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Neo-Neon Holdings Limited
同方友友控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01868)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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 2022, together with the unaudited comparative figures for the six months ended 30 June 2021. These results for the Period have been reviewed by 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 2022

	<i>Notes</i>	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
			(Restated)
CONTINUING OPERATIONS			
REVENUE	4	343,607	332,838
Cost of sales		<u>(227,556)</u>	<u>(234,855)</u>
Gross profit		116,051	97,983
Other income and gains/(losses), net	4	31,802	4,292
Reversal/(provision) of impairment, net		1,233	(4,415)
Selling and distribution expenses		(68,065)	(65,971)
Administrative expenses		(42,155)	(42,244)
Finance costs	5	<u>(863)</u>	<u>(2,656)</u>
PROFIT/(LOSS) BEFORE TAX FROM			
CONTINUING OPERATIONS	5	38,003	(13,011)
Income tax expense	6	<u>(5,123)</u>	<u>(7,682)</u>
PROFIT/(LOSS) FOR THE PERIOD FROM			
CONTINUING OPERATIONS		<u>32,880</u>	<u>(20,693)</u>

		Six months ended 30 June	
	<i>Notes</i>	2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited) (Restated)
DISCONTINUED OPERATION	7		
Loss for the period from a discontinued operation		<u>(14,547)</u>	<u>(148,698)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>18,333</u>	<u>(169,391)</u>
Attributable to:			
Owners of the parent		17,852	(169,761)
Non-controlling interests		<u>481</u>	<u>370</u>
		<u>18,333</u>	<u>(169,391)</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE PARENT	9		
Basic and diluted			
– For profit/(loss) for the period		<u>RMB0.85 cent</u>	<u>RMB (8.11) cents</u>
– For profit/(loss) from continuing operations		<u>RMB1.55 cents</u>	<u>RMB (1.01) cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
PROFIT/(LOSS) FOR THE PERIOD	18,333	(169,391)
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(32,728)</u>	<u>14,884</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(32,728)</u>	<u>14,884</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of the Company	<u>62,269</u>	<u>(15,977)</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>62,269</u>	<u>(15,977)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>29,541</u>	<u>(1,093)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>47,874</u>	<u>(170,484)</u>
Attributable to:		
Owners of the parent	<u>47,069</u>	(170,894)
Non-controlling interests	<u>805</u>	<u>410</u>
	<u>47,874</u>	<u>(170,484)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		36,147	37,815
Investment properties		69,160	67,470
Right-of-use assets		51,018	55,473
Goodwill		85,348	81,079
Other intangible assets		19,378	17,366
Prepayments and other assets		1,611	1,578
Financial assets at fair value through profit or loss		135,582	134,648
Deferred tax assets		14,766	14,027
		<hr/>	<hr/>
Total non-current assets		413,010	409,456
CURRENT ASSETS			
Inventories		205,891	163,828
Trade and bills receivables	10	156,739	141,546
Loan receivable	11	136,205	130,218
Prepayments, other receivables and other assets		106,648	84,188
Financial assets at fair value through profit or loss		16,061	16,433
Cash held on behalf of clients		507	9,175
Cash and cash equivalents		681,298	698,422
		<hr/>	<hr/>
Total current assets		1,303,349	1,243,810
CURRENT LIABILITIES			
Trade payables	12	87,624	102,309
Other payables and accruals		72,283	63,370
Interest-bearing bank borrowings		67,114	36,660
Lease liabilities		11,519	11,887
Tax payable		6,375	13,850
Provision		5,801	5,722
		<hr/>	<hr/>
Total current liabilities		250,716	233,798
		<hr/>	<hr/>
NET CURRENT ASSETS		1,052,633	1,010,012
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,465,643	1,419,468

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
NON-CURRENT LIABILITIES		
Deferred income	1,500	–
Lease liabilities	30,589	34,256
Deferred tax liabilities	9,184	8,716
	<hr/>	<hr/>
Total non-current liabilities	41,273	42,972
	<hr/>	<hr/>
Net assets	1,424,370	1,376,496
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	185,672	185,672
Reserves	1,231,695	1,184,626
	<hr/>	<hr/>
	1,417,367	1,370,298
Non-controlling interests	7,003	6,198
	<hr/>	<hr/>
Total equity	1,424,370	1,376,496
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NOTES

30 June 2022

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021.

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 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

2. CHANGES IN ACCOUNTING POLICIES (continued)

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- *HKFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two 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; and
- the United States of America ("USA") lighting segment consists of the provision of lighting solutions and trading of lighting products in the USA.

As at 30 June 2022, the Securities Group (as defined below) was classified as a discontinued operation. With the Securities Group being classified as a discontinued operation, the securities segment which consisted of asset management services, investment advisory services and securities trading services is no longer included in the note for operating segment information.

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 from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations 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, 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.

3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2022 (unaudited)

	PRC lighting RMB'000 (Unaudited)	USA lighting RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 4):			
Sales to external customers	49,629	293,978	343,607
Intersegment sales	5,033	–	5,033
	<u>54,662</u>	<u>293,978</u>	<u>348,640</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(5,033)</u>
Revenue			<u><u>343,607</u></u>
Segment results	1	21,387	21,388
<i>Reconciliation:</i>			
Interest income and unallocated income and gains			25,606
Finance costs (other than interest on lease liabilities)			(340)
Government grants			37
Unallocated expenses			<u>(8,688)</u>
Profit before tax from continuing operations			<u><u>38,003</u></u>

3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2021 (unaudited)

	PRC lighting <i>RMB'000</i> (Unaudited)	USA lighting <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited) (Restated)
Segment revenue (note 4):			
Sales to external customers	24,700	308,138	332,838
Intersegment sales	31,110	–	31,110
	<u>55,810</u>	<u>308,138</u>	<u>363,948</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(31,110)</u>
Revenue			<u>332,838</u>
Segment results	(29,119)	23,079	(6,040)
<i>Reconciliation:</i>			
Interest income and unallocated income and gains			818
Finance costs (other than interest on lease liabilities)			(2,004)
Government grants			236
Unallocated expenses			<u>(6,021)</u>
Loss before tax from continuing operations			<u>(13,011)</u>

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2022 and 31 December 2021.

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Segment assets		
PRC lighting	429,491	449,421
USA lighting	415,579	394,665
<i>Reconciliation:</i>		
Elimination of intersegment receivables	(161)	(81,008)
Others	<u>871,450</u>	<u>890,188</u>
Total	<u>1,716,359</u>	<u>1,653,266</u>
Segment liabilities		
PRC lighting	79,448	34,982
USA lighting	123,443	164,650
<i>Reconciliation:</i>		
Elimination of intersegment payables	(161)	(81,008)
Others	<u>89,259</u>	<u>158,146</u>
Total	<u>291,989</u>	<u>276,770</u>

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

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	<u>343,607</u>	<u>332,838</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2022 (unaudited)

Segments	PRC	USA	Total
	lighting	lighting	
	RMB'000	RMB'000	RMB'000
Types of goods or services			
Sale of lighting products	<u>49,629</u>	<u>293,978</u>	<u>343,607</u>
Geographic markets			
North America	35,974	293,524	329,498
Europe	11,067	–	11,067
The PRC	682	–	682
Asia (excluding the PRC)	<u>1,906</u>	<u>454</u>	<u>2,360</u>
Total revenue from contracts with customers	<u>49,629</u>	<u>293,978</u>	<u>343,607</u>
Timing of revenue recognition			
Goods transferred and services rendered at a point in time	<u>49,629</u>	<u>293,978</u>	<u>343,607</u>

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

Disaggregated revenue information for revenue from contracts with customers (continued)

For the six months ended 30 June 2021 (unaudited)

Segments	PRC lighting RMB'000	USA lighting RMB'000	Total RMB'000 (Restated)
Types of goods or services			
Sale of lighting products	24,700	308,138	332,838
Geographic markets			
North America	13,216	308,138	321,354
Europe	2,984	–	2,984
The PRC	1,967	–	1,967
Asia (excluding the PRC)	6,533	–	6,533
Total revenue from contracts with customers	24,700	308,138	332,838
Timing of revenue recognition			
Goods transferred and services rendered at a point in time	24,700	308,138	332,838
		Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
			(Restated)
Other income			
Bank interest income		11,763	486
Other interest income		–	1,619
Dividend income from financial assets at FVTPL		1,065	470
Government grants*		37	236
Gross rental income		3,405	3,657
Others		1,680	1,894
		17,950	8,362
Gains and losses, net			
Gain on disposal of items of property, plant and equipment		–	271
Loss on disposal of right-of-use assets		–	(982)
Fair value gains on financial assets at FVTPL, net		934	770
Fair value losses on investment properties, net		(502)	(1,543)
Foreign exchange differences, net		13,420	(2,586)
		13,852	(4,070)
		31,802	4,292

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

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Finance costs		
Interest on bank loans	340	783
Interest on a loan from the ultimate holding company	–	1,221
Interest on lease liabilities	523	652
	<u>863</u>	<u>2,656</u>
Depreciation of property, plant and equipment	4,716	5,473
Depreciation of right-of-use assets	5,244	5,650
Research and development costs:		
Deferred expenditure amortised	1,245	1,263
Amortisation of other intangible assets	1,343	982
Lease payments not included in the measurement of lease liabilities	352	471
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	244	586
(Reversal)/provision of impairment losses on financial assets, net:		
Trade and bills receivables	(2,647)	2,505
Other receivables	1,414	1,910
	<u>(1,233)</u>	<u>4,415</u>
Write-down of inventories to net realisable value	1,162	7,623
Foreign exchange differences, net	(13,420)	2,586
	<u><u>1,162</u></u>	<u><u>7,623</u></u>
	<u><u>(13,420)</u></u>	<u><u>2,586</u></u>

5. PROFIT/(LOSS) BEFORE TAX (continued)

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Finance costs		
Interest on bank loans	–	29
Interest on lease liabilities	83	121
	<u>83</u>	<u>150</u>
Depreciation of property, plant and equipment	226	743
Depreciation of right-of-use assets	1,446	1,446
Amortisation of other intangible assets	–	502
(Reversal)/provision of impairment losses on financial assets, net:		
Trade and bills receivables	(110)	2,051
Other receivables	1,592	34,205
	<u>1,482</u>	<u>36,256</u>
Impairment of goodwill	–	94,965
Foreign exchange differences, net	1,200	(124)
	<u><u>1,200</u></u>	<u><u>(124)</u></u>

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the current period. No provision for Hong Kong profits tax had been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2021. For the Group's subsidiaries established in the USA, income tax is calculated at the rate of 28.0% (six months ended 30 June 2021: 24.7%). No provision for PRC corporate income tax has been made as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the current period. No provision for PRC corporate income tax had been made as the Group did not generate any assessable profits arising in the PRC during the six months ended 30 June 2021. 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Current – Hong Kong		
Charge for the period	566	–
Underprovision in prior periods	–	737
Current – Elsewhere		
Charge for the period	4,558	7,212
Underprovision in prior periods	–	8
Deferred tax	(1)	(275)
	<u>5,123</u>	<u>7,682</u>
Total tax charge for the period	<u><u>5,123</u></u>	<u><u>7,682</u></u>

7. DISCONTINUED OPERATION

On 7 December 2021, the Company announced the decision to suspend its business of regulated activity under the Securities and Futures Ordinance of Tongfang Securities Limited, an indirect wholly-owned subsidiary of the Company, and ceased to take on new clients with effect from 8 December 2021 and would gradually terminate the relationship with its existing clients in respect of the business of type 1 regulated activity. Furthermore, the board of directors of the Company has determined to suspend asset management services, investment advisory services and money lending business carried out by Tongfang Securities, its subsidiaries and fellow subsidiaries (collectively known as the “Securities Group”) during the prior year. As a result, the Securities Group was classified as a discontinued operation. With the Securities Group being classified as a discontinued operation, the securities segment which consisted of asset management services, investment advisory services and securities trading is no longer included in the note for operating segment information.

The results of the Securities Group for the six months ended 30 June 2022 and 2021 were presented below:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue	414	9,679
Other income, gains and losses, net	(1,896)	7,627
Provision for impairment, net	(1,482)	(131,221)
Selling and distribution expenses	–	(4,461)
Administrative expenses	(11,500)	(30,254)
Finance costs	(83)	(150)
	<hr/>	<hr/>
Loss before tax from the discontinued operation	(14,547)	(148,780)
	<hr/>	<hr/>
Income tax credit	–	82
	<hr/>	<hr/>
Loss for the period from the discontinued operation	<u>(14,547)</u>	<u>(148,698)</u>

10. TRADE AND BILLS RECEIVABLES

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	162,361	148,632
Bills receivables	193	577
Less: Impairment loss on trade receivables	(5,806)	(7,660)
Less: Impairment loss on bills receivables	(9)	(3)
	156,739	141,546

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 2022			31 December 2021		
	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	148,086	266	148,352	125,622	265	125,887
1 to 2 months	2,244	-	2,244	5,722	-	5,722
2 to 3 months	418	-	418	4,349	-	4,349
3 to 6 months	2,981	141	3,122	2,447	-	2,447
Over 6 months	2,603	-	2,603	3,115	26	3,141
	156,332	407	156,739	141,255	291	141,546

11. LOAN RECEIVABLE

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Loan receivable	169,078	161,646
Less: Impairment allowance	(32,873)	(31,428)
	136,205	130,218

As at 30 June 2022, loan receivable represented the money lent to a customer (31 December 2021: 1 customer) by Tongfang Finance Limited, a subsidiary of the Company which is principally engaged in money lending business. The loan receivable bore interest rate at 8% p.a. (31 December 2021: 8% p.a.) and was overdue since 2020. The loan receivable amounted to RMB169,078,000 (31 December 2021: RMB161,646,000) was secured by certain properties, other investments, listed securities, private equities of the borrowers and personal guarantees. The balance is classified as financial asset at amortised cost. Management performs continuous assessment on the recoverability of the loan receivable.

12. TRADE PAYABLES

	30 June 2022	31 December 2021
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade payables to suppliers	87,117	93,088
Accounts payables to securities clients	507	9,221
	87,624	102,309

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 2022			31 December 2021		
	Accounts payables to securities clients	Trade payables to suppliers	Total	Accounts payables to securities clients	Trade payables to suppliers	Total
	RMB'000	RMB'000	RMB'000	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Within 1 month	507	33,964	34,471	9,221	53,556	62,777
1 to 2 months	–	28,333	28,333	–	11,063	11,063
2 to 3 months	–	16,824	16,824	–	3,997	3,997
3 to 6 months	–	6,687	6,687	–	19,264	19,264
6 months to 1 year	–	286	286	–	2,261	2,261
Over 1 year	–	1,023	1,023	–	2,947	2,947
	507	87,117	87,624	9,221	93,088	102,309

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The total revenue from continuing operations for the Period was approximately RMB343.6 million, representing an increase of approximately 3.2% as compared to approximately RMB332.8 million for the six months ended 30 June 2021. For further details, please refer to the below.

Since Securities Group has been classified as a discontinued operation, securities segment was no longer included in the note for operating segment information. The details of discontinued operation is disclosed separately under the headline “Discontinued Operation”.

Continuing Operations

The revenue from continuing operations (research and development, manufacturing of lighting products and distribution and providing solutions of lighting products) for the Period was approximately RMB343.6 million, which represented an increase of approximately RMB10.8 million as compared to approximately RMB332.8 million for the six months ended 30 June 2021. Such increase was mainly attributable to the increased revenue of approximately RMB24.9 million from the PRC lighting segment due to earlier shipments per customers’ request compared to the same period last year and the increased price of products for the PRC lighting segment.

Cost of goods sold

For the Period, the cost of goods sold from continuing operations was approximately RMB227.6 million, representing a decrease of approximately RMB7.3 million over cost of goods sold of approximately RMB234.9 million for the six months ended 30 June 2021 primarily due to the decrease in material costs for the PRC lighting segment.

Gross profit and gross profit margin

For the Period, the Group recorded a gross profit of approximately RMB116.1 million from continuing operations, representing an increase of RMB18.1 million over the gross profit of approximately RMB98.0 million for the six months ended 30 June 2021 primarily due to the increase in gross profit from the PRC lighting segment caused by the increased price and the reduced costs of products.

For the Period, the Group recorded a gross profit margin of approximately 33.8% for continuing operations, representing an increase of 4.4% over a gross profit margin of approximately 29.4% for the six months ended 30 June 2021. The reason for such increase is same as the reason for the increase in gross profit.

Other income and gains/(losses), net

For the Period, the Group recorded other income and gains/(losses), net of approximately RMB31.8 million for continuing operations representing an increase of approximately RMB27.5 million over the other income and gains/(losses), net of RMB4.3 million for the six months ended 30 June 2021, mainly due to the increase in bank interest income of approximately RMB11.3 million and the increase in foreign exchange differences of approximately RMB16.0 million.

Reversal/(provision) for impairment, net

For the Period, the net amount of impairment reversal for continuing operations was approximately RMB1.2 million, representing a decrease of approximately RMB5.6 million over impairment provision of approximately RMB4.4 million for the six months ended 30 June 2021, mainly due to the recovery of certain aged receivable of approximately RMB2.6 million.

Operating expenses

For the Period, total operating expenses from continuing operations were approximately RMB110.2 million, representing a slight increase of approximately RMB2.0 million over approximately RMB108.2 million for the six months ended 30 June 2021 due to the increase in revenue.

Finance costs

The finance costs for continuing operations for the Period was approximately RMB0.9 million, representing a decrease of RMB1.8 million from RMB2.7 million for the six months ended 30 June 2021, mainly due to the repayment of a loan from ultimate holding company in the first half of 2021.

Taxation

For the Period, tax charge for continuing operations of approximately RMB5.1 million (six months ended 30 June 2021: tax charge of RMB7.7 million) mainly included tax provision for the Period of approximately RMB5.1 million.

Discontinued Operation

The loss after tax of Securities Group for the Period ended 30 June 2022 were approximately RMB14.5 million, representing a decrease of approximately RMB134.2 million over approximately RMB148.7 million for the Period ended 30 June 2021 mainly due to the decrease in provision of impairment losses on financial assets and goodwill recorded in the prior period.

Profit attributable to owners of the parent

For the Period, the Group recorded a profit attributable to owners of the parent of approximately RMB17.9 million, representing an increase over a loss attributable to the owners of the parent of approximately RMB169.8 million for the six months ended 30 June 2021, primarily due to the decrease in provision of impairment loss of approximately RMB129.7 million, the increase in gross profit from continuing operations of approximately RMB18.1 million and the increase in interest income from bank deposits from continuing operations of approximately RMB11.3 million during the Period.

Financial Resources and Liquidity and Gearing Ratio

The Group maintained a stable financial position. As at 30 June 2022, the Group had cash and cash equivalents of RMB681.3 million and interest-bearing bank borrowings of RMB67.1 million. The gearing ratio representing the ratio of total loans and total lease liabilities to total equity of the Group was 7.7% as at 30 June 2022 (31 December 2021: 6.0%). Such increase was mainly caused by the net increase in interest-bearing bank borrowings of approximately RMB30.5 million from the USA lighting segment.

Assets and liabilities

As at 30 June 2022, the Group recorded total assets of approximately RMB1,716.3 million (31 December 2021: RMB1,653.3 million) and total liabilities of approximately RMB292.0 million (31 December 2021: RMB276.8 million).

As at 30 June 2022, the Group's current assets and non-current assets were approximately RMB1,303.3 million (31 December 2021: RMB1,243.8 million) and approximately RMB413.0 million (31 December 2021: RMB409.5 million), respectively. The increase in current assets was mainly attributable to the increase in inventories of approximately RMB42.1 million in order to minimize the uncertainty of supply chain and shipment.

As at 30 June 2022, the Group's current liabilities and non-current liabilities were approximately RMB250.7 million (31 December 2021: RMB233.8 million) and approximately RMB41.3 million (31 December 2021: RMB43.0 million), respectively. The increase in current liabilities was mainly attributable to the increase in interest-bearing bank borrowings of approximately RMB30.5 million from the USA lighting segment.

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 2022, the Group pledged certain trade receivables and inventories with an aggregate carrying value of approximately RMB120.3 million (31 December 2021: RMB199.1 million) to secure bank credit facilities granted to the Group.

Capital Commitments

As at 30 June 2022, 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 2021: 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 2022, the issued share capital of the Company was RMB185,672,131 (equivalent to approximately HK\$209,446,542) (31 December 2021: RMB185,672,131 (equivalent to HK\$209,446,542)), divided into 2,094,465,417 ordinary shares of HK\$0.10 each.

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 2021: Nil).

BUSINESS REVIEW

Overview

Warfare and conflicts around the world, coupled with COVID-19 pandemic, had a significant impact on global economic growth and inflation, which had an impact on the lighting business of the Company during the period under review. Despite the difficulties, the Company, under the leadership of its management, managed to achieve stable revenue and significant profit growth compared to the same period last year. The USA lighting segment continued to generate the Company's most revenue and profit during the period, although its performance was marginally lower than last year. This was mainly due to lower gross profit margin as a result of significant price increases on the supply chain side due to inflation this year, while competition on the sales side prevented significant price increases, coupled with the increase in production costs due to inflation. The USA lighting segment has begun planning for next year's marketing efforts to reduce the impact of adverse factors. After disposing of non-performing legacy assets last year, the PRC lighting segment improved gross margins and achieved a turnaround during the period. As the lighting industry has entered a period of stable growth, the Company plans to focus more on quality development in the future: the USA lighting segment will promote changes in channel, product, supply chain, and business model to address opportunities and challenges; the PRC lighting segment will relocate production capacity to Vietnam to improve profitability.

Currently, Tongfang Securities has discontinued its operations. This resulted in Tongfang Securities incurring only overheads in contrast to last year's substantial loss.

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.

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 2022, the Group's total number of employees was approximately 661 (31 December 2021: 703). 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 C.2.1 of the Corporate Governance 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 the interim report, throughout the Period, the Company complied with the code provisions of the Corporate Governance 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.

AUDIT COMMITTEE REVIEW

The unaudited interim financial information of the Group for the six months ended 30 June 2022 has been reviewed by 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 2022
“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 2022

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.