 May 2016 to optimize eligible persons' future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executive (as defined in the 2016 Share Option Scheme), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Eligible persons include any of the following persons: (a) an Executive, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group or of an Eligible Entity (as defined in the 2016 Share Option Scheme); (b) a director or proposed director (including an independent non-executive director) of any member of the Group or of an Eligible Entity; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group or of an Eligible Entity; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group or of an Eligible Entity; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group or of an Eligible Entity; and (g) an associate of any of the foregoing persons.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2016 Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 193,931,969 Shares, representing approximately 10% of the issued share capital as at 13 May 2016, being the date of adoption of the 2016 Share Option Scheme and representing approximately 10% of the issued share capital as at the date of this report.

No option may be granted to any participant of the 2016 Share Option Scheme such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

## SHARE OPTION SCHEMES *(Continued)*

### 2016 Share Option Scheme *(Continued)*

An option may be exercised in accordance with the terms of the 2016 Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the 2016 Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a share;
- (b) the closing price of a share as stated in the Stock Exchange's daily quotations sheets on the offer date; and
- (c) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

The 2016 Share Option Scheme shall be valid and effective for a period of 10 years from the adoption date, after which no further options will be granted or offered.

As at the date of this interim report, a total of 193,931,969 Shares (representing 10%) of the issued share capital of the Company as at the date of this report) may be issued upon exercise of all options which may be granted under the 2016 Share Option Scheme and a total of 193,931,969 shares (representing 10% of the issued share capital of the Company as at the date of this report) may be issued upon exercise of all options which had been granted and vet to be exercised the 2016 Share Option Scheme.

Since the adoption of the 2016 Share Option Scheme, no share options have been granted.

## SHARE OPTION SCHEMES *(Continued)*

### **Subsidiary Share Incentive Plan**

On 2 April 2015, the Company adopted the Subsidiary Share Incentive Plan by Shareholders' approval in order to advance the interests of current and future stockholders of American Lighting, by enhancing American Lighting's ability to attract, retain and motivate persons who make (or are expected to make) important contributions to American Lighting by providing such persons with equity ownership opportunities and thereby better aligning the interests of such persons with those of the Company's stockholders. The Subsidiary Share Incentive Plan is valid for ten years after its adoption. The eligible persons include the employees, consultants, and directors of American Lighting or any parent or subsidiary of American Lighting.

Subject to adjustment under the Subsidiary Share Incentive Plan, awards may be made under the Subsidiary Share Incentive Plan covering up to 3,632 shares of common stock (all of which may, but need not, be granted as incentive stock options, subject to any limitations under the Internal Revenue Code of 1986), which is equal to 10% of the issued and outstanding shares of Common Stock on the date when the Subsidiary Share Incentive Plan is adopted and approved by the Shareholders. If any award expires or lapses or is terminated, surrendered or cancelled without having been fully exercised or is forfeited in whole or in part (including as the result of shares of common stock subject to such award being repurchased by the Company at or below the original issuance price), in any case in a manner that results in any shares of common stock covered by such award not being issued or being so reacquired by the Company, the unused Common Stock covered by such award shall again be available for the grant of awards under the Subsidiary Share Incentive Plan.

The total number of shares of common stock issued and to be issued upon the exercise of options granted and to be granted to each Service Provider (as defined in the Subsidiary Share Incentive Plan) (including both exercised and outstanding options) in any period of twelve (12) consecutive months up to and including the date of grant shall not exceed 1% of shares of common stock in issue as at the date of grant. The Company may grant further options in excess of such limit set out in subject to approval by the Shareholders in general meeting in accordance with the Listing Rules, at which the Service Provider involved and its close associates (or the Service Provider's associates if the Service Provider is a connected person) shall be required to abstain from voting.



**SHARE OPTION SCHEMES** *(Continued)***Subsidiary Share Incentive Plan** *(Continued)*

The Administrator (as defined in the Subsidiary Share Incentive Plan) shall establish the exercise price of each Option and specify the exercise price in the applicable award agreement. The exercise price shall be not less than 100% of the Option Exercise Price, which means, as of any date, the price per share of common stock payable on the exercise of the option and determined as follows: (i) if the common stock is listed on any established stock exchange (including but not limited to) a National Securities Exchange (within the meaning of the Exchange Act); the Option Exercise Price shall be the greater of (A) the closing sales price for such common stock as quoted on such exchange on the date of grant of the option, or if no sale occurred on such date, the first market trading day immediately prior to such date during which a sale occurred; and (B) the average closing sales price for such common stock as quoted on such exchange for the five business days preceding the date of grant of option, or if no sale occurred on such date, the first market trading day immediately prior to such date during which a sale occurred, as the prices contemplated by the preceding clauses (A) and (B) are reported in The Wall Street Journal or such other source as the board of American Lighting deems reliable; (ii) if the common stock is not listed on a stock exchange but is quoted on a national market system or other quotation system, the Option Exercise Price shall be the last sales price for such common stock on the date of grant of the option, or if no sales occurred on such date, then on the date immediately prior to such date on which sales prices are reported, as reported in The Wall Street Journal or such other source as the board of American Lighting deems reliable; or (iii) in the absence of an established market for the common stock, the Option Exercise Price shall be determined by the board of American Lighting in its sole discretion.

Notwithstanding anything to the contrary herein, in the event that an award of options is made (a) on or after the date that American Lighting has resolved to seek the listing, or (b) during the six month period immediately preceding the date on which American Lighting files an application for Listing, and the Listing occurs concurrent with the offer and sale of the common stock, then the Option Exercise Price shall be the higher of (a) the offering price for the shares of common stock to be issued in connection with the listing, and (b) the exercise price in the applicable award agreement.

**SHARE OPTION SCHEMES** (Continued)**Subsidiary Share Incentive Plan** (Continued)

Details of the share options under the Subsidiary Share Incentive Plan as at 30 June 2016 are set forth as below:

Category of participants	Date of grant	Exercise price per share (US\$)	Outstanding	Granted during the Period	Exercise during the Period	Forfeited/	Outstanding as at 30 June 2016
			as at 1 January 2016			Lapsed during the Period	
<b>Director</b>							
Mr. Seah Han Leong	30 June 2015	330	363	-	-	-	363
Mr. Pan Jin <sup>(2)</sup>	30 June 2015	330	363	-	-	-	363
<b>Employees</b>	30 June 2015	330	2,143	-	-	-	2,143

Notes:

- The Stock Options granted have an exercisable term of 10 years and vest as follows: (i) thirty percent (30%) of the total number of shares subject to the Stock Options vest and become exercisable on the first (1st) anniversary of 30 June 2015 (the "Vesting Commencement Date"); (ii) an additional thirty percent (30%) of the total number of shares subject to the Stock Options vest and become exercisable on the second (2nd) anniversary of the Vesting Commencement Date; and (iii) the remaining unvested forty percent (40%) of the total number of shares subject to the Stock Options vest (and, as a result, the Stock Options become fully vested) on the third (3rd) anniversary of the Vesting Commencement Date; provided in each case that the Grantee continues to provide services to the Company, American Lighting or Tivoli, LLC ("Tivoli"), as the case may be, as of each such vesting date and that the board of directors of American Lighting has determined in its sole discretion that performance criteria, if any, that has been specified by the board of directors and agreed to by the Grantee, has been satisfied.
- Mr. Pan Jin ceased to be a director of American Lighting on 31 May 2016 and an executive Director of the Company on 15 July 2016.

Save as disclosed above, no share option under the Subsidiary Share Incentive Plan was granted, exercised, lapsed, or cancelled during the Period.

Further details of the Subsidiary Share Incentive Plan are set out in note 15b to the financial statements.

## CHANGES IN INFORMATION OF DIRECTORS

During the Period and up to the date of this report,

- (1) Mr. Ben Fan ceased to be an executive Director on 20 January 2016.
- (2) The Board resolved to change the then current regulatory compliance committee to the risk management and regulatory compliance committee (the “Risk Management and Regulatory Compliance Committee”) with effect from 29 March 2016. In addition to the original authority and duties of the current regulatory compliance committee, the Risk Management and Regulatory Compliance Committee will also undertake risk management related authority and duties. The Board has appointed all of the then current Directors of the Company as members of the Risk Management and Regulatory Compliance Committee and Mr. Fan Ren Da Anthony, an independent non-executive Director, as the chairman of the Risk Management and Regulatory Compliance Committee.
- (3) Mr. Fan Xin has resigned as an executive Director, the chairman of the Board, a member of the remuneration committee, a member of the Risk Management and Regulatory Compliance Committee and the chairman of the nomination committee with effect from 15 July 2016.
- (4) Mr. Pan Jin has resigned as an executive Director, a member of the Risk Management and Regulatory Compliance Committee and the vice president of the Company with effect from 15 July 2016.
- (5) Mr. Huang Yu has been appointed as a non-executive Director, the chairman of the Board, a member of the remuneration committee, a member of the Risk Management and Regulatory Compliance Committee and the chairman of the nomination committee with effect from 15 July 2016.
- (6) Mr. Wang Liang Hai has been redesignated from an executive Director to a non-executive Director with effect from 15 July 2016.

Save as disclosed above, the Directors of the Company are not aware of any other information in respect of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended 30 June 2016

*(Expressed in Renminbi ("RMB"))*

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***(Continued)*

For the six months ended 30 June 2016

*(Expressed in RMB)*

		<b>Six months ended</b>	
		<b>30 June</b>	30 June
		<b>2016</b>	2015
	<i>Notes</i>	<b>RMB'000</b>	<i>RMB'000</i>
		<b>(unaudited)</b>	(unaudited)
Profit/(Loss) for the period attributable to			
– Owners of the Company		<b>7,929</b>	3,379
– Non-controlling interests		<b>(27)</b>	(1,113)
		<b>7,902</b>	2,266
Total comprehensive income for the period attributable to			
– Owners of the Company		<b>20,901</b>	3,195
– Non-controlling interests		<b>32</b>	(727)
		<b>20,933</b>	2,468
Proposed interim dividend	8	–	–
Earnings per share	9	<b>RMB cents</b>	<i>RMB cents</i>
Basic and Diluted		<b>0.4</b>	0.2

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2016  
(Expressed in RMB)

	Notes	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
<b>Non-current assets</b>			
Investment properties		<b>14,996</b>	14,700
Property, plant and equipment	10	<b>226,105</b>	231,803
Prepaid lease payments	11	<b>37,894</b>	38,097
Goodwill		<b>8,281</b>	8,109
Intangible assets		<b>26,708</b>	23,853
Interests in associates		<b>1,345</b>	1,345
Available-for-sale investments		<b>2,308</b>	2,308
Financial asset at fair value through profit or loss		<b>107,347</b>	105,380
Deposits made on acquisition of property, plant and equipment		<b>968</b>	1,341
		<b>425,952</b>	426,936
<b>Current assets</b>			
Inventories		<b>199,907</b>	189,174
Trade and other receivables	12	<b>227,674</b>	210,922
Tax recoverable		<b>21,752</b>	11,943
Pledged bank deposits		<b>23,249</b>	20,353
Cash and cash equivalents		<b>589,840</b>	615,663
		<b>1,062,422</b>	1,048,055



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***(Continued)*At 30 June 2016  
*(Expressed in RMB)*

	Notes	<b>30 June 2016 RMB'000 (unaudited)</b>	31 December 2015 RMB'000 (audited)
Current liabilities			
Trade and other payables	13	<b>174,885</b>	194,373
Taxation payable		<b>2,163</b>	4,094
Bank borrowings repayable within one year		<b>107,972</b>	95,129
		<b>285,020</b>	293,596
Net current assets		<b>777,402</b>	754,459
Total assets less current liabilities		<b>1,203,354</b>	1,181,395
Non-current liabilities			
Government grants		<b>13,875</b>	13,914
Deferred taxation		<b>3,742</b>	3,997
		<b>17,617</b>	17,911
Net assets		<b>1,185,737</b>	1,163,484
Capital and reserves			
Share capital	14	<b>171,897</b>	171,897
Reserves		<b>1,013,116</b>	990,713
Equity attributable to owners of the Company		<b>1,185,013</b>	1,162,610
Non-controlling interests		<b>724</b>	874
Total equity		<b>1,185,737</b>	1,163,484

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

(Expressed in RMB)

	Share capital	Share premium	Capital redemption reserve (Note (ii))	Special reserve (Note (iii))	Share compensation reserve (Note (iv))	Share options reserve	Translation reserve	Other reserve (Note (v))	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	171,897	2,264,928	255	55,238	50,024	-	(277,951)	(8,220)	(1,122,253)	1,133,918	2,839	1,136,757
Profit for the period	-	-	-	-	-	-	-	-	3,379	3,379	(1,113)	2,266
Other Comprehensive income	-	-	-	-	-	-	(184)	-	-	(184)	386	202
Total comprehensive income for the six months ended 30 June 2015	-	-	-	-	-	-	(184)	-	3,379	3,195	(727)	2,468
Recognition of equity-settled share based payments (note 15)	-	-	-	-	-	666	-	-	-	666	-	666
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(802)	(802)
	-	-	-	-	-	666	-	-	-	666	(802)	(136)
<b>At 30 June 2015 (unaudited)</b>	<b>171,897</b>	<b>2,264,928</b>	<b>255</b>	<b>55,238</b>	<b>50,024</b>	<b>666</b>	<b>(278,135)</b>	<b>(8,220)</b>	<b>(1,118,874)</b>	<b>1,137,779</b>	<b>1,310</b>	<b>1,139,089</b>
At 1 January 2016	171,897	2,264,928	255	55,238	50,024	3,671	(258,747)	(8,220)	(1,116,436)	1,162,610	874	1,163,484
Profit for the period	-	-	-	-	-	-	-	-	7,929	7,929	(27)	7,902
Other comprehensive income	-	-	-	-	-	-	12,972	-	-	12,972	59	13,031
Total comprehensive income for the six months ended 30 June 2016	-	-	-	-	-	-	12,972	-	7,929	20,901	32	20,933
Recognition of equity-settled share based payments (note 15)	-	-	-	-	-	1,700	-	-	-	1,700	-	1,700
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(198)	-	(198)	(182)	(380)
	-	-	-	-	-	1,700	-	(198)	-	1,502	(182)	1,320
<b>At 30 June 2016 (unaudited)</b>	<b>171,897</b>	<b>2,264,928</b>	<b>255</b>	<b>55,238</b>	<b>50,024</b>	<b>5,371</b>	<b>(245,775)</b>	<b>(8,418)</b>	<b>(1,108,507)</b>	<b>1,185,013</b>	<b>724</b>	<b>1,185,737</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*(Continued)*

For the six months ended 30 June 2016

Notes:

- (i) Capital redemption reserve represents the amount by which the issued share capital of the Company is diminished through the repurchase of shares.
- (ii) The special reserve represents the differences between the nominal amount of the shares issued by the Company and the Group's former holding company, THTF Lighting Group Limited ("THTF Lighting"), and the aggregate amount of share capital and share premium of the subsidiaries acquired pursuant to a corporate reorganisation in 1996 and a group reorganisation in preparation for the listing of the Company's shares in 2006.
- (iii) Other reserve represents the difference between the consideration paid for acquiring additional interests in subsidiaries of the Company and the amount of interests acquired.
- (iv) Share compensation reserve represents the difference of fair value of certain THTF Lighting's shares (the "Shares") transferred to the Group's certain senior management by the Company's shareholders and the consideration paid by the senior management in obtaining the Shares in 2004.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30 June 2016

*(Expressed in RMB)*

	<b>Six months ended</b>	
	<b>30 June 2016</b>	30 June 2015
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Net cash used in operating activities	<b>(37,662)</b>	(62,273)
Investing activities		
Proceeds from disposal of property, plant and equipment and prepaid lease payments	<b>10,981</b>	911
Interest received	<b>1,125</b>	2,262
Disposal of a subsidiary, net of cash and cash equivalents acquired	–	(133)
Government grants refunded	–	(4,000)
Placement of pledge bank deposits	<b>(2,896)</b>	(354)
Additions of intangible assets	<b>(4,065)</b>	(4,628)
Purchase of property, plant and equipment	<b>(13,800)</b>	(6,144)
Net cash used in investing activities	<b>(8,655)</b>	(12,086)
Financing activities		
Proceeds from new bank loans	<b>16,641</b>	9,567
Acquisition of non-controlling interests of a subsidiary	<b>(380)</b>	–
Interest paid	<b>(1,625)</b>	(1,214)
Repayment of bank loans	<b>(5,913)</b>	(31,425)
Net cash generated from/(used in) financing activities	<b>8,723</b>	(23,072)
Net decrease in cash and cash equivalents	<b>(37,594)</b>	(97,431)
Cash and cash equivalents at the beginning of the period	<b>615,663</b>	674,806
Effect of foreign exchange rate changes	<b>11,771</b>	3,388
Cash and cash equivalents at the end of the period	<b>589,840</b>	580,763

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

*(Expressed in RMB unless otherwise indicated)*

### 1. GENERAL

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

The addresses of the registered office and principal place of business of the Company are set out in the "Corporate Information" section of the interim report.

By a special resolution passed at the Extraordinary General Meeting held on 5 January 2015, the Chinese name of the Company is changed from "真明麗控股有限公司" to "同方友友控股有限公司". The English name "Neo-Neon Holdings Limited" remains unchanged. The change of company name will not affect any of the right of the shareholders.

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure requirements set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

For the six months ended 30 June 2016

### 2. BASIS OF PREPARATION *(Continued)*

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in the final results report dated 22 March 2016.

### 3. CHANGES IN ACCOUNTING POLICIES

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

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

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

#### **Annual Improvements to HKFRSs 2012-2014 Cycle**

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

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

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



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (Continued)

For the six months ended 30 June 2016

**4. REVENUE AND SEGMENT INFORMATION**

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services rendered. Specifically, the Group's reportable segments under HKFRS 8 are as follows:

LED decorative lighting	–	manufacture and distribution of LED decorative lighting products and incandescent decorative lighting products
General illumination lighting	–	manufacture and distribution of LED general illumination lighting products and entertainment lighting products
All others	–	distribution of lighting product accessories

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

**Segment Information****Business segment**

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (Continued)

For the six months ended 30 June 2016

**4. REVENUE AND SEGMENT INFORMATION** (Continued)**Segment Information** (Continued)**Business segment** (Continued)

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

**Geographical segment**

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

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (Continued)

For the six months ended 30 June 2016

**5a. OTHER GAINS AND LOSSES**

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

**5b. OTHER EXPENSES**

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (Continued)

For the six months ended 30 June 2016

**6. PROFIT BEFORE TAXATION**

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

**7. TAXATION**

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

**8. DIVIDEND**

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (Continued)

For the six months ended 30 June 2016

**9. EARNINGS PER SHARE**

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

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

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

**10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

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

**11. PREPAID LEASE PAYMENTS**

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (Continued)

For the six months ended 30 June 2016

**12. TRADE AND OTHER RECEIVABLES**

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

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

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (Continued)

For the six months ended 30 June 2016

**13. TRADE AND OTHER PAYABLES**

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

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

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



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (Continued)

For the six months ended 30 June 2016

**14. SHARE CAPITAL**

	Authorized		Issued and fully paid	
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Ordinary Shares of nominal value HK\$0.10 each				
– At 1 January 2015	5,000,000,000	520,000	1,939,319,694	171,897
– At 31 December 2015 and 30 June 2016	5,000,000,000	520,000	1,939,319,694	171,897

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (Continued)

For the six months ended 30 June 2016

**15. SHARE OPTIONS****(a) Share option scheme of the Company**

- (i) The number and weighted average exercise prices of share options are as follows:

	30 June 2016		31 December 2015	
	Weighted average exercise price (unaudited)	Number of options (unaudited)	Weighted average exercise price (audited)	Number of options (audited)
Outstanding at the beginning of the period	HK\$1.31	33,000,000	-	-
Granted during the period	-	-	HK\$1.31	33,000,000
Forfeited during the period	HK\$1.31	(7,200,000)	-	-
Outstanding at the end of the period	HK\$1.31	<u>25,800,000</u>	HK\$1.31	<u>33,000,000</u>
Exercisable at the end of the period	-	<u>-</u>	-	<u>-</u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (Continued)

For the six months ended 30 June 2016

**15. SHARE OPTIONS** (Continued)**(a) Share option scheme of the Company** (Continued)

(ii) The terms and conditions of the grants are as follows:

	Number of options	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 15 May 2015	5,900,000	One year from the date of grant and meeting 2015 performance targets	4 years
– on 15 May 2015	5,900,000	Two years from the date of grant and meeting 2016 performance targets	3 years
Options granted to employees:			
– on 15 May 2015	10,600,000	One year from the date of grant and meeting 2015 performance targets	4 years
– on 15 May 2015	10,600,000	Two years from the date of grant and meeting 2016 performance targets	3 years
Total share options granted	33,000,000		

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes model.

Fair value at measurement date	
– Options granted with 1 year service	HK\$0.27
– Options granted with 2 years service	HK\$0.33
Share price	HK\$1.31
Exercise price	HK\$1.31
Expected volatility	40.66%
Option life	1.1-2.1 years
Expected dividends	0%
Risk-free interest rate	0.54%

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

For the six months ended 30 June 2016

### 15. SHARE OPTIONS *(Continued)*

#### (a) Share option scheme of the Company *(Continued)*

##### (iii) Fair value of share options and assumptions *(Continued)*

The expected volatility is based on the historic volatility of the share prices of the Company. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service and non-market performance condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

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

During the Period, American Lighting, Inc. ("ALI"), an indirect wholly-owned subsidiary of the Company, has adopted a share option scheme for eligible employees of ALI, the Company and Tivoli, LLC, the wholly-owned subsidiary of ALI ("Tivoli"). On 30 June 2015, 2,869 share options were granted to certain employees and directors of the Company, ALI, and Tivoli. The closing price immediately before the date on which the options were granted was US\$330 per share. Under the scheme of ALI, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Options may be exercised in accordance with the terms stipulated in the scheme of ALI. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's share.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (Continued)

For the six months ended 30 June 2016

**15. SHARE OPTIONS** (Continued)**(b) Share option scheme of the American Lighting, Inc.** (Continued)

- (i) The number and weighted average exercise prices of share options are as follows:

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

- (ii) The terms and conditions of the grants are as follows:

	Number of options	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 30 June 2015	217	One year from the date of grant	9 years
– on 30 June 2015	217	Two years from the date of grant	8 years
– on 30 June 2015	292	Three years from the date of grant	7 years
Options granted to employees:			
– on 30 June 2015	642	One year from the date of grant	9 years
– on 30 June 2015	642	Two years from the date of grant	8 years
– on 30 June 2015	859	Three years from the date of grant	7 years
Total share options granted	2,869		

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** *(Continued)*

For the six months ended 30 June 2016

**15. SHARE OPTIONS** *(Continued)***(b) Share option scheme of the American Lighting, Inc.** *(Continued)*

## (iii) Fair value of share options and assumptions:

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes model.

Fair value at measurement date	US\$121.08
Share price	US\$330
Exercise price	US\$330
Expected volatility	23.31%
Option life	10 years
Expected dividends	0%
Risk-free interest rate	2.15%

The expected volatility is based upon reference to 10 years analysis of the industrial stock price index. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service and non-market performance condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (Continued)

For the six months ended 30 June 2016

**16. CAPITAL COMMITMENTS**

	<b>30 June 2016 RMB'000 (unaudited)</b>	31 December 2015 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<b>10,499</b>	4,556

**17. MATERIAL RELATED PARTY TRANSACTIONS**(a) *Transactions with the controlling shareholder and its subsidiaries*

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

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

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

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



## DEFINITIONS

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

“2006 Share Option Scheme”	the share option scheme adopted by the Company on 20 November 2006, the principal terms of which are summarized under Appendix VII of the prospectus of the Company dated 4 December 2006
“2016 Share Option Scheme”	the share option scheme adopted by the Company on at the annual general meeting on 13 May 2016
“Articles of Association” or “Articles”	the articles of association of the Company adopted by the written resolution of the Shareholders on 20 November 2006 and as amended, supplemented and otherwise modified from time to time
“American Lighting”	means American Lighting, Inc., a Delaware corporation and an indirectly wholly-owned subsidiary of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Business Day” or “business day”	a day on which banks in Hong Kong and Cayman Islands are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong or Cayman Islands
“BVI”	British Virgin Islands
“China” or “PRC”	the People’s Republic of China, excluding for the purpose of this interim report, Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time

**DEFINITIONS** *(Continued)*

“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 part of shares of which are listed on the Taiwan Stock Exchange as depositary receipts
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholders”	has the meaning ascribed thereto in the Listing Rules
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“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
“Independent Third Party(ies)”	individual(s) or company(ies) who is/are not connected with (within the meaning of the Listing Rules) any of the Company, Directors, chief executive or substantial shareholders of the Company, our subsidiaries or any of their respective associates
“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 2016
“RMB”	Renminbi, the lawful currency of the PRC

**DEFINITIONS** *(Continued)*

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“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
“Subsidiary Share Incentive Plan”	means American Lighting’s share incentive plan adopted by the Shareholders on 2 April 2015
“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)
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“THTF ES”	THTF Energy Saving Holdings Limited, a substantial shareholder of the Company
“Tsinghua Tongfang”	同方股份有限公司 (Tsinghua Tongfang Co., Ltd*), a joint stock limited company incorporated in the PRC, whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600100)
“Tsinghua Tongfang Group”	Tsinghua Tongfang and its subsidiaries (for the purpose of this report, excluding the Group)
“*”	<i>For identification only</i>
“%”	per cent.