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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 2023**

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 2023, together with the unaudited comparative figures for the six months ended 30 June 2022. 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 2023

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
CONTINUING OPERATIONS			
REVENUE	4	326,612	343,607
Cost of sales		(187,013)	(227,556)
		<hr/>	<hr/>
Gross profit		139,599	116,051
Other income, gains and losses, net	4	29,516	31,802
(Provision)/reversal of provision of impairment, net		(2,422)	1,233
Selling and distribution expenses		(91,445)	(68,065)
Administrative expenses		(51,104)	(42,155)
Finance costs	5	(785)	(863)
		<hr/>	<hr/>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	23,359	38,003
Income tax expense	6	(7,758)	(5,123)
		<hr/>	<hr/>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		15,601	32,880
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		Six months ended 30 June	
	<i>Notes</i>	2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
DISCONTINUED OPERATION	7		
Loss for the period from a discontinued operation		—	(14,547)
PROFIT FOR THE PERIOD		15,601	18,333
Attributable to:			
Owners of the parent		15,181	17,852
Non-controlling interests		420	481
		15,601	18,333
PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
– For profit for the period		RMB0.72 cent	RMB0.85 cent
– For profit from continuing operations		RMB0.72 cent	RMB1.55 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	15,601	18,333
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(27,466)</u>	<u>(32,728)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(27,466)</u>	<u>(32,728)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of the Company	<u>47,296</u>	<u>62,269</u>
Surplus on revaluation upon transfer of right-of-use assets to investment properties	<u>12,750</u>	–
Income tax effect	<u>(3,188)</u>	–
	<u>9,562</u>	–
Surplus on revaluation upon transfer of property, plant and equipment to investment properties	<u>26,949</u>	–
Income tax effect	<u>(6,738)</u>	–
	<u>20,211</u>	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>77,069</u>	<u>62,269</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>49,603</u>	<u>29,541</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>65,204</u>	<u>47,874</u>
Attributable to:		
Owners of the parent	<u>64,508</u>	47,069
Non-controlling interests	<u>696</u>	805
	<u>65,204</u>	<u>47,874</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	<i>Notes</i>	30 June 2023	31 December 2022
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		25,103	33,924
Investment properties		128,875	73,509
Right-of-use assets		48,152	58,015
Goodwill		91,889	88,567
Other intangible assets		23,840	22,249
Financial assets at fair value through profit or loss		134,633	132,024
Deferred tax assets		23,183	22,345
		<hr/>	<hr/>
Total non-current assets		475,675	430,633
CURRENT ASSETS			
Inventories		167,217	176,172
Trade and bills receivables	10	116,305	128,818
Loan receivable	11	146,842	142,270
Prepayments, other receivables and other assets		44,814	49,691
Loan to the ultimate holding company	12	399,986	–
Financial assets at fair value through profit or loss		16,118	17,997
Tax recoverable		4,005	–
Cash and cash equivalents		394,868	783,264
		<hr/>	<hr/>
Total current assets		1,290,155	1,298,212
CURRENT LIABILITIES			
Trade payables	13	51,695	59,189
Other payables and accruals		94,396	108,092
Lease liabilities		10,094	10,009
Tax payable		–	13,745
Provision		4,250	5,792
		<hr/>	<hr/>
Total current liabilities		160,435	196,827
		<hr/>	<hr/>
NET CURRENT ASSETS		1,129,720	1,101,385
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,605,395	1,532,018
		<hr/>	<hr/>

	<i>Notes</i>	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		37,617	39,736
Deferred tax liabilities		20,442	10,150
		<hr/>	<hr/>
Total non-current liabilities		58,059	49,886
		<hr/>	<hr/>
Net assets		1,547,336	1,482,132
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		185,672	185,672
Reserves		1,352,257	1,287,749
		<hr/>	<hr/>
		1,537,929	1,473,421
Non-controlling interests		9,407	8,711
		<hr/>	<hr/>
Total equity		1,547,336	1,482,132
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NOTES

30 June 2023

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022.

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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group’s interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES (continued)

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any. The adoption of the amendments has had no significant impact on the financial information of the Group.

Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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 manufacture and trading of lighting products in the USA.

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, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that 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, tax recoverable, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude 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 2023 (unaudited)

	PRC lighting RMB'000 (Unaudited)	USA lighting RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 4):			
Sales to external customers	39,147	287,465	326,612
Intersegment sales	9,523	–	9,523
	<u>48,670</u>	<u>287,465</u>	<u>336,135</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(9,523)</u>
Revenue			<u><u>326,612</u></u>
Segment results	(210)	12,596	12,386
<i>Reconciliation:</i>			
Interest income and unallocated income and gains			19,205
Finance costs (other than interest on lease liabilities)			(67)
Government grants			56
Unallocated expenses			<u>(8,221)</u>
Profit before tax from continuing operations			<u><u>23,359</u></u>

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>

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2023 and 31 December 2022.

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Segment assets		
PRC lighting	392,876	334,023
USA lighting	385,861	425,659
Others	987,093	969,163
Total	<u><u>1,765,830</u></u>	<u><u>1,728,845</u></u>
Segment liabilities		
PRC lighting	35,069	41,012
USA lighting	160,067	175,268
Others	23,358	30,433
Total	<u><u>218,494</u></u>	<u><u>246,713</u></u>

4. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	<u>326,612</u>	<u>343,607</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023 (unaudited)

Segments	PRC	USA	Total
	lighting	lighting	
	RMB'000	RMB'000	RMB'000
Types of goods or services			
Sale of lighting products	<u>39,147</u>	<u>287,465</u>	<u>326,612</u>
Geographic markets			
North America	27,934	287,319	315,253
Europe	3,246	–	3,246
The PRC	207	–	207
Asia (excluding the PRC)	<u>7,760</u>	<u>146</u>	<u>7,906</u>
Total revenue from contracts with customers	<u>39,147</u>	<u>287,465</u>	<u>326,612</u>
Timing of revenue recognition			
Goods transferred and services rendered at a point in time	<u>39,147</u>	<u>287,465</u>	<u>326,612</u>

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

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

For the six months ended 30 June 2022 (unaudited)

Segments	PRC lighting RMB'000	USA lighting RMB'000	Total RMB'000
Types of goods or services			
Sale of lighting products	49,629	293,978	343,607
Geographic markets			
North America	35,974	293,524	329,498
Europe	11,067	–	11,067
The PRC	682	–	682
Asia (excluding the PRC)	1,906	454	2,360
Total revenue from contracts with customers	49,629	293,978	343,607
Timing of revenue recognition			
Goods transferred and services rendered at a point in time	49,629	293,978	343,607
Six months ended 30 June			
	2023	2022	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Other income			
Bank interest income		6,877	11,763
Other interest income		2,920	–
Dividend income from financial assets at FVTPL		1,412	1,065
Government grants*		56	37
Gross rental income		4,528	3,405
Others		1,497	1,680
		17,290	17,950
Gains and losses, net			
Loss on disposal of items of property, plant and equipment		(356)	–
Fair value gains on financial assets at FVTPL, net		191	934
Fair value losses on investment properties, net		(109)	(502)
Foreign exchange differences, net		12,500	13,420
		12,226	13,852
		29,516	31,802

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

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance costs		
Interest and other finance costs on bank loans	67	340
Interest on lease liabilities	718	523
	<u>785</u>	<u>863</u>
Depreciation of property, plant and equipment	5,435	4,716
Depreciation of right-of-use assets	5,856	5,244
Research and development costs:		
Deferred expenditure amortised	1,769	1,245
Amortisation of other intangible assets	949	1,343
Lease payments not included in the measurement of lease liabilities	215	352
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	217	244
Provision/(reversal) of impairment losses on financial assets, net:		
Trade and bills receivables	429	(2,647)
Other receivables	(941)	1,414
Loan to the ultimate holding company	2,934	–
	<u>2,422</u>	<u>(1,233)</u>
Write-down of inventories to net realisable value	1,651	1,162
Foreign exchange differences, net	(12,500)	(13,420)
	<u><u>(12,500)</u></u>	<u><u>(13,420)</u></u>

5. PROFIT 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 RMB'000 (Unaudited)
Finance costs	
Interest on lease liabilities	83
Depreciation of property, plant and equipment	226
Depreciation of right-of-use assets	1,446
(Reversal)/provision of impairment losses on financial assets, net:	
Trade and bills receivables	(110)
Other receivables	1,592
	1,482
Foreign exchange differences, net	1,200

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. For the Group's subsidiaries established in the USA, income tax is calculated at the rate of 28.0% (six months ended 30 June 2022: 28.0%). 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 (six months ended 30 June 2022: no provision for PRC corporate income tax had been made as the Group did not generate any assessable profits arising in the PRC). 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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	401	566
Underprovision in prior periods	4,612	–
Current – Elsewhere		
Charge for the period	2,795	4,558
Deferred tax	(50)	(1)
Total tax charge for the period	7,758	5,123

6. INCOME TAX EXPENSE (continued)

Tax audit conducted by the Inland Revenue Department (the “IRD”) in Hong Kong

The IRD conducted a tax audit to the Group for the years of assessment back from year of assessment 2005/06. During the years, the IRD had issued protective profits tax assessments in an aggregate amount of HK\$157,730,000 (approximately equivalent to RMB145,424,000) for the years of assessment from 2005/06 to 2015/16. The Group has lodged objections against these protective profits tax assessments and the IRD has agreed to hold over the tax demanded for these years of assessment on the condition that the Group purchased tax reserve certificates in an aggregate amount of HK\$30,500,000 (approximately equivalent to RMB28,120,000), which has been recorded as tax reserve certificates under “Prepayments, other receivables and other assets” to the financial information.

In June 2023, the Group has reached an agreement with the IRD and received the revised final assessments for the years of assessment from 2005/06 to 2015/16 to demand additional tax charges of totalling HK\$5,082,000 (approximately equivalent to RMB4,612,000), together with other charges of totalling HK\$3,578,000 (approximately equivalent to RMB3,247,000). These charges have been settled by offsetting the tax reserve certificates purchased by the Group.

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 were presented below:

	Six months ended 30 June 2022 RMB'000 (Unaudited)
Revenue	414
Other income, gains and losses, net	(1,896)
Provision for impairment, net	(1,482)
Administrative expenses	(11,500)
Finance costs	(83)
	<hr/>
Loss before tax from the discontinued operation	(14,547)
Income tax	—
	<hr/>
Loss for the period from the discontinued operation	(14,547)
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10. TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	123,295	134,582
Bills receivables	11	126
Less: Impairment loss on trade receivables	(7,001)	(5,890)
	<u>116,305</u>	<u>128,818</u>

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 month	61,092	55,683
1 to 2 months	41,052	35,797
2 to 3 months	4,979	15,915
3 to 6 months	3,835	14,126
Over 6 months	5,347	7,297
	<u>116,305</u>	<u>128,818</u>

11. LOAN RECEIVABLE

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Loan receivable	182,282	176,606
Less: Impairment allowance	(35,440)	(34,336)
	<u>146,842</u>	<u>142,270</u>

As at 30 June 2023, loan receivable represented the money lent to a customer (31 December 2022: 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 2022: 8% p.a.) and was overdue since 2020. The loan receivable amounted to RMB182,282,000 (31 December 2022: RMB176,606,000) 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. LOAN TO THE ULTIMATE HOLDING COMPANY

	30 June 2023 RMB'000 (Unaudited)
Loan to the ultimate holding company	402,920
Less: Impairment allowance	(2,934)
	399,986

The loan to the ultimate holding company represents the revolving loan to Tsinghua Tongfang Co., Limited with an amount of RMB400,000,000, which was unsecured, interest-bearing at 3.65% per annum and repayable on demand.

13. TRADE PAYABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables to suppliers	51,695	59,189

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 month	26,753	41,311
1 to 2 months	11,561	5,498
2 to 3 months	9,028	1,524
3 to 6 months	1,871	7,181
6 months to 1 year	1,484	2,445
Over 1 year	998	1,230
	51,695	59,189

14. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

As at date of this announcement, the Group has no significant events after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The total revenue from continuing operations for the Period was approximately RMB326.6 million, representing a decrease of approximately 4.9% as compared to approximately RMB343.6 million for the six months ended 30 June 2022. For further details, please refer to the below.

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 RMB326.6 million, which represented a decrease of approximately RMB17.0 million as compared to approximately RMB343.6 million for the six months ended 30 June 2022. Such decrease was mainly attributable to the decreased revenue of approximately RMB10.5 million from the PRC lighting segment due to a decrease in orders this year resulting from the ongoing economic downturn in international market and decrease in customers' purchasing power.

Cost of goods sold

For the Period, the cost of goods sold from continuing operations was approximately RMB187.0 million, representing a decrease of approximately RMB40.6 million over cost of goods sold of approximately RMB227.6 million for the six months ended 30 June 2022 primarily due to the decrease in material costs for both PRC lighting segment and USA lighting segment.

Gross profit and gross profit margin

For the Period, the Group recorded a gross profit of approximately RMB139.6 million from continuing operations, representing an increase of RMB23.5 million over the gross profit of approximately RMB116.1 million for the six months ended 30 June 2022 primarily due to the expansion of sales channels with high gross profit from the USA lighting segment and the increase in product prices for the PRC lighting segment.

For the Period, the Group recorded a gross profit margin of approximately 42.7% for continuing operations, representing an increase of 8.9% over a gross profit margin of approximately 33.8% for the six months ended 30 June 2022. The reason for such increase is same as the reason for the increase in gross profit.

Other income, gains and losses, net

For the Period, the Group recorded other income, gains and losses, net of approximately RMB29.5 million for continuing operations representing a decrease of approximately RMB2.3 million over the other income, gains and losses, net of RMB31.8 million for the six months ended 30 June 2022, mainly due to the decrease in interest income of approximately RMB2.0 million and the decrease in foreign exchange differences of approximately RMB0.9 million.

Provision/(reversal) for impairment, net

For the Period, the net amount of impairment provision for continuing operations was approximately RMB2.4 million, representing an increase of approximately RMB3.7 million over impairment reversal of approximately RMB1.2 million for the six months ended 30 June 2022, mainly due to the impairment of loan to Tsinghua Tongfang Co., Ltd. of approximately RMB2.9 million.

Operating expenses

For the Period, total operating expenses from continuing operations were approximately RMB142.5 million, representing an increase of approximately RMB32.3 million over approximately RMB110.2 million for the six months ended 30 June 2022, mainly attributable to an increase in exchange rates and higher selling expenses for the USA lighting segment as a result of performance stimulating.

Finance costs

The finance costs for continuing operations for the Period was approximately RMB0.8 million, representing a decrease of RMB0.1 million from RMB0.9 million for the six months ended 30 June 2022, mainly because the USA lighting segment did not have any bank loans during the Period.

Taxation

For the Period, tax charge for continuing operations of approximately RMB7.8 million (six months ended 30 June 2022: tax charge of RMB5.1 million) mainly included the payment for under provision of prior years' taxes of approximately RMB4.6 million in the Period.

Discontinued Operation

The loss after tax of Securities Group for the period ended 30 June 2022 were approximately RMB14.5 million.

Profit attributable to owners of the parent

For the Period, the Group recorded a profit attributable to owners of the parent of approximately RMB15.2 million, representing a decrease over a profit attributable to the owners of the parent of approximately RMB17.9 million for the six months ended 30 June 2022, primarily due to the increase in total operating expenses of the USA lighting segment.

Financial Resources and Liquidity and Gearing Ratio

The Group maintained a stable financial position. As at 30 June 2023, the Group had cash and cash equivalents of RMB394.9 million. The gearing ratio representing the ratio of total loans and total lease liabilities to total equity of the Group was 3.1% as at 30 June 2023 (31 December 2022: 3.4%). Such decrease was mainly attributable to the increase in total equity due to increase in value as a result of leasing out the factory premises of the PRC lighting segment and transfer into an investment property during the Period.

Assets and liabilities

As at 30 June 2023, the Group recorded total assets of approximately RMB1,765.8 million (31 December 2022: RMB1,728.8 million) and total liabilities of approximately RMB218.5 million (31 December 2022: RMB246.7 million).

As at 30 June 2023, the Group's current assets and non-current assets were approximately RMB1,290.1 million (31 December 2022: RMB1,298.2 million) and approximately RMB475.7 million (31 December 2022: RMB430.6 million), respectively. The increase in non-current asset was mainly attributable to the increase in investment properties of approximately RMB55.4 million as a result of the leasing out of the factory premises of the PRC lighting segment and transfer into investment properties.

As at 30 June 2023, the Group's current liabilities and non-current liabilities were approximately RMB160.4 million (31 December 2022: RMB196.8 million) and approximately RMB58.1 million (31 December 2022: RMB49.9 million), respectively. The decrease in current liabilities was mainly attributable to the decrease in tax payable of approximately RMB13.7 million as a result of the prepayment of taxes by the USA lighting segment to the tax bureau during the Period.

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.

Charges on Assets

As at 30 June 2023, the Group pledged certain of its trade receivables and inventories with an aggregate carrying value of approximately RMB200.4 million (31 December 2022: RMB224.2 million) to secure bank credit facilities granted to the Group.

Capital Commitments

As at 30 June 2023, 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 2022: 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 2023, the issued share capital of the Company was RMB185,672,131 (equivalent to approximately HK\$209,446,542) (31 December 2022: RMB185,672,131 (equivalent to HK\$209,446,542)), divided into 2,094,465,417 ordinary shares of HK\$0.10 each.

Provision of Revolving Loan to Tongfang

On 3 January 2023, the Company and Guangdong Tongfang Science Park Company Limited* (廣東同方科技園有限公司) (as lenders) and Tsinghua Tongfang Co., Ltd.* (同方股份有限公司) (“Tongfang”) entered into a loan agreement (the “Loan Agreement”), pursuant to which the lender will provide revolving loans of not exceeding RMB400,000,000 to Tongfang during the term of the Loan Agreement commencing from 13 March 2023 to 12 March 2026. The Loan Agreement was approved by the independent shareholders at the extraordinary general meeting held on 10 March 2023.

During the Period, the lender have granted a loan to Tongfang with a total principal amount of RMB400 million at an interest rate of 3.65% per annum pursuant to the terms of the Loan Agreement.

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 2022: Nil).

BUSINESS REVIEW

Overview

During the Period, the continued economic downturn in the international markets, the impact of regional conflicts, energy shortages and intensified inflationary pressures led to a decline in consumer spending and a downturn in demand, which also had a certain impact on the Company's business. Revenue and profit for the Period were slightly lower than the same period last year. The Company's main revenue as well as profit is still derived from the USA lighting segment. In order to actively cope with the impact of economic downturn and inflation, the USA lighting segment actively adopted the adjusted strategy of sales channels with increasing high gross profit and low-profit but high-volume sales during the Period. The performance of the current Period was slightly weaker than the same period last year due to an increase in expenses as more marketing resources had to be spent on this segment's channels. PRC lighting segment has increased the product price, reduce costs and improved efficiency, resulting in better performance for the current Period compared to the same period last year. Currently, the overall lighting industry has entered a period of stable development. In the future, the Company will continue to adjust its business strategy according to the new market and economic situation, strive to expand channels, develop new products, enhance team cohesion and achieve long-term sustainable development.

Currently, Tongfang Securities has discontinued its operations. During the Period, Tongfang Securities only incurred daily basic expenses and the impact on the Company was not significant.

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 2023, the Group’s total number of employees was approximately 667 (31 December 2022: 557). 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 above, throughout the Period, the Company complied with the code provisions set out in Part 2 of the Corporate Governance Code and, where appropriate, adopted the recommended best practices as set out in Part 2 of 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 2023 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
“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 2023
“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
“*”	For identification purpose only.

By order of the Board
Neo-Neon Holdings Limited
Gao Zhi
Chairman

Hong Kong, 25 August 2023

As at the date of this announcement, the executive Director is Mr. GAO Zhi; 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.