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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)**

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

#### 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 2019 of the Company and its subsidiaries (collectively the “**Group**”), together with the comparative figures for year ended 31 December 2018. These results have been reviewed by the Company’s audit committee.

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2019*

	Notes	2019 RMB'000	2018 RMB'000
<b>Revenue</b>	3	<b>841,349</b>	693,698
Cost of sales		(557,591)	(489,568)
<b>Gross profit</b>		<b>283,758</b>	204,130
Other income, gains and losses, net	4	87,140	225,603
Impairment losses on financial assets, net		(259)	(3,268)
Selling and distribution expenses		(161,396)	(111,937)
Administrative expenses		(172,979)	(154,280)
Finance costs	5	(29,335)	(14,874)
<b>Profit Before Tax</b>	6	<b>6,929</b>	145,374
Income tax (expense)/credit	7	(29,458)	563
<b>(Loss)/Profit for the Year</b>		<b>(22,529)</b>	145,937
Attributable to:			
Owners of the parent		(22,897)	145,792
Non-controlling interests		368	145
		<b>(22,529)</b>	145,937
<b>(Loss)/earnings per share attributable to ordinary equity holders of the parent</b>			
Basic and diluted	8	<b>RMB(1.09) cents</b>	RMB6.96 cents

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*Year ended 31 December 2019*

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
<b>(Loss)/profit for the year</b>	<b><u>(22,529)</u></b>	<b><u>145,937</u></b>
<b>Other comprehensive income/(loss):</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	17,595	24,146
Reclassification adjustment for derecognition of foreign operations during the year	<u>–</u>	<u>(5,004)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>17,595</u>	<u>19,142</u>
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	(220)	(688)
Surplus on revaluation upon transfer of right-of-use assets/prepaid land lease payments to investment properties	3,622	163,207
Income tax effect	<u>(724)</u>	<u>(48,962)</u>
	2,898	114,245
Surplus on revaluation upon transfer of property, plant and equipment to investment properties	32,447	–
Income tax effect	<u>(6,489)</u>	<u>–</u>
	25,958	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>28,636</u>	<u>113,557</u>
<b>Other comprehensive income for the year, net of tax</b>	<b><u>46,231</u></b>	<b><u>132,699</u></b>
<b>Total comprehensive income for the year</b>	<b><u>23,702</u></b>	<b><u>278,636</u></b>
Attributable to:		
Owners of the parent	23,213	278,358
Non-controlling interests	<u>489</u>	<u>278</u>
	<u>23,702</u>	<u>278,636</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 December 2019

	<i>Notes</i>	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>82,405</b>	83,450
Investment properties		<b>873,891</b>	772,965
Right-of-use assets		<b>24,597</b>	–
Prepaid land lease payments		–	46,321
Goodwill		<b>220,978</b>	129,421
Other intangible assets		<b>44,064</b>	44,483
Equity investments designated at fair value through other comprehensive income		<b>404</b>	624
Prepayments and other assets		<b>5,096</b>	85,683
Financial assets at fair value through profit or loss		<b>113,458</b>	130,989
Deferred tax assets		<b>4,127</b>	7,005
<b>Total non-current assets</b>		<b>1,369,020</b>	1,300,941
<b>Current assets</b>			
Inventories		<b>156,684</b>	198,205
Trade and bills receivables	9	<b>97,409</b>	155,844
Loan receivables	10	<b>302,648</b>	300,922
Prepayments, other receivables and other assets		<b>119,555</b>	95,290
Prepaid land lease payments		–	1,081
Equity investments designated at fair value through other comprehensive income		–	600
Financial assets at fair value through profit or loss		<b>156,097</b>	194,333
Tax recoverable		–	2,527
Pledged deposits		–	34,307
Cash held on behalf of clients		<b>4,322</b>	4,056
Cash and cash equivalents		<b>256,938</b>	229,819
		<b>1,093,653</b>	1,216,984
Non-current assets classified as held for sale		<b>32,076</b>	–
<b>Total current assets</b>		<b>1,125,729</b>	1,216,984
<b>Current liabilities</b>			
Trade payables	11	<b>71,484</b>	101,798
Other payables and accruals		<b>60,008</b>	64,193
Interest-bearing bank borrowings		<b>141,135</b>	227,323
Lease liabilities		<b>9,957</b>	–
Tax payable		<b>9,232</b>	–
Provision		<b>12,316</b>	9,546
Contingent consideration payable		<b>27,800</b>	–
<b>Total current liabilities</b>		<b>331,932</b>	402,860

	<i>Notes</i>	<b>2019</b> <b><i>RMB'000</i></b>	2018 <i>RMB'000</i>
<b>Net current assets</b>		<b>793,797</b>	814,124
<b>Total assets less current liabilities</b>		<b>2,162,817</b>	2,115,065
<b>Non-current liabilities</b>			
Government grants		<b>2,250</b>	6,725
Lease liabilities		<b>905</b>	–
Deferred tax liabilities		<b>74,277</b>	51,540
Loan from the ultimate holding company		<b>353,706</b>	350,000
<b>Total non-current liabilities</b>		<b>431,138</b>	408,265
<b>Net assets</b>		<b>1,731,679</b>	1,706,800
<b>Equity</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	12	<b>185,676</b>	185,676
Reserves		<b>1,541,781</b>	1,518,142
		<b>1,727,457</b>	1,703,818
Non-controlling interests		<b>4,222</b>	2,982
<b>Total equity</b>		<b>1,731,679</b>	1,706,800

# NOTES TO FINANCIAL STATEMENTS

*Expressed in RMB*

## 1. CORPORATE AND GROUP INFORMATION

Neo-Neon Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-111, Cayman Islands, and the Company’s head office and principal place of business is located at 15th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the “**Group**”) was engaged in the following principal activities:

- manufacture and trading of lighting products
- provision of lighting solution
- provision of asset management services
- provision of investment advisory services
- provision of securities trading services

In the opinion of the directors of the Company, the holding company and the ultimate holding company of the Company is THTF Energy-Saving Holdings Limited and 同方股份有限公司 (“**Tsinghua Tongfang Co., Limited**”), which are incorporated in the Cayman Islands and the People’s Republic of China (“**PRC**”), respectively.

## 2.1 BASIS OF PREPARATION

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 designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. Non-current assets classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015-2017 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) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of accumulated losses at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

#### *New definition of a lease*

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

#### *As a lessee – Leases previously classified as operating leases*

##### Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

## Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and separately presented in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under operating leases of RMB47,402,000 that were reclassified from prepaid land lease payments.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics

### *Financial impact at 1 January 2019*

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) RMB'000
<b>Assets</b>	
Increase in right-of-use assets	65,223
Decrease in prepaid land lease payments	(47,402)
	<hr/>
Increase in total assets	17,821
	<hr/>
<b>Liabilities</b>	
Increase in lease liabilities and total liabilities	17,821
	<hr/>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	<i>RMB'000</i>
<b>Operating lease commitments as at 31 December 2018</b>	20,714
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	<u>(620)</u>
	20,094
Weighted average incremental borrowing rate as at 1 January 2019	<u>4.63%</u>
Discounted operating lease commitments as at 1 January 2019	<u>17,821</u>
<b>Lease liabilities as at 1 January 2019</b>	<u><u>17,821</u></u>

- (b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered the interpretation did not have any impact on the financial position or performance of the Group.

### 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 and trading of lighting products 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, non-lease-related finance costs, government grants, changes in fair value of investment properties, changes in fair value of financial assets at fair value through profit or loss (“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 designated at fair value through other comprehensive income (“**FVTOCI**”), financial assets at FVTPL, 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 2019**

	<b>PRC lighting RMB'000</b>	<b>USA lighting RMB'000</b>	<b>Securities RMB'000</b>	<b>Total RMB'000</b>
<b>Segment revenue:</b>				
Sales to external customers	170,165	628,049	17,248	815,462
Interest revenue	–	–	25,887	25,887
Intersegment sales	10,228	–	–	10,228
	<u>180,393</u>	<u>628,049</u>	<u>43,135</u>	<u>851,577</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(10,228)</u>
Revenue				<u><u>841,349</u></u>
<b>Segment results</b>	<b>(39,879)</b>	<b>30,334</b>	<b>(9,923)</b>	<b>(19,468)</b>
<i>Reconciliation:</i>				
Interest income and unallocated gains				27,528
Finance costs (other than interest on lease liabilities)				(28,198)
Government grants				4,543
Fair value gains on investment properties, net				60,021
Fair value losses on financial assets at FVTPL, net				(15,431)
Unallocated expenses				<u>(22,066)</u>
Profit before tax				<u><u>6,929</u></u>

	PRC lighting RMB'000	USA lighting RMB'000	Securities RMB'000	Total RMB'000
<b>Segment assets</b>	<b>1,449,501</b>	<b>266,677</b>	<b>471,318</b>	<b>2,187,496</b>
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(227,811)
Equity investments designated at FVTOCI				404
Financial assets at FVTPL				269,555
Deferred tax assets				4,127
Cash and cash equivalents				256,938
Corporate and other unallocated assets				<u>4,040</u>
Total assets				<u><u>2,494,749</u></u>
<b>Segment liabilities</b>	<b>63,886</b>	<b>102,985</b>	<b>240,258</b>	<b>407,129</b>
<i>Reconciliation:</i>				
Elimination of intersegment payables				(227,811)
Interest-bearing bank borrowings				141,135
Loan from the ultimate holding company				353,706
Tax payable				9,232
Deferred tax liabilities				74,277
Corporate and other unallocated liabilities				<u>5,402</u>
Total liabilities				<u><u>763,070</u></u>

	PRC lighting RMB'000	USA lighting RMB'000	Securities RMB'000	Unallocated RMB'000	Total RMB'000
<b>Other segment information:</b>					
Impairment losses/(reversal of impairment) on financial assets	2,630	1,286	(3,657)	–	259
Provision for inventories included in cost of inventories sold	14,383	8,353	–	–	22,736
Depreciation and amortisation	16,918	14,190	7,017	1,028	39,153
Capital expenditure *	<u>10,475</u>	<u>3,382</u>	<u>842</u>	<u>–</u>	<u>14,699</u>

\* Capital expenditure represents additions to property, plant and equipment and intangible assets.

**Year ended 31 December 2018**

	PRC lighting RMB'000	USA lighting RMB'000	Securities RMB'000	Total RMB'000
<b>Segment revenue:</b>				
Sales to external customers	207,405	451,553	14,964	673,922
Interest revenue	–	–	19,776	19,776
Intersegment sales	18,330	–	–	18,330
	<u>225,735</u>	<u>451,553</u>	<u>34,740</u>	<u>712,028</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(18,330)</u>
Revenue				<u><u>693,698</u></u>
<b>Segment results</b>	1,346	9,244	(19,126)	(8,536)
<i>Reconciliation:</i>				
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 financial assets at FVTPL				3,874
Unallocated expenses				<u>(91,161)</u>
Profit before tax				<u><u>145,374</u></u>
<b>Segment assets</b>	1,405,624	273,998	506,769	2,186,391
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(273,401)
Equity investments designated at FVTOCI				1,224
Financial assets at FVTPL				325,322
Tax recoverable				2,527
Deferred tax assets				7,005
Pledged deposits				34,307
Cash and cash equivalents				229,819
Corporate and other unallocated assets				<u>4,731</u>
Total assets				<u><u>2,517,925</u></u>
<b>Segment liabilities</b>	108,868	83,817	256,150	448,835
<i>Reconciliation:</i>				
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				<u>6,827</u>
Total liabilities				<u><u>811,125</u></u>
<b>Other segment information:</b>				
Impairment losses/(reversal of impairment) on financial assets	(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 *	<u>646,675</u>	<u>7,335</u>	<u>1,119</u>	<u>655,129</u>

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

### *Geographical information*

(a) Revenue from external customers

	<b>2019</b> <b><i>RMB'000</i></b>	2018 <i>RMB'000</i>
North America	<b>710,486</b>	540,356
Europe	<b>42,862</b>	53,519
PRC	<b>8,097</b>	25,624
Asia (excluding PRC)	<b>79,904</b>	74,174
Other countries	<b>–</b>	25
	<b><u>841,349</u></b>	<u>693,698</u>

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

(b) Non-current assets

	<b>2019</b> <b><i>RMB'000</i></b>	2018 <i>RMB'000</i>
North America	<b>123,362</b>	109,792
PRC	<b>943,585</b>	901,023
Asia (excluding PRC)	<b>184,084</b>	151,508
	<b><u>1,251,031</u></b>	<u>1,162,323</u>

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 major customers**

During the year ended 31 December 2019, revenue generated from customer A and customer B from USA lighting segment amounting to approximately RMB114,941,000 (2018: RMB99,798,000) and RMB98,021,000 (2018: RMB59,211,000) accounted for over 10% of the Group's revenue.

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
<b>Other income</b>		
Bank interest income	1,522	2,950
Other interest income	1,674	–
Dividend income from financial assets at FVTPL	9,054	594
Government grants*	4,543	235,404
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	9,600	5,745
Others	5,678	3,360
	<u>32,071</u>	<u>248,053</u>
<b>Gains and losses, net</b>		
Fair value gains/(losses) on investments properties, net	60,021	(7,772)
Gain/(losses) on disposal of items of property, plant and equipment	5,179	(43,101)
Fair value (losses)/gains of financial assets at FVTPL, net	(15,431)	3,874
Foreign exchange gains, net	5,353	27,570
Loss on derecognition of subsidiaries	–	(3,047)
Others	(53)	26
	<u>55,069</u>	<u>(22,450)</u>
	<u><u>87,140</u></u>	<u><u>225,603</u></u>

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

#### 5. FINANCE COSTS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interest on bank loans	10,585	6,620
Interest on a loan from an intermediate holding company	–	6,845
Interest on a loan from the ultimate holding company	17,613	1,409
Interest on lease liabilities	1,137	–
	<u>29,335</u>	<u>14,874</u>

## 6. PROFIT BEFORE TAX

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

	2019 RMB'000	2018 RMB'000
Cost of inventories sold	557,591	489,568
Depreciation of property, plant and equipment	14,362	19,855
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)	16,394	1,634
Research and development costs:		
Deferred expenditure amortised	4,833	3,329
Amortisation of other intangible assets	3,564	3,660
Minimum lease payments under operating leases	–	10,051
Lease payments not included in the measurement of lease liabilities	258	–
Auditor's remuneration	2,650	2,450
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	168,990	119,553
Equity-settled share option expenses	445	428
Pension scheme contributions	13,656	6,726
	<u>183,091</u>	<u>126,707</u>
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	123	119
Impairment losses on financial assets, net:		
Trade and bills receivables	747	4,140
Other receivables	(302)	(1,525)
Loan receivables	(186)	653
	<u>259</u>	<u>3,268</u>
Write-down of inventories to net realisable value*	22,736	9,807
Loss on write-off of intangible assets	–	217
	<u>–</u>	<u>217</u>

\* Included in "Cost of inventories sold".

## 7. INCOME TAX

	2019 RMB'000	2018 RMB'000
Current – Hong Kong		
Charge for the year	358	–
Underprovision in prior years	234	–
Current – Elsewhere		
Charge for the year	9,835	3,917
Underprovision in prior years	1,132	299
Deferred tax	17,899	(4,779)
Total tax charge/(credit) for the year	<u>29,458</u>	<u>(563)</u>

## 8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,094,493,362 (2018: 2,095,470,343) in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
<b>(Loss)/earnings</b>		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	<u>(22,897)</u>	<u>145,792</u>
	2019 <i>Number of shares</i>	2018 <i>Number of shares</i>
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	<u>2,094,493,362</u>	<u>2,095,470,343</u>

## 9. TRADE AND BILLS RECEIVABLES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade receivables	100,742	160,226
Bills receivables	968	4,269
Less: Impairment loss on trade receivables	(4,281)	(8,636)
Less: Impairment loss on bills receivables	<u>(20)</u>	<u>(15)</u>
	<u>97,409</u>	<u>155,844</u>

### PRC and USA lighting segments

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. At the end of the reporting period, the Group has certain concentration of credit risk as 53% and 78% (2018: 81% and 97%) of the total gross trade receivables was due from the Group's largest customer and the five largest customers, respectively. 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:

	2019			2018		
	Lighting	Securities	Total	Lighting	Securities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	42,509	5,825	48,334	48,934	6,381	55,315
1 to 2 months	21,502	38	21,540	18,370	276	18,646
2 to 3 months	10,751	288	11,039	10,859	185	11,044
3 to 6 months	6,356	47	6,403	25,330	217	25,547
Over 6 months	9,522	571	10,093	27,949	17,343	45,292
	<u>90,640</u>	<u>6,769</u>	<u>97,409</u>	<u>131,442</u>	<u>24,402</u>	<u>155,844</u>

#### 10. LOAN RECEIVABLES

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Loan receivables	303,115	301,575
Less: Impairment allowance	<u>(467)</u>	<u>(653)</u>
	<u>302,648</u>	<u>300,922</u>

An ageing analysis of the loan receivables as at the end of the reporting period, based on the maturity date and net of loss allowance, is as follows:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	<u>302,648</u>	<u>300,922</u>

#### 11. TRADE PAYABLES

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	67,162	97,742
Accounts payables to securities clients	<u>4,322</u>	<u>4,056</u>
	<u>71,484</u>	<u>101,798</u>



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

	2019			2018		
	Accounts payables to securities clients <i>RMB'000</i>	Trade payables <i>RMB'000</i>	Total <i>RMB'000</i>	Accounts payables to securities clients <i>RMB'000</i>	Trade payables <i>RMB'000</i>	Total <i>RMB'000</i>
Within 1 month	4,322	37,774	42,096	4,056	53,275	57,331
1 to 2 months	–	6,177	6,177	–	16,797	16,797
2 to 3 months	–	2,442	2,442	–	1,862	1,862
3 to 6 months	–	68	68	–	2,272	2,272
6 months to 1 year	–	600	600	–	3,469	3,469
Over 1 year	–	20,101	20,101	–	20,067	20,067
	<u>4,322</u>	<u>67,162</u>	<u>71,484</u>	<u>4,056</u>	<u>97,742</u>	<u>101,798</u>

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

## 12. SHARE CAPITAL

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Authorised:		
5,000,000,000 (2018: 5,000,000,000) ordinary shares of HK\$0.10 (2018: HK\$0.10) each	<u>500,000</u>	<u>500,000</u>
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Issued and fully paid:		
2,094,505,417 (2018: 2,094,505,417) ordinary shares of HK\$0.10 (2018: HK\$0.10) each	<u>185,676</u>	<u>185,676</u>

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

	Number of shares in issue	Share capital <i>RMB'000</i>
At 1 January 2018	2,109,163,417	186,912
Shares cancelled ( <i>note</i> )	<u>(14,658,000)</u>	<u>(1,236)</u>
At 31 December 2018, 1 January 2019 and 31 December 2019	<u>2,094,505,417</u>	<u>185,676</u>

*Note:* During the year, the Company purchased 40,000 (2018: 5,714,000) of its shares on the Stock Exchange at a total consideration of RMB19,000 (2018: RMB3,664,000) which was paid wholly out of reserves. No purchased shares was cancelled during the year (2018: the purchased shares of 14,658,000 were cancelled during the year).

### 13. SHARE OPTION SCHEME

#### Share option scheme of the Company

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

	2019		2018	
	Weighted average exercise price <i>HK\$</i> <i>per share</i>	Number of options '000	Weighted average exercise price <i>HK\$</i> <i>per share</i>	Number of options '000
At 1 January	1.31	21,200	1.31	22,300
Forfeited during the year	1.31	(5,600)	1.31	(1,100)
<b>At 31 December</b>	<b>1.31</b>	<b>15,600</b>	<b>1.31</b>	<b>21,200</b>

No share option was granted or exercised during the year ended 31 December 2019 (2018: Nil).

#### Share option scheme of a subsidiary of the Company

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

	2019		2018	
	Weighted average exercise price <i>US\$</i> <i>per share</i>	Number of options '000	Weighted average exercise price <i>US\$</i> <i>per share</i>	Number of options '000
At 1 January	369	2,435	369	2,725
Forfeited during the year	–	–	(368)	(290)
<b>At 31 December</b>	<b>369</b>	<b>2,435</b>	<b>369</b>	<b>2,435</b>

No share option was granted or exercised during the year ended 31 December 2019 (2018: Nil).

### 14. RELATED PARTY TRANSACTIONS

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interest paid to an intermediate holding company	–	(6,845)
Interest paid to the ultimate holding company	(17,613)	(1,409)

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

The total revenue for the year ended 31 December 2019 was approximately RMB841.3 million, representing an increase of approximately 21.3% as compared to approximately RMB693.7 million for the year ended 31 December 2018. For further details, please see below.

#### ***Lighting Segment***

The revenue attributable to the lighting segment (research and development, manufacturing, distribution and providing solutions of lighting products) for the year ended 31 December 2019 was approximately RMB798.2 million, which represents an increase of approximately RMB139.2 million as compared to approximately RMB659.0 million for the year ended 31 December 2018, due to the increased revenue of approximately RMB176.5 million from the USA lighting segment.

#### ***Securities Segment***

During the year ended 31 December 2019, the revenue attributable to the securities segment was approximately RMB43.1 million, representing an increase of approximately RMB8.4 million over approximately RMB34.7 million for the year ended 31 December 2018 due to the increased interest revenue of approximately RMB 6.1 million and the increased revenue from advisory and management services of approximately RMB2.8 million.

#### **Cost of goods sold**

For the year ended 31 December 2019, the cost of goods sold was approximately RMB557.6 million, representing an increase of approximately RMB68.0 million over approximately RMB489.6 million for the year ended 31 December 2018 primarily due to the increase of material costs.

#### **Gross profit and gross profit margin**

For the year ended 31 December 2019, the Group recorded a gross profit of approximately RMB283.8 million, representing an increase of approximately RMB79.7 million over the gross profit of approximately RMB204.1 million for the year ended 31 December 2018.

#### ***Lighting Segment***

For the year ended 31 December 2019, the Group recorded a gross profit of approximately RMB240.7 million for the lighting segment, representing an increase of approximately RMB71.3 million or 42.1% over approximately RMB169.4 million for the year ended 31 December 2018 primarily due to the increase in revenue for USA lighting segment.

## ***Securities Segment***

For the year ended 31 December 2019, the Group recorded a gross profit of approximately RMB43.1 million for the securities segment, representing an increase of approximately RMB8.4 million over approximately RMB34.7 million for the year ended 31 December 2018. The reason for such increase is same as the reason for revenue increase.

## **Other income, gains and losses, net**

For the year ended 31 December 2019, the Group recorded other income, gains and losses, net of approximately RMB87.1 million, representing a decrease of approximately RMB138.5 million over approximately RMB225.6 million for the year ended 31 December 2018, mainly due to a net one-off government grant of approximately RMB186 million for the year ended 31 December 2018 which did not recur in the year ended 31 December 2019.

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

For the year ended 31 December 2019, the amount of impairment loss recognised in respect of property, plant and equipment was nil (2018: 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 2019, the distribution and selling expenses of the Group were approximately RMB161.4 million, representing an increase of approximately RMB49.5 million over approximately RMB111.9 million for the year ended 31 December 2018, mainly attributable to the increase in staff costs and other selling expenses 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 2019 were approximately RMB173.0 million, representing an increase of approximately RMB18.7 million over approximately RMB154.3 million for the year ended 31 December 2018, mainly due to the increase in staff costs resulting from the new purchased subsidiary Novelty Lights, LLC (“**Novelty Lights**”) and cost arising from information system transformation of the USA lighting segment.

## **Finance costs**

The finance costs for the year ended 31 December 2019 were approximately RMB29.3 million, representing an increase of approximately RMB14.4 million over approximately RMB14.9 million for the year ended 31 December 2018, mainly due to the increase in the interest of a loan from the ultimate holding company of approximately RMB350.0 million for the year under review.

## **Taxation**

For the year ended 31 December 2019, the Group's tax expense of approximately RMB29.5 million (2018: tax credit of approximately RMB0.6 million) mainly included current tax charge for the year of approximately RMB10.2 million and deferred tax charge of approximately RMB17.9 million.

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

For year ended 31 December 2019, the Group recorded a loss attributable to owners of the Company of approximately RMB22.9 million, representing a decrease of approximately RMB168.7 million over approximately a profit of RMB145.8 million for the year ended 31 December 2018, such decrease was mainly derived from a net one-off government grant of approximately RMB186 million for the year ended 31 December 2018 which did not recur in the year ended 31 December 2019.

## **Net profit**

For year ended 31 December 2019, the Group recorded a net loss of approximately RMB22.5 million, as compared to a net profit of approximately RMB145.9 million for the year ended 31 December 2018.

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

The Group maintained a stable financial position. As at 31 December 2019, the Group had bank balances of approximately RMB256.9 million and short-term bank loans of approximately RMB141.1 million. The gearing ratio representing the ratio of total debt to total equity of the Group was 29.2% as at 31 December 2019 (31 December 2018: 33.8%). Such decrease was mainly caused by the decrease in short-term bank loans by approximately RMB86.2 million.

## **Assets and liabilities**

As at 31 December 2019, the Group recorded the total assets of approximately RMB2,494.7 million (31 December 2018: approximately RMB2,517.9 million) and total liabilities of approximately RMB763.1 million (31 December 2018: approximately RMB811.1 million).

As at 31 December 2019, the Group's current assets and non-current assets were approximately RMB1,125.7 million (31 December 2018: approximately RMB1,217.0 million) and approximately RMB1,369.0 million (31 December 2018: approximately RMB1,300.9 million), respectively. The decrease in current assets was mainly attributable to the decrease in trade and bills receivables of approximately RMB58.4 million. The increase in non-current assets was mainly attributable to the increase in goodwill of approximately RMB91.6 million.

As at 31 December 2019, the Group's current liabilities and long-term liabilities were approximately RMB331.9 million (31 December 2018: RMB402.9 million) and approximately RMB431.1 million (31 December 2018: RMB408.2 million), respectively. The decrease in current liabilities was mainly attributable to the decrease in interest-bearing bank borrowings of approximately RMB86.2 million. The increase in long-term liabilities was mainly attributable to the increase in deferred tax liabilities of approximately RMB22.7 million.

As at 31 December 2019, the Group had a contingent consideration payable of approximately RMB27.8 million, which arose when acquiring 80% of Novelty Lights' equity in 2019, American Lighting, Inc, ("**American Lighting**") has a two-years purchase option and mandatory purchase obligation at the third anniversary for the remaining 20% of Novelty Lights' equity. The fair value of the contingent consideration payable was estimated by applying income approach and the probability-weighted average of payouts associated with the earnings before interest, taxes, depreciation, and amortisation ("**EBITDA**") of Novelty Lights.

### **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.

### **Charges on Assets**

As at 31 December 2019, the Group pledged certain of its property, plant and equipment totaling approximately RMB8.1 million (31 December 2018: nil), certain of its trade receivables and inventories with an aggregate carrying value of approximately RMB118.8million (31 December 2018: RMB135.4 million), and also certain of the Group's right to use assets and certain of its non-current assets held for sale with an aggregate carrying value of approximately RMB36.4 million (31 December 2018: a time deposit of approximately RMB34.3 million) to secure bank credit facilities granted to the Group.

### **Capital Commitments**

As at 31 December 2019, 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 RMB9.9 million (31 December 2018: approximately RMB4.4 million).

### **Contingent Liabilities**

During the year ended 31 December 2019, 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 2019, the issued share capital of the Company was approximately RMB185,675,677 (equivalent to approximately HK\$209,450,542) (31 December 2018: approximately RMB185,675,677 (equivalent to approximately HK\$209,450,542), divided into 2,094,505,417 ordinary shares of HK\$0.10 each.

## Advance to an Entity

On 6 April 2018, Tongfang Finance Limited, a wholly-owned subsidiary of the Company, had agreed to advance an aggregate of secured loans of HK\$269,102,111 to Mr. Wang Li Feng as the borrower (the “**Borrower**”) by way of (i) an acquisition of bonds (the “**Bonds**”) issued by the Borrower at a consideration of HK\$185,450,000; and (ii) a provision of a secured loan in cash of HK\$83,652,111 at an interest rate of 8% per annum under a loan agreement (the “**Loan Agreement**”) dated 6 April 2018 and entered into between Tongfang Finance Limited and the Borrower. On 6 April 2018, Tongfang Finance Limited had also entered into a supplemental agreement (the “**Supplemental Agreement**”) with the Borrower to amend certain terms of the Bonds. The transactions contemplated under the Bonds as amended by the Supplemental Agreement and the Loan Agreement constitute an advance to an entity by the Company under Rule 13.13 of the Listing Rules and details of the relevant interest rates, repayment terms and collaterals are disclosed in the announcement of the Company dated 6 April 2018.

As at 31 December 2019, the circumstances giving rise to the disclosure under Rule 13.13 of the Listing Rules continued to exist and the advance to the Borrower by the Group as at 31 December 2019 amounted to HK\$269,102,111. The maturity dates of the Bonds and the secured loan have been extended to 31 March 2020 and 31 December 2019, respectively. As at the date of this announcement, Tongfang Finance Limited has received from the Borrower HK\$16,695,120 in repayment of the principal amount of the secured loan and is the process of negotiating with the Borrower on the repayment of the outstanding principal amount and interests.

## Material Acquisition, Disposal and Significant Investment

On 1 January 2019 (MST), American Lighting 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 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), American Lighting holds 80% of the membership interests in Novelty Lights and Novelty Lights became a subsidiary of the Company. Upon completion of the second closing, American Lighting will hold the entire membership interests in Novelty Lights. For details, please refer to the Company’s announcement dated 1 January 2019.



On 31 December 2019, Tongfang Securities entered into a transfer agreement with Crowd Wisdoms Investments Limited to dispose its convertible bonds of the principal amount of US\$ 9 million issued by Burwill Holdings Limited, subject to certain conditions precedent being fulfilled. As at the date of this announcement, the completion of the transfer has not taken place. Please refer to the Company's announcement dated 10 March 2020 for details.

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.

## **FINAL DIVIDEND**

The Board resolved not to declare any dividend for the year ended 31 December 2019 (31 December 2018: nil).

## **BUSINESS REVIEW**

### **Overview**

During the year under review, the trade war between China and USA had certain impact on sales and is expected to have a greater impact in future. However, the lighting segment, which was the pillar segment of the Group, seized the opportunity to explore the market diligently, bringing the total revenue increase by more than 20%.

Especially for the U.S. lighting segment, it has outperformed the expectation. The primary fuels are the continuing exploring of the online market and the offline market. The purchase of Novelty Lights strengthened the online sales, and the sales to the large national retailers improved its performance in the offline market. The management believe that this momentum will continue in the foreseeable future.

Tongfang Securities has dedicated in accumulating and applying its experience and expertise to the financial services it provides to the Group as well as clients from home and abroad.

In December 2019, Tongfang Securities was approved by the China Securities Regulatory Commission to hold the RQFII quota and to invest directly in Mainland China's bond and equity markets, thus broadening its scope of services and enhancing its cross-border mobility.

The Coronavirus outbreak (“**COVID-19**”) since early 2020 has brought additional uncertainties to the global business environment as well as to the Group. The Group has been closely monitoring the impact from the COVID-19 and has commenced to put in place various contingency measures including but not limited to increasing monitoring of the business environment of the Group's customers and suppliers. Furthermore, the Group will keep the contingency measures under review as the COVID-19 situation evolves. After considering the Group's financial health and the environment of the market in which the Group participates, the directors of the Group are of the view that the influence from COVID-19 is limited and short-term, and will be eliminated after the COVID-19 outbreak has been resolved. Up to the date of this announcement, the sales orders the Group received have been almost the same as the same period last year.



## **Sales and Distribution**

### ***Lighting Segment***

During the year under review, the Group took efforts in distribution and marketing, cultivating the new DIY sales team and promoting the new brand of 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 is a licensed corporation to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities and expects to further develop its financial service business.

## **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 2019, the Group's total number of employees was approximately 1,100 (31 December 2018: 1,100). 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 Tuesday, 23 June 2020 to Monday, 29 June 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 22 June 2020.

## **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.

Mr. Fan Ren Da, Anthony was re-elected as an independent non-executive Director at the annual general meeting of the Company held on 18 June 2019. The Board reviewed the track record of Mr. Fan in attending the Company's meetings. Mr. Fan had a high level of participation at board meetings and committee meetings in the past years. The Board believes that Mr. Fan will still be able to devote sufficient time to the Board in the future notwithstanding that he is holding the directorship of seven or more listed companies. It was an inadvertent omission that such assessment of the Board was not disclosed in the circular or the notice of the annual general meeting as required under paragraph A.5.5(2) of the Corporate Governance Code in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**") which took effect since 1 January 2019. The Company commits to comply with such code provision for future election of independent non-executive Directors.

Save as disclosed in this report throughout the year ended 31 December 2019, the Company complied with the code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has 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 2019.

## **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 chairman 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 2019 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 2019.

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

During the year ended 31 December 2019, the Company purchased 40,000 of its own shares at HK\$ 0.53 per share on the Stock Exchange which are to be cancelled.

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 2019.

## **REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by Ernst & Young, to the amounts set out in the Group's draft 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 Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

## **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 2019 and the subsequent period ended the date of this announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company (<http://www.neo-neon.com>). The annual report for the year ended 31 December 2019 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**  
**Gao Zhi**  
*Chairman*

Hong Kong, 27 March 2020

*As at the date of this announcement, the executive Director of the Company are Mr. GAO Zhi and Mr. Daniel P.W.LI; non-executive Directors are Mr. SEAH Han Leong 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.*