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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Neo-Neon Holdings Limited (the "**Company**") is pleased to announce the consolidated results for the year ended 31 December 2018 of the Company and its subsidiaries (collectively the "**Group**"), together with the comparative figures for year ended 31 December 2017. These results have been reviewed by the Company's audit committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	*3*	**693,698**	665,724
Cost of sales		**(489,568)**	(457,634)
Gross profit		**204,130**	208,090
Other income, gains and losses, net	*4*	**225,603**	142,600
Impairment losses on financial assets, net		**(3,268)**	(1,368)
Selling and distribution expenses		**(111,937)**	(90,146)
Administrative expenses		**(154,280)**	(128,199)
Finance costs	*5*	**(14,874)**	(4,658)
Profit before tax	*6*	**145,374**	126,319
Income tax credit/(expense)	*7*	**563**	(5,838)
Profit for the year		**145,937**	120,481
Attributable to:			
Owners of the parent		**145,792**	120,375
Non-controlling interests		**145**	106
		145,937	120,481

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted	*8*	**RMB6.96 cents**	RMB5.72 cents
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Change in fair value		**–**	(13,285)
Exchange differences:			
Exchange differences on translation of foreign operations		**24,146**	(57,271)
Reclassification adjustment for derecognition of foreign operations of during the year		**(5,004)**	–
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**19,142**	(70,556)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**(688)**	–
Surplus on revaluation upon transfer of prepaid land lease payments to investment properties		**163,207**	–
Income tax effect		**(48,962)**	–
		114,245	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**113,557**	–
Other comprehensive income/(loss) for the year, net of tax		**132,699**	(70,556)
Total comprehensive income for the year		**278,636**	49,925
Attributable to:			
Owners of the parent		**278,358**	49,964
Non-controlling interests		**278**	(39)
		278,636	49,925

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	**2018** **RMB'000**	2017 *RMB'000*
Non-current assets			
Property, plant and equipment		**83,450**	130,394
Investment properties		**772,965**	14,200
Prepaid land lease payments		**46,321**	30,469
Goodwill		**129,421**	123,454
Other intangible assets		**44,483**	35,404
Available-for-sale investments		**–**	3,324
Equity investments designated at fair value through other comprehensive income		**624**	–
Prepayments, other receivables and other assets		**85,683**	–
Financial assets at fair value through profit or loss		**130,989**	111,166
Deferred tax assets		**7,005**	6,179
Total non-current assets		**1,300,941**	454,590
Current assets			
Inventories		**198,205**	177,395
Trade and bills receivables	*9*	**155,844**	137,107
Loan receivables	*10*	**300,922**	–
Prepayments, other receivables and other assets		**95,290**	101,494
Available-for-sale investments		**–**	321,079
Prepaid lease payments		**1,081**	–
Equity investments designated at fair value through other comprehensive income		**600**	–
Financial assets at fair value through profit or loss		**194,333**	21,571
Tax recoverable		**2,527**	–
Pledged deposits		**34,307**	13,322
Cash held on behalf of clients		**4,056**	90,321
Cash and cash equivalents		**229,819**	435,964
Total current assets		**1,216,984**	1,298,253
Current liabilities			
Trade and bills payables	*11*	**101,798**	170,761
Other payables and accruals		**64,193**	63,163
Interest-bearing bank borrowings		**227,323**	70,243
Tax payable		**–**	40
Provision		**9,546**	903
Total current liabilities		**402,860**	305,110

	Notes	2018 RMB'000	2017 RMB'000
Net current assets		**814,124**	993,143
Total assets less current liabilities		**2,115,065**	1,447,733
Non-current liabilities			
Government grants		**6,725**	7,475
Deferred tax liabilities		**51,540**	6,459
Loan from the ultimate holding company		**350,000**	–
Total non-current liabilities		**408,265**	13,934
Net assets		**1,706,800**	1,433,799
Equity			
Equity attributable to owners of the parent			
Issued capital	*12*	**185,676**	186,912
Reserves		**1,518,142**	1,242,923
		1,703,818	1,429,835
Non-controlling interests		**2,982**	3,964
Total equity		**1,706,800**	1,433,799

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in RMB)

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.

On 19 March 2014, a subscription agreement was entered into between the Company and Tsinghua Tongfang Co., Ltd. ("**Tsinghua Tongfang**") via THTF Energy-Saving Holdings Limited ("**THTF ES**") (an indirectly wholly-owned subsidiary of Tsinghua Tongfang), in relation to the subscription (the "**Subscription**") of 1,000,000,000 shares (representing approximately 106.46% of the then issued share capital of the Company) at the subscription price of Hong Kong Dollar ("**HK$**") 0.90 per share by THTF ES. The completion of the Subscription pursuant to the subscription agreement took place on 1 August 2014 and the consideration for the Subscription in the sum of HK$900,000,000 has been fully paid by THTF ES to the Company on 1 August 2014. Upon completion, THTF ES had subscribed for an aggregate of approximately 51.56% of the issued share capital of the Company.

On 20 January 2016, THTF ES acquired an aggregate of 347,668,000 shares of the Company at HK$1.18 per Share ("**Increase in Shareholding**"). Immediately after the Increase in Shareholding, the shareholding of THTF ES in the Company increased from approximately 51.75% to approximately 69.68%.

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. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investments properties, equity investments and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

b) Basis of preparation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

c) **Changes in accounting policies**

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs, are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Finanical Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement				HKFRS 9 measurement	
	Notes	Category	Amount	Re-classification	Fair value adjustments/ ECLs	Amount	Category
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets							
Equity investments designated at fair value through other comprehensive income	(i)	N/A	–	3,324	(1,412)	1,912	FVTOCI [1] (equity)
From: Available-for-sale investments	(i)			3,324	–		
Available-for-sale investments		AFS[2]	324,403	(324,403)	–	–	N/A
To: Equity investments designated at fair value through other comprehensive income	(i)			(3,324)	–		
To: Financial assets at fair value through profit or loss	(ii)			(321,079)	–		
Trade and bills receivables		L&R[3]	137,107	–	217	137,324	AC[4]
Financial assets included in prepayments, other receivables and other assets		L&R	21,210	–	56	21,266	AC
Financial assets at fair value through profit or loss		FVTPL[5]	132,737	321,079	–	453,816	FVTPL (mandatory)
From: Available-for-sale investments	(ii)			321,079	–		
Pledged deposits		L&R	13,322	–	–	13,322	AC
Cash held on behalf of clients		L&R	90,321	–	–	90,321	AC
Cash and cash equivalents		L&R	435,964	–	–	435,964	AC
Total			1,752,843	–	(1,139)	1,751,704	

	HKAS 39 measurement				HKFRS 9 measurement	
	Category	Amount	Re-classification	Fair value adjustments/ ECLs	Amount	Category
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Financial liabilities						
Trade and bills payables	AC	170,761	–	–	170,761	AC
Financial liabilities included in other payables and accruals	AC	47,267	–	–	47,267	AC
Interest-bearing bank borrowings	AC	70,243	–	–	70,243	AC
Total		319,044	–	–	319,044	

1 FVTOCI: Financial assets at fair value through other comprehensive income
2 AFS: Available-for-sale investments
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost
5 FVTPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income. Equity investment previously measured at cost under HKAS 39 have been remeasured at fair value upon adoption of HKFRS 9.

(ii) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017	Re-measurement	**ECL allowances under HKFRS 9 at1 January 2018**
	RMB'000	*RMB'000*	***RMB'000***
Trade receivables	46,312	(217)	**46,095**
Financial assets included in prepayments, other receivables and other assets	2,363	(56)	**2,307**
	48,675	(273)	**48,402**

Impact on reserves and accumulated losses

The impact of transition to HKFRS 9 on reserves and accumulated losses is as follows:

	Reserves and accumulated losses *RMB'000*
Fair value reserve under HKFRS 9 (available-for-sale investments revaluation reserve under HKAS 39)	
Balance as at 31 December 2017 under HKAS 39	(13,285)
Reclassification of financial assets from available-for-sale investments to financial assets at fair value through profit or loss	13,285
Remeasurement of equity investments designated at fair value through other comprehensive income previously measured at cost under HKAS 39	(1,412)
Reversal of impairment losses under HKAS 39 for equity investments designated at fair value through other comprehensive income previously classified as available-for-sale investments	(428)
Balance as at 1 January 2018 under HKFRS 9	(1,840)
Accumulated losses	
Balance as at 31 December 2017 under HKAS 39	(984,283)
Recognition of expected credit losses under HKFRS 9	273
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	(13,285)
Reversal of impairment losses under HKAS 39 for equity investments designated at fair value through other comprehensive income previously classified as available-for-sale investments	428
Balance as at 1 January 2018 under HKFRS 9	(996,867)

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of accumulated losses as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Note	Increase/ (decrease) *RMB'000*
Liabilities		
Other payables and accruals		
– Receipts in advance	(i)	(11,866)
– Contract liabilities	(i)	11,866
Total liabilities		–

The adoption of HKFRS 15 has had no impact on profit or loss and other comprehensive income or on the Group's operating, investing and financing cash flows.

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
	Note	**HKFRS 15** ***RMB'000***	**Previous HKFRS** ***RMB'000***	**Increase/ (decrease)** ***RMB'000***
Liabilities				
Other payables and accruals				
– Receipts in advance	(i)	**–**	**15,727**	**(15,727)**
– Contract liabilities	(i)	**15,727**	**–**	**15,727**
Total liabilities		**15,727**	**15,727**	**–**

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 are described below:

(i) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in receipts in advance included in other payables and accruals. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified RMB11,866,000 from receipts in advance to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, RMB15,727,000 was reclassified from receipts in advance to contract liabilities in relation to the consideration received from customers in advance for the sale of lighting products.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- the PRC lighting segment consists of research and development, manufacture of lighting products in the PRC and distribution of lighting products in the PRC and overseas;
- the USA lighting segment consists of provision of lighting solutions in the USA; and
- the securities segment consists of asset management services, investment advisory services and securities trading.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that bank interest income, finance costs, government grants, changes in fair value of investment properties, changes in fair value of equity investments at FVTPL, as well as unallocated corporate gains and expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents, equity investments at FVTOCI, financial assets at FVTPL, available-for-sale investments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, a loan from the ultimate holding company, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2018

	PRC lighting *RMB'000*	USA lighting *RMB'000*	Securities *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	**207,405**	**451,553**	**14,964**	**673,922**
Interest revenue	**–**	**–**	**19,776**	**19,776**
Intersegment sales	**18,330**	**–**	**–**	**18,330**
	225,735	**451,553**	**34,740**	**712,028**
Reconciliation:				
Elimination of intersegment sales				**(18,330)**
Revenue				**693,698**
Segment results	**1,346**	**9,244**	**(19,126)**	**(8,536)**
Reconciliation:				
Interest income and unallocated gains				**28,439**
Finance costs				**(14,874)**
Government grants				**235,404**
Fair value losses on investment properties				**(7,772)**
Fair value gains on equity investments at FVTPL				**3,874**
Unallocated expenses				**(91,161)**
Profit before tax				**145,374**
Segment assets	**1,405,624**	**273,998**	**506,769**	**2,186,391**
Reconciliation:				
Elimination of intersegment receivables				**(273,401)**
Equity investments at FVTOCI				**1,224**
Financial assets at FVTPL				**325,322**
Tax recoverable				**2,527**
Deferred tax asset				**7,005**
Pledged deposits				**34,307**
Cash and cash equivalents				**229,819**
Corporate and other unallocated assets				**4,731**
Total assets				**2,517,925**
Segment liabilities	**108,868**	**83,817**	**256,150**	**448,835**
Reconciliation:				
Elimination of intersegment payables				**(273,400)**
Interest-bearing bank loans				**227,323**
Loan from the ultimate holding company				**350,000**
Deferred tax liabilities				**51,540**
Corporate and other unallocated liabilities				**6,827**
Total liabilities				**811,125**
Other segment information:				
Impairment losses/(reversal of impairment losses) on financial assets, net	**(588)**	**299**	**3,557**	**3,268**
Provision for inventories included in cost of inventories sold	**5,453**	**4,354**	**–**	**9,807**
Depreciation	**16,225**	**2,211**	**1,419**	**19,855**
Capital expenditure *	**646,675**	**7,335**	**1,119**	**655,129**

* Capital expenditure represents additions to property, plant and equipment, investment properties, prepaid land lease payments and intangible assets.

Year ended 31 December 2017

	PRC lighting *RMB'000*	USA lighting *RMB'000*	Securities *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	214,787	414,520	36,417	665,724
Intersegment sales	11,810	–	–	11,810
	226,597	414,520	36,417	677,534
Reconciliation:				
Elimination of intersegment sales				(11,810)
Revenue				665,724
Segment results	92,299	15,451	35,420	143,170
Reconciliation:				
Interest income and unallocated gains				106,445
Finance costs				(4,658)
Government grants				5,515
Fair value losses on investment properties				(500)
Fair value gains on equity investment at FVTPL				11,614
Unallocated expenses				(135,267)
Profit before tax				126,319
Segment assets	466,736	204,314	160,165	831,215
Reconciliation:				
Elimination of intersegment receivables				(1,018)
Available-for-sale investments				324,403
Financial assets at fair value through profit or loss				132,737
Deferred tax assets				6,179
Pledged deposits				13,322
Cash and cash equivalents				435,964
Corporate and other unallocated assets				10,041
Total assets				1,752,843
Segment liabilities	87,993	46,110	105,101	239,204
Reconciliation:				
Elimination of intersegment payables				(1,018)
Interest-bearing bank borrowings				70,243
Tax payable				40
Deferred tax liabilities				6,459
Corporate and other unallocated liabilities				4,116
Total liabilities				319,044
Other segment information:				
Impairment/(reversal of impairment) of trade receivables	1,656	(288)	–	1,368
Provision for inventories included in cost of inventories sold	5,411	1,051	–	6,462
Depreciation	15,057	2,900	1,468	19,425
Capital expenditure *	12,121	1,601	16,916	30,638

* Capital expenditure represents additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of a subsidiary.

Geographical information

(a) Revenue from external customers

	2018	2017
	RMB'000	*RMB'000*
North America	**540,356**	527,857
Europe	**53,519**	41,159
PRC	**25,624**	28,592
Asia (excluding PRC)	**74,174**	65,380
Other countries	**25**	2,736
	693,698	665,724

The revenue information of operations above is based on the locations of the customers.

(b) Non-current assets

	2018	2017
	RMB'000	*RMB'000*
North America	**109,792**	47,769
Europe	**–**	160
PRC	**901,023**	236,644
Asia (excluding PRC)	**151,208**	49,348
	1,162,023	333,921

The non-current asset information of operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

During the year ended 31 December 2018, revenue generated from one single customer from USA lighting segment amounting to approximately RMB99,798,000 individually accounted for over 10% of the Group's revenue.

During the year ended 31 December 2017, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

4. OTHER INCOME, GAINS AND LOSSES, NET

	2018	2017
	RMB'000	*RMB'000*
Other income		
Bank interest income	**2,950**	3,383
Dividend income from available-for-sale investments	**–**	21,058
Dividend income from financial assets at FVTPL	**594**	–
Government grants*	**235,404**	5,515
Gross rental income	**5,745**	4,191
Others	**3,360**	1,711
	248,053	35,858

	2018	2017
	RMB'000	*RMB'000*
Gains and losses		
Fair value gains on investments properties	**(7,772)**	(500)
(Loss)/gain on disposal of items of property, plant and equipment	**(43,101)**	496
Fair value gains/(losses), net		
Equity investments at FVTPL	**3,874**	11,614
Available-for-sale investments	**–**	(315)
Foreign exchange gains/(losses), net	**27,570**	(16,097)
(Loss)/gain on disposal of subsidiaries	**(3,047)**	110,649
Others	**26**	895
	(22,450)	106,742

5. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank loans	**6,620**	4,658
Interest on a loan from an intermediate holding company	**6,845**	–
Interest on a loan from the ultimate holding company	**1,409**	–
	14,874	4,658

6. PROFIT BEFORE TAX

	2018 *RMB'000*	2017 *RMB'000*
Cost of inventories sold	**489,568**	457,634
Depreciation	**19,855**	19,425
Research and Deferred development costs:		
Deferred expenditure amortised	**3,329**	2,419
Amortisation of land lease payments	**1,634**	804
Amortisation of other intangible assets	**3,660**	2,710
Minimum lease payments under operating leases	**10,051**	9,707
Auditor's remuneration	**2,450**	2,310
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**119,553**	77,846
Equity-settled share option expenses	**428**	1,601
Pension scheme contributions	**6,726**	3,138
	126,707	82,585
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**119**	69
Impairment losses on financial assets, net:		
Trade and bills receivables	**4,140**	1,368
Other receivables	**(1,525)**	–
Loans receivables	**653**	–
	3,268	1,368
Write-down of inventories to net realisable value	**9,807**	6,462
Loss on written off of intangible assets	**217**	–

7. INCOME TAX

	2018 *RMB'000*	2017 *RMB'000*
Current – Hong Kong		
Charge for the year	**–**	42
Current – Elsewhere		
Charge for the year	**3,917**	3,159
Underprovision in prior years	**299**	–
Deferred tax	**(4,779)**	2,637
Total tax (credit)/charge for the year	**(563)**	5,838

8. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,095,470,343 (2017: 2,103,278,114) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the impact of the share option outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

	2018	2017
	RMB'000	*RMB'000*
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**145,792**	120,375

	2018	2017
	Number of shares	*Number of shares*
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,095,470,343**	2,103,278,114

9. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**160,226**	173,229
Bills receivables	**4,269**	10,190
Less: impairment loss on trade receivables	**(8,636)**	(46,312)
Less: impairment loss on bills receivables	**(15)**	–
	155,844	137,107

PRC and USA lighting segment

Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

Securities segment

Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold collateral over its trade receivable balances. Trade receivables are non-interest bearing.

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:

	2018			2017		
	Lighting	**Securities**	**Total**	Lighting	Securities	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	**48,934**	**6,381**	**55,315**	62,833	20,642	83,475
1 to 2 months	**18,370**	**276**	**18,646**	3,420	645	4,065
2 to 3 months	**10,859**	**185**	**11,044**	5,790	671	6,461
3 to 6 months	**25,330**	**217**	**25,547**	17,142	1,987	19,129
Over 6 months	**27,949**	**17,343**	**45,292**	20,879	3,098	23,977
	131,442	**24,402**	**155,844**	110,064	27,043	137,107

10. LOAN RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Loans receivables	**301,575**	–
Less: impairment allowance	**(653)**	–
	300,922	–

An aging analysis of the loans receivables as at the end of the reporting period, based on the maturity date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**300,922**	–

11. TRADE AND BILLS PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**97,742**	55,771
Bills payables	**–**	24,669
Accounts payables to securities clients	**4,056**	90,321
	101,798	170,761

An aging analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018			2017		
	Accounts payables to securities clients	**Trade and bills payables**	**Total**	Accounts payables to securities clients	Trade and bills payables	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	**4,056**	**53,275**	**57,331**	90,321	52,475	142,796
1 to 2 months	**–**	**16,797**	**16,797**	–	4,933	4,933
2 to 3 months	**–**	**1,862**	**1,862**	–	2,963	2,963
3 to 6 months	**–**	**2,272**	**2,272**	–	53	53
6 months to 1 year	**–**	**3,469**	**3,469**	–	3,469	3,469
Over 1 year	**–**	**20,067**	**20,067**	–	16,547	16,547
	4,056	**97,742**	**101,798**	90,321	80,440	170,761

The trade payables are non-interest-bearing and are normally settled within terms of 90 days.

12. ISSUED CAPITAL

	2018	2017
	RMB'000	*RMB'000*
Authorised:		
5,000,000,000 (2017: 5,000,000,000) ordinary shares of RMB0.10 (2017: RMB0.10) each	**500,000**	500,000
Issued and fully paid:		
2,094,505,417 (2017: 2,109,163,417) ordinary shares of RMB0.10 (2017: RMB0.10) each	**185,676**	186,912

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital *RMB'000*
At 1 January 2017		1,938,319,694	171,808
Issuance of shares on 20 January 2017	*(a)*	177,227,723	15,670
Share cancelled	*(b)*	(6,384,000)	(566)
At 31 December 2017 and 1 January 2018		2,109,163,417	186,912
Share cancelled	*(b)*	(14,658,000)	(1,236)
At 31 December 2018		2,094,505,417	185,676

Notes:

(a) Pursuant to an ordinary resolution passed on 20 January 2017, 177,227,723 ordinary shares were issued as consideration for the acquisition of Tongfang Securities Limited ("Tongfang Securities").

(b) The Company purchased 5,714,000 (2017: 15,328,000) of its shares on the Hong Kong Stock Exchange for a total consideration of RMB3,664,000 (2017: RMB11,304,000) which was paid wholly out of retained profits. The purchased shares of 14,658,000 (2017: 6,384,000) were cancelled during the year.

13. SHARE OPTION SCHEME

The Company (the "Scheme")

The following share options were outstanding under the Scheme during the year:

	2018		2017	
	Weighted average exercise price *HK$ per share*	**Number of options** *'000*	Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	**1.31**	**22,300**	1.31	23,600
Forfeited during the year	**1.31**	**(1,100)**	1.31	(1,300)
At 31 December	**1.31**	**21,200**	**1.31**	**22,300**

No share options were exercised during the year ended 31 December 2018 and 2017.

Subsidiary (the "ALI Scheme")

The following share options were outstanding under the ALI Scheme during the year:

	2018		2017	
	Weighted average exercise price *US$ per share*	**Number of options**	Weighted average exercise price *US$ per share*	Number of options
At 1 January	**369**	**2,725**	330	2,231
Granted during the year	**–**	**–**	405	1,401
Forfeited during the year	**(368)**	**(290)**	330	(54)
Exercised during the year	**–**	**–**	330	(853)
At 31 December	**369**	**2,435**	**369**	**2,725**

No share options were exercised during the year ended 31 December 2018.

14. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

	2018 *RMB'000*	2017 *RMB'000*
Disposal of subsidiaries	**–**	251,668
Sales of goods to a shareholder and its subsidiaries	**–**	2,487
Interest paid to an intermediate holding company	**(6,845)**	–
Interest paid to the ultimate holding company	**(1,409)**	–

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The total revenue for the year ended 31 December 2018 was approximately RMB693.7 million, representing an increase of approximately 4.2% as compared to approximately RMB665.7 million for the year ended 31 December 2017. For further details, please refer to the below.

Lighting Segment

The revenue of attributable to the lighting segment (research and development, manufacturing, distribution and providing solutions of lighting products) for the year ended 31 December 2018 was approximately RMB659.0 million, which represents an increase of approximately RMB29.7 million as compared to approximately RMB629.3 million for the year ended 31 December 2017, due to the increased revenue of approximately RMB37.0 million from the USA lighting segment.

Securities Segment

During the year ended 31 December 2018, the revenue attributable to the securities segment was approximately RMB34.7 million, representing a decrease of approximately RMB1.7 million over approximately RMB36.4 millon for the year ended 31 December 2017.

Cost of goods sold

For the year ended 31 December 2018, the cost of goods sold was approximately RMB489.6 million, representing an increase of approximately RMB32.0 million over approximately RMB457.6 million for the year ended 31 December 2017 primarily due to the increase of material costs.

Gross profit and gross profit margin

For the year ended 31 December 2018, the Group recorded a gross profit of approximately RMB204.1 million, representing a decrease of approximately RMB4.0 million over the gross profit of approximately RMB208.1 million for the year ended 31 December 2017.

Lighting Segment

For the year ended 31 December 2018, the Group recorded a gross profit of approximately RMB169.4 million for the lighting segment, representing a decrease of approximately RMB2.3 million or 1.3% over approximately RMB171.7 million for the year ended 31 December 2017 primarily due to the increase of the cost of goods sold.

Securities Segment

For the year ended 31 December 2018, the group recorded a gross profit of approximately RMB34.7 million for the securities segment, representing a decrease of approximately RMB1.7 million over approximately RMB36.4 million for the year ended 31 December 2017, mainly attributable to the investment failure.

Other gains and losses, net

For the year ended 31 December 2018, the Group recorded other losses of approximately RMB22.5 million, representing a decrease of approximately RMB129.2 million over the other gains of approximately RMB106.7 million for the year ended 31 December 2017, due to the net loss of approximately RMB43.1 million resulting from the disposal of items of property, plant and equipment.

Impairment loss of property, plant and equipment

For the year ended 31 December 2018, the amount of impairment losses recognised in respect of property, plant and equipment was nil (2017: nil).

Operating expenses

The distribution and selling expenses mainly comprised of staff costs for the lighting segment, promotion and advertising, freight and transportation, agency and custom costs, and rent and rates.

For the year ended 31 December 2018, the distribution and selling expenses of the Group were approximately RMB111.9 million, representing an increase of approximately RMB21.8 million over approximately RMB90.1 million for the year ended 31 December 2017, mainly attributable to the increase in staff costs of approximately RMB5.0 million and other selling expenses of approximately RMB14.8 million for expanding the sales channels of the USA lighting segment.

The administrative expenses mainly comprised of staff costs for the securities segment, directors remuneration, depreciation charge and professional and legal fees. The administrative expenses for the year ended 31 December 2018 were approximately RMB154.3 million, representing an increase of approximately RMB26.1 million over approximately RMB128.2 million for the year ended 31 December 2017, mainly due to the increase in staff costs due to the business expansion of Tongfang securities and cost due to information system transformation of the USA lighting segment.

Finance costs

The finance costs for the year ended 31 December 2018 was approximately RMB14.9 million, representing an increase of approximately RMB10.2 million over approximately RMB4.7 million for the year ended 31 December 2017, mainly due to the increase in new bank loans of approximately RMB222.4 million and the increase of new loans from the ultimate holding company of approximately RMB350.0 million for the year under review.

Taxation

For the year ended 31 December 2018, the Group's tax credit of approximately RMB0.6 million (2017: tax charge of approximately RMB5.8 million) mainly included tax provision of approximately RMB3.9 million, deferred tax credited of approximately RMB4.8 million and underprovision in prior years of approximately RMB0.3 million.

Profit attributable to owners of the parent

For year ended 31 December 2018, the Group recorded a profit attributable to owners of the Company of approximately RMB145.8 million, representing an increase of approximately RMB25.4 million over approximately RMB120.4 million for the year ended 31 December 2017, Such profit was mainly derived from, among others, the PRC lighting segment profit and the USA lighting segment profit.

Net profit

For year ended 31 December 2018, the Group recorded a net profit of approximately RMB145.9 million, as compared to approximately RMB120.5 million for the year ended 31 December 2017. Such profit was mainly derived from, among others, the PRC lighting segment profit and the USA lighting segment profit.

Financial Resources and Liquidity and Gearing Ratio

The Group maintained a stable financial position. As at 31 December 2018, the Group had bank balances of approximately RMB229.8 million and short-term bank loans of approximately RMB227.3 million. The gearing ratio representing the ratio of total debt to total equity of the Group was 33.8% as at 31 December 2018 (31 December 2017: 4.9%). Such increase was mainly caused by the new bank loans of approximately RMB222.4 and the new loans from the ultimate holding company of approximately RMB350.0 million incurred in 2018, which were used for investment properties and financial service business.

Cash flows

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

The Group recorded (i) cash outflow from operating activities of approximately RMB173.1 million for the year ended 31 December 2018 (2017: approximately RMB79.6 million); (ii) cash outflow from investing activities of approximately RMB534.8 million for the year ended 31 December 2018 (2017: approximately RMB40.5 million); and (iii) cash inflow from financing activities of approximately RMB483.6 million for year ended 31 December 2018 (2017: cash outflow of approximately RMB51.6 million).

The above increase in cash outflow from operating activities was mainly attributable to the increase in loans receivables of approximately RMB292.4 million.

The above increase in cash outflow from investing activities was mainly attributable to the increase in the cash outflow of addition to an investment property of approximately RMB592.2 million, cash outflow of purchase of financial assets at fair value through profit or loss of approximately RMB633.0 million, and cash inflow of proceeds from disposal of financial assets at fair value through profit or loss of approximately RMB763.7 million.

The above increase in cash inflow from financing activities was mainly attributable to new bank loans of approximately RMB222.4 million, new loans from the ultimate holding company of approximately RMB350.0 million and repayment of bank loans of approximately RMB70.2 million in the year of 2018.

Assets and liabilities

As at 31 December 2018, the Group recorded the total assets of approximately RMB2,517.9 million (31 December 2017: approximately RMB1,752.8 million) and total liabilities of approximately RMB811.1 million (31 December 2017: approximately RMB319.0 million).

As at 31 December 2018, the Group's current assets and non-current assets were approximately RMB1,217.0 million (31 December 2017: approximately RMB1,298.3 million) and approximately RMB1,300.9 million (31 December 2017: approximately RMB454.6 million), respectively. The increase in non-current assets was mainly attributable to the increase in investment properties of approximately RMB758.8 million.

As at 31 December 2018, the Group's current liabilities and long-term liabilities were approximately RMB402.9 million (31 December 2017: RMB305.1 million) and approximately RMB408.2 million (31 December 2017: RMB13.9 million), respectively. The increase in current liabilities was mainly attributable to the increase in interest-bearing bank borrowings and the increase in long-term liabilities was mainly attributable to the increase in loan from the ultimate holding company.

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 exposes 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 31 December 2018, the Group did not pledge any of its land or buildings (31 December 2017: nil). The Group pledged certain of its trade receivables and inventories with an aggregate carrying value of approximately RMB135.4 million (31 December 2017: approximately RMB53.4 million), and also a bank deposit of aggregate carrying value of approximately RMB34.3 million (31 December 2017: approximately RMB13.3 million) to secure bank credit facilities granted to the Group.

Capital Commitments

As at 31 December 2018, 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 approximately RMB4.4 million (31 December 2017: approximately RMB4.6 million).

Contingent Liabilities

During the year ended 31 December 2018, 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 31 December 2018, the issued share capital of the Company was approximately RMB185,675,667 (equivalent to approximately HK$209,450,542) (31 December 2017: approximately RMB186,911,931 (equivalent to approximately HK$210,916,342), divided into 2,094,505,417 ordinary shares of HK$0.10 each. Such change was primarily due to the cancellation of 14,658,000 shares for a total consideration of approximately RMB1,236,000.

Material Acquisition, Disposal and Significant Investment

On 6 December 2018, Jiangmen Tonghe Guangyuan Technology Limited* (江門市同鶴光源科技有限公司) ("**Jiangmen Tonghe**") and Jiangmen Tongxin Guangyuan Technology Limited* (江門市同欣光源科技有限公司) ("**Jiangmen Tongxin**"), both indirect wholly-owned subsidiaries of the Company, entered into various land use rights grant contracts with Heshan Municipal Land Bureau* (鶴山市國土資源局) ("**Heshan Municipal Land Bureau**") in respect of the grant of the relevant lands for urban residential usage and commercial service usage to Jiangmen Tonghe and Jiangmen Tongxin by Heshan Municipal Land Bureau at the aggregated consideration of RMB487,805,154.67 and RMB87,104,107.67 respectively. As the date of this announcement, the consideration has been fully paid by the Jiangmen Tonghe and Jiangmen Tongxin. In addition, Jiangmen Tonghe and Jiangmen Tongxin also have received from the Heshan Municipal People's Government*(鶴山市人民政府) the compensation for landed buildings in the amount of approximately RMB230 million as the compensation for the demolition of landed buildings. For details, please refer to the Company's announcements dated 6 December 2018, 28 December 2018, 9 January 2019 and the shareholders' circular dated 25 February 2019.

Save for those disclosed in this announcement, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year under review.

On 1 January 2019 (MST), the American Lighting, Inc. ("**American Lighting**"), an indirect wholly-owned subsidiary of the Company, entered into a membership interest purchase agreement with Lighten Up Holdings, Inc. ("**Lighten Up**"), pursuant to which American Lighting has agreed to purchase 100% membership interest of Novelty Lights, LLC ("**Novelty Lights**") from Lighten Up for an aggregate consideration of approximately US$12,000,000, subject to adjustment under the said purchase agreement. After the initial closing on 1 January 2019 (MST), the Company indirectly holds 80% of the membership interests in Novelty Lights and Novelty Lights became an indirectly non-wholly owned subsidiary of the Company. Upon completion of the second closing, Novelty Lights will become an indirectly wholly owned subsidiary of the Company. For details, please refer to the Company's announcement dated 1 January 2019.

FINAL DIVIDEND

The Board resolved not to declare any dividend for the year ended 31 December 2018 (2017: nil).

BUSINESS REVIEW

Overview

During the year under review, the lighting segment, which was the pillar segment of the Group, seized the opportunity to explore the overseas market diligently, increased the gross profit margins, improved the management level, and revitalised idle assets, which led to the improvement in the overall operating performance.

On 1 March 2018, the Company received an approval letter from Heshan Municipal People's Government* (鶴山市人民政府) ("**Heshan Government**"), pursuant to which Heshan Government has approved the construction and development plan of Tongfang Science and Technology City* (同方科技城), a science and technology zone to be operated by Heshan Tongfang, in Heshan Industry City* (鶴山市工業城) as contemplated under the Investment Framework Agreement. On 7 August 2018, Heshan Municipal Land Bureau determined the site map of each planned plot. 5 plots were planned for commercial and residential use, and the total area is approximately 250,049.3 square meters. In the event any definitive agreement in relation to the Investment Framework Agreement is entered into, further announcement(s) will be made as appropriate in compliance with the Listing Rules.

On the other hand, the Company continued to cultivate the following new businesses: fund management, investment banking, financial management and technology-based financial business investments in emerging industries. Tongfang Securities Limited is liciensed to carry out Type 1(dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities. Tongfang Securities Limited also incorporated Tongfang Capital Limited which is a licensed corporation to carry on Type 6 (Advising on Corporate Finance) regulated activity under the SFO. Tongfang Finance Limited, an entity under common control with Tongfang Securities, is a corporation to carry on money lending business under Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong). The deployment and development of such national strategic emerging industries would facilitate the Group to continue to innovate and develop.

Sales and Distribution

Lighting Segment

During the year under review, 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 branding establishment and sales channel in the world's fastest growing markets and brought to its customers better sales services in energy-saving technologies and solutions.

Securities Segment

Tongfang Securities, a direct wholly-owned subsidiary of the Company, expects to leverage on the Company's diversified business portfolio, solid client bases and extensive expertise in the high technology industry to further develop its financial service business and to explore cross-selling opportunities within the Company, especially relating to the technology sector.

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

As at 31 December 2018, the Group's total number of employees was approximately 1,100 (31 December 2017: 1,200). 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 13 June 2019 to Tuesday, 18 June 2019 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting. In order to qualify for attending and voting at the annual general meeting, all transfers accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 12 June 2019.

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 year ended 31 December 2018, the Company complied with the 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 (the "**Corporate Governance Code**").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for 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 regarding directors' securities transactions for the year ended 31 December 2018.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference. The audit committee currently comprises of three members, being all independent non-executive Directors, Mr. Fan Ren Da Anthony, Mr. Liu Tian Min and Ms. Li Ming Qi. Ms. Li Ming Qi is the chairperson of the audit committee. The primary duties of the audit committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the internal control and risk management systems of the Company. Their composition and written terms of reference are in line with the Corporate Governance Code.

The Group's annual results for the year ended 31 December 2018 have been reviewed by the audit committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors. In addition,the audit committee reviewed the internal control and risk management systems of the Group during the year of 2018.

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

During the year ended 31 December 2018, the Company repurchased its own shares on the Stock Exchange, details of which are as follows:

Repurchase date	Number of shares repurchase	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregate price paid *HK$*	Cancellation date
2/1/2018	394,000	0.83	0.82	326,100	5/3/2018
8/1/2018	314,000	0.82	0.80	252,700	5/3/2018
9/1/2018	986,000	0.82	0.79	801,500	5/3/2018
19/1/2018	338,000	0.78	0.75	256,440	11/5/2018
2/2/2018	684,000	0.75	0.71	498,900	11/5/2018
6/2/2018	172,000	0.74	0.71	125,260	11/5/2018
7/2/2018	484,000	0.77	0.72	356,200	11/5/2018
9/2/2018	256,000	0.71	0.69	178,380	11/5/2018
13/2/2018	698,000	0.80	0.72	531,120	11/5/2018
20/6/2018	460,000	0.87	0.80	376,180	13/9/2018
22/6/2018	302,000	0.85	0.84	255,380	13/9/2018
25/6/2018	152,000	0.84	0.82	125,600	13/9/2018
3/7/2018	26,000	0.85	0.79	21,760	13/9/2018
4/7/2018	448,000	0.81	0.74	351,560	13/9/2018

During the year ended 31 December 2018, a total of 5,714,000 ordinary shares were repurchased by the Company on the Stock Exchange. All the repurchased shares were subsequently cancelled by the Company.

The purchase of the shares during the year was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the total issued capital of an issuer must be held by the public at any time. Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules for the year ended 31 December 2018 and the subsequent period ended the date of this announcement.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's results for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's independent auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on the preliminary announcement of results.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.neo-neon.com). The annual report for the year ended 31 December 2018 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

* *For identification purpose only.*

By order of the board of
Neo-Neon Holdings Limited
Huang Yu
Chairman

Hong Kong, 20 March 2019

As at the date of this announcement, the executive Directors of the Company are Mr. SEAH Han Leong and Mr. Daniel P.W. LI; non-executive Directors are Mr. HUANG Yu (Chairman), Mr. WANG Liang Hai and Mr. LIU Wei Dong; the independent non-executive Directors are Mr. FAN, Ren Da Anthony, Mr. LIU Tian Min and Ms. LI Ming Qi.