
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Neo-Neon Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)

**CONTINUING CONNECTED TRANSACTIONS
AND
MAJOR TRANSACTION****DEPOSIT SERVICE AGREEMENT**

A letter from the Board is set out on pages 5 to 14 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 15 of this circular. A letter from Messis Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 29 of this circular.

A notice convening the EGM to be held at 15th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong on Monday, 17 January 2022 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for the EGM is enclosed with this document. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

CONTENTS

	<i>Pages</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	15
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	16
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II – GENERAL INFORMATION	II-1
NOTICE OF EXTRAORDINARY GENERAL MEETING	EGM-1

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“Annual Cap”	the annual cap of the Deposit Service, being RMB500,000,000 for each of the three years ending 31 December 2024
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Days”	a calendar day excluding Saturday, Sunday or all statutory holidays in the PRC
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CNCC”	China Nuclear Corporation Capital Co., Ltd.* (中國核工業集團資本控股有限公司), a company established under the laws of the PRC
“CNNC Group”	CNNC, its subsidiaries and other companies falling within the scope of section 3 of the Measures for the Administration of Finance Companies of Enterprise Groups* (《企業集團財務公司管理辦法》)
“CNNC”	China National Nuclear Corporation* (中國核工業集團有限公司), a company established under the laws of the PRC
“Company”	Neo-Neon Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1868)
“Conditions Precedent”	the conditions precedent of the Deposit Service Agreement as set out in the section headed “Deposit Service Agreement” of the “Letter from the Board” in this circular
“connected person”	has the same meaning ascribed to it under the Listing Rules
“continuing connected transaction”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Deposit Service Agreement”	the deposit service agreement dated 25 November 2021 entered into between the Company and the Finance Company, pursuant to which the Finance Company shall provide the Deposit Service to the Qualified Group Members during the term of the Deposit Service Agreement

DEFINITIONS

“Deposit Service”	the deposit service provided to the Group by the Finance Company pursuant to the Deposit Service Agreement
“Director(s)”	the directors of the Company
“Effective Date”	1 January 2022 or the date of fulfillment of all the Conditions Precedent, whichever is later
“EGM”	extraordinary general meeting of the Company to be held on 17 January 2022
“Finance Company”	China Nuclear Finance Company Limited* (中核財務有限責任公司), a limited liability company established in the PRC, which is a non-wholly owned subsidiary of CNNC
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee established by the Company, comprising all of the independent non-executive Directors, namely Mr. FAN, Ren Da Anthony, Mr. LIU Tian Min and Ms. LI Ming Qi, for the purpose of advising the Independent Shareholders in respect of the terms of the Deposit Service and the Annual Cap
“Independent Financial Adviser”	Messis Capital Limited, a licensed corporation permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Deposit Service Agreement and the Annual Cap
“Independent Shareholders’ Approval”	the approval of the Deposit Service Agreement, the transactions contemplated thereon and the Annual Cap by the Independent Shareholders to be obtained at the EGM
“Independent Shareholders”	Shareholders other than CNCC and its associates
“Independent Third Party(ies)”	third party(ies) which is/are independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company

DEFINITIONS

“Latest Practicable Date”	22 December 2021, being the latest practicable date for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular
“Qualified Group Members”	the wholly-owned PRC subsidiaries of the Company and other companies which the Company owns the controlling shareholding and other PRC companies which will be consolidated into the financial statements of the Company which meet the requirement under section 3 of the Measures for the Administration of Finance Companies of Enterprise Groups* (《企業集團財務公司管理辦法》)
“Resuccess”	Resuccess Investments Limited, a substantial shareholder of the Company directly holding 9,082,000 Shares (representing approximately 0.43% of the Company’s issued share capital) and the entire issued share capital of THTF ES and therefore deemed to be interested in all 1,348,360,690 Shares (representing approximately 64.38% of the Company’s issued share capital) held by THTF ES as at the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council* (國務院國有資產監督管理委員會)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“THTF ES” THTF Energy Saving Holdings Limited, a wholly-owned subsidiary of Resuccess, and a substantial shareholder of the Company holding 1,348,360,690 Shares (representing approximately 64.38% of the Company’s issued share capital) as at the Latest Practicable Date

“Tongfang” Tongfang Co., Ltd* (同方股份有限公司), a company established under the laws of the PRC, the ultimate holding company of the Company

“%” per cent.

* *for identification purpose only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. GAO Zhi (Chairman)

Mr. LIU Zhigang

Non-executive Directors:

Mr. LIANG Wu Quan

Mr. ZHOU Hai Ying

Independent non-executive Directors:

Mr. FAN, Ren Da Anthony

Mr. LIU Tian Min

Ms. LI Ming Qi

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place of
business in Hong Kong:*

15th Floor

Allied Kajima Building

138 Gloucester Road

Wanchai, Hong Kong

24 December 2021

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION

DEPOSIT SERVICE AGREEMENT

INTRODUCTION

The Board is pleased to announce that on 25 November 2021 (after trading hours), the Company and the Finance Company entered into the Deposit Service Agreement, pursuant to which the Finance Company shall provide the Deposit Service to the Qualified Group Members during the term of the Deposit Service Agreement commencing from the Effective Date to 31 December 2024.

LETTER FROM THE BOARD

DEPOSIT SERVICE AGREEMENT

The principal terms of the Deposit Service Agreement are set out below:

- Date: 25 November 2021
- Parties: (1) the Company; and
(2) the Finance Company.
- Term: From the Effective Date (i.e. 1 January 2022 or the date of fulfillment of all the Conditions Precedent, whichever is later) to 31 December 2024.
- Deposit Service: The Finance Company shall provide the Deposit Service to the Qualified Group Members.
- Pricing Policy: (i) The interest rates in respect of the onshore PRC deposits placed by the Group with the Finance Company shall not be lower than (i) the benchmark interest rates promulgated by the PBOC, (ii) the interest rates by major commercial banks of the PRC and (iii) the interest rates offered by the Finance Company to any other members of the CNNC Group, for the same type of deposits.
- (ii) The interest rates in respect of the onshore foreign currency deposits placed by the Group with the Finance Company shall not be lower than (i) the benchmark interest rates promulgated by the PBOC (if any), (ii) the interest rates by major commercial banks of the PRC and (iii) the interest rates offered by the Finance Company to any other members of the CNNC Group, for the same type of deposits.
- (iii) If foreign currency exchanges are involved, the exchange rates shall be at the same level as the exchange rates quoted by major commercial banks of the PRC and the exchange rate offered by the Finance Company to other members of the CNNC Group.

LETTER FROM THE BOARD

Separate Agreement: The Finance Company and the Qualified Group Members will execute separate agreement(s) to effect the Deposit Service. Other terms and conditions of the Deposit Service as a whole shall also not be less favourable than those offered by (i) major commercial banks of the PRC and (ii) the Finance Company to any other members of the CNNC Group, and shall be on normal commercial terms.

Conditions Precedent:

1. The legal representative or authorized representative signed and stamped the Deposit Service Agreement.
2. Finance Company has performed its internal procedure approving the Deposit Service Agreement.
3. The Company has obtained the Independent Shareholders' Approval.

HISTORICAL TRANSACTION AMOUNTS

Before entering into the Deposit Service Agreement, no members of the Group have placed deposits with the Finance Company.

ANNUAL CAP AND BASIS OF DETERMINATION

It is stipulated in the Deposit Service Agreement that the maximum daily deposit balance of the deposits placed with the Finance Company by the Group for each of the three years ending 31 December 2024 will be as follows:

For the year ending 31 December	Maximum Daily Deposit Balance (RMB)
2022	500,000,000
2023	500,000,000
2024	500,000,000

The Annual Cap has been determined with reference to, among others, the following factors:

- (1) As at 30 June 2021, the cash and cash equivalent of the Group was approximately RMB680,674,000. It is anticipated that not all of the Group's cash and cash equivalent would be deposited with the Finance Company and therefore the Annual Cap was set lower than the Group's cash and cash equivalent balance as the Group will maintain available free cash to support its daily operation.

LETTER FROM THE BOARD

- (2) The Group has continuously recorded increasing net cash generated from operating activities for the two years ended 31 December 2020 and the six months ended 30 June 2021 as a result of continued expansion of the Group's operation scale attributable primarily to the USA lighting segment. Net cash generated from operating activities will affect the deposit balance of the Group to be placed. The table below illustrates the net cash generated from operating activities of the Group for the following periods:

	For the year ended 31 December		For the six months ended 30 June
	2019	2020	2021
	Audited	Audited	Unaudited
	(RMB)	(RMB)	(RMB)
Net cash generated from operating activities of the Group	56,897,000	114,093,000	274,835,000

As shown above, the Group has an increasing net cash generated from operating activities. Therefore, it is expected that the cash and cash equivalent of the Group would be increased and be maintained at a level higher than the Annual Cap should the Group continuous to record net cash inflow from operating activities.

- (3) On 7 December 2021, the Company has announced that the business of type 1 regulated activity (the “**Type 1 Business**”) under the SFO of Tongfang Securities Limited (“**Tongfang Securities**”), a wholly-owned subsidiary of the Company, would be suspended (the “**Suspension**”). Before the Suspension, Tongfang Securities is a corporation licensed to carry out type 1(dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. Among the aforesaid three activities, the Type 1 business are relatively small in scale and based on management accounts of Tongfang Securities, the Type 1 Business only recorded revenue of approximately HK\$1 million for the eleven months ended 30 November 2021. As disclosed in the interim report of the Company for the six months ended 30 June 2021, the total revenue of the Group was approximately RMB342.5 million. Since the scale of the Type 1 Business of Tongfang Securities is insignificant to the Group as a whole, the Suspension will not result in any adjustment to the Annual Cap.

REASON FOR AND BENEFITS OF ENTERING INTO THE DEPOSIT SERVICE AGREEMENT

The Finance Company is a licensed non-banking financial institution regulated by the CBIRC and is allowable to undertake a variety of financial services to the member of the CNNC Group, without limitation to deposit taking services. CNCC, a wholly-owned subsidiary of CNNC, owns approximately 30.11% of the shares of Tongfang, which in turn hold an aggregate of approximately 64.8% of the total issued share capital of the Company. As a result, the Qualified Group Members are entitled to the services offered by the Finance Company.

LETTER FROM THE BOARD

The Finance Company, being the financing platform for the entire CNNC Group, could take advantage of the economies of scale and therefore provide the Qualified Group Members with deposit interest rates more favourable or at least no less favourable than other commercial banks in the PRC. In this regard, the Finance Company may obtain better financing options from the financial institutions outside by making use of its advantage in scale of the capital, and in turn the Finance Company would be able to offer favourable deposit interest rates to the Qualified Group Members.

There is no restriction under the Deposit Service Agreement on the Group's use of deposit service from other commercial banks or independent financial institutions. The Group has sole discretion to make its selection according to the relevant conditions and quality of services being delivered by other commercial banks or independent financial institutions. The Group will consider, among others, the terms, quality of services offered by and the choices of deposit service available from other commercial banks or independent financial institutions, their credit ratings and market reputation, their understanding of the Group's operation before adopting the deposit services from the Finance Company or other commercial banks or independent financial institutions.

In view of the above reasons and benefits, given the transactions contemplated under the Deposit Service Agreement are in the ordinary and usual course of business of the Company and are on normal commercial terms or better, the Board is of the view that the terms of the Deposit Service Agreement and the Annual Cap are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interests in the transactions contemplated under the Deposit Service Agreement and no Director is required to abstain from voting on the Board resolution approving the Deposit Service Agreement.

INTERNAL CONTROL MEASURES

- (1) The Group has adopted a sound and independent audit system and a comprehensive financial management system. The Group also maintains bank accounts with independent banks. CNNC Group does not share any bank account with the Group.
- (2) The management of the Group will regularly assess the risk of the funds deposited with the Finance Company. The management of the Group will also report to the Board every year with respect to the Deposit Service under the Deposit Service Agreement including utilisation rate of Annual Cap.
- (3) In particular, the Company's audit committee will scrutinise the implementation and enforcement of the transactions under the Deposit Service Agreement. If the Company's audit committee is of the view and decides that it would be in the Company's interests to reduce the level of deposits with the Finance Company, the Group will take appropriate steps to implement its decision, and in such case, any material findings in the risk assessment reports, the views of the Company's audit committee on the deposits under the Deposit Service Agreement (including its views on how the terms of the Deposit Service Agreement have been complied with) and its decisions on matters in relation thereto will be disclosed in the Company's annual reports.

LETTER FROM THE BOARD

- (4) The Company will regularly obtain benchmarks during the term of the Deposit Service Agreement. All the benchmarks obtained by the Company will be kept in a database maintained by the Company, which will be used internally for, in addition to determining the interest rates and/or exchange rates under the Deposit Service Agreement, monitoring the market trend and allowing the Group to better formulate its funds management strategy. With all the benchmarks mentioned above collected, the Group will negotiate with Finance Company on the best interest rates/exchange rates most favourable to the relevant member of the Group that can be obtained. The benchmarks will set the bottom line for members of the Group in the negotiation process.
- (5) To enable the Group to monitor and ensure that the relevant Annual Cap under the Deposit Service Agreement has not been exceeded, the Group will obtain a monthly report from the Finance Company on the status of the Group's deposits. The Group will also monitor the maximum daily balance of the deposits on a daily basis to ensure that the aggregate deposits do not exceed the applicable Annual Cap.
- (6) The Company will, from time to time and at its sole discretion, request for the deposits with the Finance Company to be withdrawn (either in full or in part) to assess and ensure the liquidity and safety of the Group's deposits.

FINANCIAL EFFECT OF THE DEPOSIT SERVICE AGREEMENT

Interest income is expected to be generated from the Deposit Service. However, given that the interest income is expected to only represent a small proportion of the Group's earnings, the Company anticipates that the interest income to be earned from the Deposit Service will not have any material impact on its corresponding earnings, assets and liabilities.

IMPLICATION UNDER THE LISTING RULES

Tongfang is a controlling shareholder of the Company by virtue of its direct 100% interest in Resuccess and indirect 100% interest in THTF ES, which, together, in turn hold approximately 64.8% of the total issued share capital of the Company, and is therefore a connected person of the Company. CNCC, a wholly-owned subsidiary of CNNC, is interested in approximately 30.11% of the shares of Tongfang, whereas the Finance Company is a non-wholly owned subsidiary of CNNC, which is directly and indirectly interested in 84.31% of the equity interest in the Finance Company. Therefore, the Finance Company is a connected person of the Company.

Accordingly, the provision of Deposit Service by the Finance Company to the Qualified Group Members pursuant to the Deposit Service Agreement constitutes continuing connected transactions of the Company under Chapter 14A of Listing Rules. As one or more of the applicable percentage ratios (other than the profits ratio) of the Annual Cap exceed 5%, the Deposit Service is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As one or more of the applicable percentage ratios in relation to the Deposit Service under the Deposit Service Agreement exceed 25%, the Deposit Service constitutes major transaction of the Company and is subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders on the terms and the proposed Annual Cap of the Deposit Service Agreement and the transactions contemplated thereunder. The Company has appointed Messis Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In accordance with the Listing Rules, any Shareholder with a material interest in the Deposit Service Agreement and its close associate(s) must abstain from voting on the relevant resolution(s) at the EGM. Tongfang is a controlling shareholder of the Company by virtue of its direct 100% interest in Resuccess and indirect 100% interest in THTF ES, which, together, in turn hold approximately 64.8% of the total issued share capital of the Company. CNCC, a wholly-owned subsidiary of CNNC, is interested in approximately 30.11% of the shares of Tongfang. CNNC and its associates (including Tongfang) will abstain from voting on the resolution in respect of the Deposit Service Agreement to be put forward at the EGM.

Save as the aforesaid, as at the Latest Practicable Date, the Directors are not aware of any other Shareholders who are required to abstain from voting on the resolution(s) in respect of the Deposit Service Agreement to be put forward at the EGM.

GENERAL INFORMATION

1. Information of the Company

The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange and the Taiwan depositary receipts of which are listed on the Taiwan Stock Exchange. The Group is principally engaged in the businesses of manufacture and trading of lighting products, provision of lighting solution, provision of asset management services, provision of investment advisory services and provision of securities trading services.

2. Information of the Finance Company

The Finance Company is a non-banking financial institution regulated by the CBIRC. Its scope of business covers: Financial and financing advisory, credit certification and related consulting and agency services to member units; assisting member units in the collection and payment of transactions; providing guarantees to member units; handling entrusted loans and entrusted investments among member units; accepting and discounting bills to member units; handling internal transfer settlement between member units and the corresponding settlement and liquidation plan design; absorbing deposits from member units; handling loans and financial leasing to member units; interbank lending; issuance of finance company bonds on approval; underwriting corporate bonds of member units; equity investment in financial institutions; and portfolio investment.

LETTER FROM THE BOARD

The Finance Company is a non-wholly owned subsidiary of CNNC, which is directly and indirectly interested in 84.31% of the equity interest in the Finance Company. CNNC is principally engaged in research and development, construction, production and operation in the fields of nuclear power, nuclear fuel cycle, nuclear applications, environmental protection and nuclear engineering, as well as international cooperation, imports and exports. CNNC is ultimately and beneficially owned by SASAC.

EGM

The Company will convene the EGM at 15th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong on Monday, 17 January 2022 at 11:00 a.m., at which resolution will be proposed for the purposes of considering and, if thought fit, approving the Deposit Service Agreement, the transactions contemplated thereunder and the Annual Cap. The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM or any adjournment thereof (as the case may be) in person, please complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from 12 January 2022 to 17 January 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 11 January 2022. The record date for the determination of the entitlement to attend and vote at the EGM will be 17 January 2022.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 15 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Deposit Service Agreement, the transactions contemplated thereunder and the Annual Cap; (ii) the letter from Messis Capital Limited, the Independent Financial Adviser, set out on pages 16 to 29 of this circular which contains its advice (together with the principal factors and reasons considered in arriving at such advice) to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Deposit Service Agreement, the transactions contemplated thereunder and the Annual Cap; and (iii) additional information set out in the appendices to this circular.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice (together with the principal factors and reasons considered in arriving at such advice) of Messis Capital Limited, the Independent Financial Adviser, considers that the Deposit Service Agreement, the transactions contemplated thereunder and the Annual Cap are fair and reasonable, on normal commercial terms or better and are entered in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the Deposit Service Agreement, the transactions contemplated thereunder and the Annual Cap.

The Board considers that the terms of the Deposit Service Agreement, the transactions contemplated thereunder and the Annual Cap are fair and reasonable; on normal commercial terms or better and in the ordinary and usual course of business of the Group; and in the interests of the Company and the Shareholders as a whole.

The Board also considers that the resolutions proposed in the notice of EGM are in the best interests of the Company and the Shareholders as a whole and therefore recommend you to vote in favour of all the relevant resolutions to be proposed at the EGM.

PRECAUTIONARY MEASURES FOR THE EGM IN VIEW OF COVID-19 PANDEMIC

In view of the recent development of the pandemic caused by COVID-19, and in order to better protect the safety and health of the Shareholders, a series of pandemic precautionary measures will be implemented at the venue of the EGM:

- (i) compulsory body temperature check will be conducted for every person at the entrance of the venue of EGM. Any person with a body temperature of over 37.5 degree Celsius will not be admitted to the venue;
- (ii) every person is required to wear facial mask at the venue of the EGM;
- (iii) seating in the EGM venue will be arranged so as to allow for appropriate social distancing; and
- (iv) no refreshments will be served at the EGM.

Subject to the development of the COVID-19 pandemic and in compliance with applicable laws and regulations, the Company may implement further precautionary measures at the EGM.

The Company wishes to remind the Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising their voting rights and strongly advises the Shareholders to appoint the chairperson of the EGM as a proxy to vote on relevant resolution(s) as instructed in accordance with the relevant proxy form as an alternative to attending the EGM in person in light of the continuing risks posed by the COVID-19 pandemic. For more details, please refer to the proxy form for the EGM.

LETTER FROM THE BOARD

Shareholders and other participants who will attend the EGM in person are advised to (a) consider carefully the risk of attending the EGM, which will be held in an enclosed environment; (b) follow and comply with any laws, regulations, guidelines or requirements implemented by the Hong Kong Government relating to COVID-19 pandemic; and (c) not to attend the EGM if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.

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



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)

24 December 2021

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND
MAJOR TRANSACTION**

DEPOSIT SERVICE AGREEMENT

We refer to the circular of the Company dated 24 December 2021 of the Company (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular bear the same meanings in this letter unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider and advise the Independent Shareholders in respect of the terms of the Deposit Service Agreement, the transactions contemplated thereunder and the Annual Cap, details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser set out on pages 5 to 14 and pages 16 to 29 of the Circular respectively.

Having taken into account the advice (together with the principal factors and reasons considered in arriving at such advice) of Messis Capital Limited, the Independent Financial Adviser, we consider that the Deposit Service Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are entered in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the Deposit Service Agreement, the transactions contemplated thereunder and the Annual Cap.

Yours faithfully,
**Mr. FAN, Ren Da Anthony, Mr. LIU Tian Min and
Ms. LI Ming Qi**
Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Messis Capital which sets out its advice to the IBC and the Independent Shareholders for inclusion in this Circular.



24 December 2021

*To: The IBC and the Independent Shareholders
of Neo-Neon Holdings Limited*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION

DEPOSIT SERVICE AGREEMENT

INTRODUCTION

We refer to our appointment as the IFA, as approved by the IBC, to advise the IBC and the Independent Shareholders in respect of the terms of the Deposit Service Agreement and the proposed Annual Cap for the three years ending 31 December 2024, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company dated 24 December 2021 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

Reference is made to the Announcement and the Letter from the Board that, on 25 November 2021, the Company and the Finance Company entered into the Deposit Service Agreement pursuant to which the Finance Company shall provide the Deposit Service to the Qualified Group Members during the term of the Deposit Service Agreement commencing from the Effective Date to 31 December 2024.

As at the Latest Practicable Date, Tongfang is a controlling shareholder of the Company by virtue of its direct 100% interest in Resuccess Investments Limited and indirect 100% interest in THTF Energy-Saving Holdings Limited, which, together, in turn hold 64.8% of the total issued share capital of the Company, and is therefore a connected person of the Company. CNCC, a wholly-owned subsidiary of CNNC, is interested in 30.11% of the shares of Tongfang, whereas the Finance Company is a non-wholly owned subsidiary of CNCC, which is directly and indirectly interested in 84.31% of the equity interest in the Finance Company. Therefore, the Finance Company is a connected person of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, the provision of Deposit Service by the Finance Company to the Qualified Group Members pursuant to the Deposit Service Agreement constitutes continuing connected transactions of the Company under Chapter 14A of Listing Rules. As one or more of the applicable percentage ratios (other than the profits ratio) of the proposed Annual Cap exceed 5%, the Deposit Service is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in relation to the Deposit Service under the Deposit Service Agreement exceed 25%, the Deposit Service constitutes major transaction of the Company and is subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Fan Ren Da Anthony, Mr. Liu Tian Min and Ms. Li Ming Qi, has been established to advise the Independent Shareholders on the terms of the Deposit Service Agreement and the proposed Annual Cap are fair and reasonable, and on normal commercial terms and the entering into of the Deposit Service Agreement is in the interests of the Group and the Shareholders as a whole. We, Messis Capital, have been appointed with IBC approval as the IFA to advise the IBC and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not associated with any of the Company, the Group and the Finance Company, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and accordingly, are considered eligible to give independent advice on the terms of the Deposit Service Agreement and the proposed Annual Cap. In the past two years from the date of our appointment, we have not acted as the IFA to the IBC and the Independent Shareholders of the Company. Apart from normal professional fees paid or payable to us in connection with this appointment as the IFA, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are eligible to give independent advice pursuant to Rule 13.84 of the Listing Rules to act as the IFA to the IBC and the Independent Shareholders in respect of the Deposit Service Agreement and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and advice, we have relied on the statements, information, opinions and representations contained or referred to in this circular and the representations made to us by the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information and representations provided by the Directors and the Management, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in this circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the circular, or the reasonableness of the opinions expressed by the Company, its adviser and/or the Directors, which have been provided to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable and there are no reasons to doubt the accuracy and reliability of such public information.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained in this circular misleading.

We consider that we have reviewed all currently available information and documents, among others: (i) the annual report of the Company for the year ended 31 December 2020 (the “**Annual Report 2020**”); (ii) the interim report of the Company for the six months ended 30 June 2021 (the “**Interim Report 2021**”); (iii) the Deposit Service Agreement; (iv) the historical transactions in relation to the Deposit Service between the Group and both connected or non-connected parties and their corresponding samples of transaction documents; (v) the basis and assumptions of the proposed Annual Cap contemplated under the Deposit Service Agreement; (vi) the minutes of the board meeting regarding the Deposit Service Agreement; and (vii) the internal control measures governing continuing connected transactions.

We consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent investigation into the business, affairs, borrowing and financial position or prospects of the Company or the Group.

This letter is issued for the information of the IBC and the Independent Shareholders solely in connection with their consideration of the terms of the Deposit Service Agreement and the proposed Annual Cap, and except for its inclusion in this circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the terms of the Deposit Service Agreement and the proposed Annual Cap, we have considered the following principal factors and reasons as set out below.

1. Background of the entering into of the Deposit Service Agreement

(i) Information of the Group

The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange and the Taiwan depositary receipts of which are listed on the Taiwan Stock Exchange. The Group is principally engaged in the businesses of manufacture and trading of lighting products, provision of lighting solution, provision of asset management services, provision of investment advisory services and provision of securities trading services.

Set out below is a summary of the audited financial results of the Group for the three years ended 31 December 2019 and 2020 as extracted from the Annual Report 2020 and the unaudited financial results of the Group for the six months ended 30 June 2020 and 2021 as extracted from the Interim Report 2021:

	For the year ended		For the six months ended	
	31 December		30 June	
	2019	2020	2020	2021
	(audited)	(audited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	841,349	876,738	303,043	342,517
Gross profit	283,758	282,146	94,782	107,662
Profit (Loss) for the year/period attributable to owners of the Company	<u>(22,529)</u>	<u>(27,438)</u>	<u>(92,857)</u>	<u>(169,391)</u>

According to the Annual Report 2020, the Group's total revenue for the year ended 31 December 2020 was approximately RMB876.7 million, representing an increase of approximately 4.2% as compared to approximately RMB841.3 million for the year ended 31 December 2019, which was mainly due to the expansion of sales channel in the USA lighting segment, such increase was partly offset by the implementation of stricter risk management measures that led to reduction of investment portfolio in the securities segment. For the year ended 31 December 2020, the Group recorded a loss attributable to owners of the Company of approximately RMB28.2 million, representing an increase of approximately RMB5.3 million over approximately a loss of RMB22.9 million for the year ended 31 December 2019. Such increase in loss was mainly due to impairment loss of goodwill.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Interim Report 2021, the Group's total revenue for the six months ended 30 June 2021 was approximately RMB342.5 million, representing an increase of approximately 13.0% as compared to approximately RMB303.0 million for the six months ended 30 June 2020. Such increase was attributable to the combined effect of continuous expansion of business in USA lighting segment and the reduction of customers from cross-border travelling to Hong Kong for seeking advisory and assets management services due to COVID-19 in the securities segment. The Group recorded a loss attributable to owners of the Company of RMB169.8 million for the six months ended 30 June 2021, representing an increase over a loss attributable to the owners of the Company of RMB92.9 million for the six months ended 30 June 2020, primarily due to the increase in provision of impairment loss of approximately RMB112.3 million mainly resulting from the impairment loss of goodwill from securities cash-generating units and on other receivables.

As stated in the Interim Report 2021, the Group will focus on core business and the improvement and optimization of the industrial layout and structure. The Group will continue to dispose of non-core assets and businesses, and seek for the industries that are in line with the innovation-driven development strategy, enjoy great market prospects and have core competitiveness.

(ii) Information of the Finance Company

The Finance Company has been duly established in the PRC as a non-bank financial institution since July 1997. It is regulated by the CBIRC and PBOC and in compliance with laws and regulations concerning the non-bank financial institutions, and has registered capital of approximately RMB4.39 billion. Its scope of business covers: financial and financing advisory, credit certification and related consulting and agency services to member units; assisting member units in the collection and payment of transactions; providing guarantees to member units; handling entrusted loans and entrusted investments to member units; accepting and discounting bills to member units; handling internal transfer settlement between member units and the corresponding settlement and liquidation plan design; absorbing deposits from member units; handling loans and financial leasing to member units; interbank lending; underwriting corporate bonds of member units; equity investment in financial institutions; investment in securities. member units for loans and financial leasing; engaged in interbank lending; approved the issuance of finance company bonds; underwriting corporate bonds of member units; equity investment in financial institutions; and portfolio investment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Reasons and benefits for entering into the Deposit Service Agreement

As stated in the Letter from the Board, the Company is of the view that entering into the Deposit Service Agreement will benefit the Group in the following aspects:

- i. The Finance Company is a licensed non-banking financial institution regulated by the PBOC and the CBIRC and is allowable to undertake a variety of financial services to the member of the CNNC Group, without limitation to deposit taking services. CNCC owns interested in approximately 30.11% of the shares of Tongfang, which in turn hold an aggregate of approximately 64.8% of the total issued share capital of the Company. As a result, the Finance Company is entitled to provide Deposit Service to the Group.

The Finance Company, being the financing platform for the entire CNNC Group, could take advantage of the economies of scale and therefore provide the Qualified Group Members with deposit interest rates more favourable or at least no less favourable than other commercial banks in the PRC. In this regard, the Finance Company may obtain better financing options from the financial institutions outside by making use of its advantage in scale of the capital, and in turn the Finance Company would be able to offer favourable deposit interest rates to the Qualified Group Members. We have obtained and reviewed the Deposit Service Agreement which clearly stated that the interest rates of the deposits placed by the Group with the Finance Company will not be lower than the interest rate offered by independent major commercial banks in the PRC for comparable deposits of the same type and term.

Furthermore, due to the long-term relationship among the Group, CNNC Group and the Finance Company, the Directors consider that it is beneficial to the Company to enter into continuing connected transactions with companies affiliated to CNNC Group. They are familiar with the Group's operations and requirement on the products and services, and will be able to respond more quickly the requirements that the Group may have as compared with other financial institutions unrelated to CNNC Group.

- ii. For the avoidance of doubt, the Deposit Services Master Agreement does not preclude the Group from using the services of other financial institutions. There is no restriction under the Deposit Service Agreement on the Group's use of deposit service from other commercial banks or independent financial institutions; the Group has sole discretion to make its selection according to the relevant conditions and quality of services being delivered by other commercial banks or independent financial institutions. As discussed with the management, the Group will consider, among others, the terms, quality of services offered by and the choices of deposit service available from other commercial banks or independent financial institutions, their credit ratings and market reputation, their understanding of the Group's operation before adopting the deposit services from the Finance Company or other commercial banks or independent financial institutions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- iii. As stated in the letter from the Board, the Group has to maintain deposits with banks, primarily in Mainland China, from time to time as part of its treasury activities and in order to satisfy its business needs in the ordinary and usual course of business.
- iv. As advised by the Directors, the Finance Company is required to operate in compliance with 《企業集團財務公司管理辦法》 (Measures for the Administration of the Finance Companies of Enterprise Groups) (the “**Measures**”) promulgated and revised by CBIRC to standardize the activities of the finance companies of enterprise groups, to prevent financial risk, and to facilitate the stable and sound operation and healthy development of finance companies. We noted that the Measures set out certain supervision, administration and risk control requirements/measures in relation to the operation of finance companies of enterprise groups. According to the Measures, when applying to set up a finance company, the board of directors of the parent company shall give a written undertaking that the parent company will increase capital as appropriate in line with actual need of the finance company if the finance company is in a critical situation of making payment. We have obtained and review the articles of association of the Finance Company, CNNC Group undertook in writing that under emergency circumstances when the Finance Company has difficulties in making payments, capital will be replenished into the Finance Company according to actual requirements for resolving the payment difficulties (the “**Undertakings**”). In other words, the CNNC Group shall bear the ultimate payment risk. CNNC Group is a large scale wholly state-owned entity established on 1 July 1999 and directly managed by the central government of the PRC. The registered capital of CNNC Group is RMB59.5 billion and as at 31 December 2020, CNNC Group has total assets of approximately RMB912.2 billion, cash funds of approximately RMB70.1 billion and net operating cash flow of approximately RMB30 billion. Based on the above financial figures, it is believed that CNNC Group will have sufficient financial resources to fulfill its obligations under the Undertakings.

Moreover, the Finance Company is required to comply with deposit reserve requirements of the PBOC by placing certain amounts of deposit reserve with the PBOC in proportion to the deposit balances, which provides another measure to safeguard the safety of deposits in the Finance Company. As confirmed by the management of the Company, the Finance Company does not have any previous record of material default of payment. We have also been advised by the management of the Company that to the best of their knowledge, up to the Latest Practicable Date, there was no record of non-compliance with relevant laws and regulations in the PRC on the Finance Company. We noted that the Finance Company will provide financial services only to the member enterprises and, being a member of the CNNC Group, is in a better position to gain information of the member enterprises in a more timely and comprehensive manner as compared to other commercial banks in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) the Finance Company will at least no less favourable than other major commercial banks in the PRC and it is beneficial to the Group to leverage of the Finance Company's economies of scale by enter into continuing connected transactions with companies affiliated to CNNC Group; (ii) the Deposit Service Agreement does not preclude the Group from using the services of other financial institutions, which keeps the flexibility for the Group; (iii) maintaining deposits with financial institutions is in ordinary course of business of the Group; and (iv) the Finance Company has no material record of default of payment and non-compliance and the Company is in a better position to gain information of the member enterprises in a more timely and comprehensive manner as compared to other commercial banks in the PRC, we concur with the Directors that the Deposit Service is in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

3. Deposit Service Agreement

The principal terms of the Deposit Service Agreement are set out below:

- Date:** 25 November 2021
- Parties:** (1) the Company; and
(2) the Finance Company.
- Term:** From the Effective Date (i.e. 1 January 2022 or the date of Independent Shareholders' Approval, whichever is later) to 31 December 2024
- Deposit Service:** The Finance Company shall provide the Deposit Service to the Qualified Group Members.
- Pricing Policy:**
- (i) The interest rates in respect of the onshore PRC deposits placed by the Group with the Finance Company shall not be lower than (i) the benchmark interest rates promulgated by the PBOC, (ii) the interest rates by major commercial banks of the PRC and (iii) the interest rates offered by the Finance Company to any other members of the CNNC Group, for the same type of deposits.
 - (ii) The interest rates in respect of the onshore foreign currency deposits placed by the Group with the Finance Company shall not be lower than (i) the benchmark interest rates promulgated by the PBOC (if any), (ii) the interest rates by major commercial banks of the PRC and (iii) the interest rates offered by the Finance Company to any other members of the CNNC Group, for the same type of deposits.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) If foreign currency exchanges are involved, the exchange rates shall be at the same level as the exchange rates quoted by major commercial banks of the PRC and the exchange rate offered by the Finance Company to other members of the CNNC Group.

Separate Agreement: The Finance Company and the Qualified Group Members will execute separate agreement(s) to effect the Deposit Service. Other terms and conditions of the Deposit Service as a whole shall also not be less favourable than those offered by (i) major commercial banks of the PRC and (ii) the Finance Company to any other members of the CNNC Group, and shall be on normal commercial terms.

In respect of the pricing terms, it is noted that the interest rates in respect of the deposit services will follow the industry practice in accordance with (i) the benchmark interest rate in the same period promulgated by the PBOC; (ii) interest rate provided by major commercial banks within the PRC for the deposits the same type and term. In any case, the deposit interest rate shall not be lower than the benchmark interest rate in the same period quoted by the PBC and the interest rate provided by general commercial banks within the PRC for deposits of the same type and term. Notwithstanding the above pricing policy stated in the Deposit Service Agreement, for the purpose of ensuring the interest rate in respect of the deposits placed by the Group with the Finance Company will not be lower than the interest rate offered by independent major commercial banks in the PRC for comparable deposits of the same type and term, the Company will regularly obtain benchmarks during the term of the Deposit Service Agreement. All the benchmarks obtained by the Company will be kept in a database maintained by the Company, which will be used internally for, in addition to determining the interest rates and/or exchange rates under the Deposit Service Agreement, monitoring the market trend and allowing the Group to better formulate its funds management strategy. With all the benchmarks mentioned above collected, the Group will negotiate with Finance Company on the best interest rates/exchange rates most favourable to the relevant member of the Group that can be obtained. The benchmarks will set the bottom line for members of the Group in the negotiation process. The above steps would finally ensure the interest rate to be provided by the Finance Company to the Group (i) will not be less favourable than the average interest rate offered by the comparable banks for comparable deposits of the same type and term (i.e. the average interest rate offered by the comparable banks for deposits of the same type and terms); and (ii) should not exceed the upper limit of the interest rate stipulated by the PBOC.

Further, to determine whether the commercial terms provided by the Finance Company are favourable, apart from considering the deposit interest rate provided, the Group will also consider other factors, to the extent applicable, including the applicable settlement fees contemplated under the Deposit Service. So far as the Deposit Service is concern, the settlement services to be provided by the Finance Company to the Group will be free of charge.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Moreover, the Group has the discretion in deciding whether or not to use the Deposit Service provided by the Finance Company. If the Group considers the interest rate and other commercial terms offered by the Finance Company do not meet the above requirements, the Group is not obliged to use the Deposit Service provided by the Finance Company.

As mentioned in the section headed “5. Internal Control Measures” below, we note that the Company has adopted relevant measures and controls to safeguard the interest of the Company and mitigate the risk associated with the Deposit Service. We consider that the implementation of the internal control measures would ensure on-going compliance with the use of Deposit Service as set out above, as well as the interest rate offered by the Finance Company will not be less favourable than the average interest rate offered by the comparable banks for comparable deposits of the same type and term.

Having considered the above factors and in particular that (i) the interest rates from the Finance Company are no less favourable than those quoted on the PBOC and offered by the major commercial banks within the PRC; (ii) the Group enjoys free of charge settlement fee offered by the Finance Company; (iii) the Group has the right to select any other independent financial institutions or commercial banks in the PRC as its financial services providers when it, from time to time, thinks fit and appropriate for the benefit of the Group; and (iv) the Group has the internal control measures in place to ensure the Company to enjoy the most favourable interest rates and terms of the deposit services available in the market, we are of the view that the terms of the Deposit Service under the Deposit Service Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

4. Basis of the proposed Annual Cap

Before entering into the Deposit Service Agreement, no members of the Group have placed deposits with the Finance Company.

It is stipulated in the Deposit Service Agreement that the maximum daily deposit balance of the deposits placed with the Finance Company by the Group for each of the three years ending 31 December 2024 will be as follows:

For the year ending 31 December	Maximum Daily Deposit Balance (RMB)
2022	500,000,000
2023	500,000,000
2024	500,000,000

As stated in the Letter from the Board, the Deposit Annual Cap was determined primarily with reference to (i) the cash and cash equivalent of the Group as at 30 June 2021; and (ii) the net cash generated from operating activities for the two years ended 31 December 2020 and the six months ended 30 June 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the reasonableness of the Deposit Annual Cap, we have considered the major factors in relation to the (i) size of cash and cash equivalents; (ii) size of net cash generated from operating activities; and (iii) the business scale of the Group.

- i. The table below illustrates the cash and cash equivalents of the Group as at 31 December 2020, 31 December 2021 and 30 June 2021:

	As at 31 December		As at 30 June
	2019	2020	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Cash and cash equivalents	256,938	408,485	680,674

We noted from Annual Report 2020 that the cash and cash equivalents of the Group increased significantly by approximately 259.3% from approximately RMB256.9 million as at 31 December 2019 to approximately RMB408.5 million as at 31 December 2020. According to the Interim Report 2021, the cash and cash equivalents of the Group further increased to RMB680.7 million as at 30 June 2021, representing a 66.6% increase as compared to the figure as at 31 December 2020. As such, the size of cash and cash equivalents of the Group as at 31 December 2020 equals to 81.6% of the proposed Annual Cap and the cash and cash equivalents of the Group as at 30 June 2021 exceeded the proposed Annual Cap by 36.1%, which indicates the Group's possible demand for deposit services to be provided by the Finance Company or other commercial banks. According to the Annual Report 2020 and Interim Report 2021, we noted that the disposal of two subsidiaries which have land use rights of parcels of land, has contributed to the increase in cash and cash equivalents and it is the Group's strategy to continue to dispose of non-core asset and business.

- ii. Other than the size of cash and cash equivalents of the Group, the Group's net cash generated from operating activities are expected to remain a key source of the Group's cash inflow. Change in the Group's net cash generated from operating activities will affect the deposit balance of the Group whether held with the Finance Company or other financial institutions. The table below illustrates the Group's net cash generated from operating activities of the Group for the respective periods indicated:

	For the year ended		For the six
	31 December		months ended
	2019	2020	30 June
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Net cash generated from operating activities of the Group	56,897,000	114,093,000	274,835,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group has recorded rapid increase in net cash generated from operating activities for the two years ended 31 December 2020 and the six months ended 30 June 2021. The net cash generated from operating activities increased by 140.8% for the six months ended 30 June 2021 as compared to the figure for the year ended 31 December 2020. Pursuant to the announcement made by the Company on 7 December 2021 and as advised by the management, with the business suspension of the relatively small scaled and loss-making type 1 regulated activity under the SFO of Tongfang Securities Limited, the Group will focus the resources on the lighting business and other securities business. The Group expects its business scale will continue to expand in the field of lighting services in the PRC and USA and securities services during the term of the Deposit Service Agreement. The Group expects a stable and abundant increase in revenue and cash flow in the future.

We noted that the proposed Annual Cap has determined with reference to, among other things, the significant increase in both cash and cash equivalents and net cash generated from operating activities of the Group, which we consider such increase as closely related to the operation scale, the strategy to dispose non-core asset and businesses of the Group and the operating cash inflow. We noted from the Annual Report 2020 and the Interim Report 2021 that the revenue attributable to the lighting segment (research and development, manufacturing of lighting products and distribution and providing solutions of lighting products) for the six months ended 30 June 2021 was approximately RMB332.8 million, which represented an increase of approximately RMB49.2 million as compared to approximately RMB283.6 million for the six months ended 30 June 2020. Such increase was mainly attributable to the increased revenue of approximately RMB50.2 million from the USA lighting segment due to continuous expansion of business. The disposal of subsidiaries also led to RMB117.9 million and RMB275.1 million of cash inflow for the year ended 31 December 2020 and six months ended 30 June 2021 respectively.

We have further discussed with the management of the Company about the assumptions and basis of deriving the expected transaction amounts in determining the proposed Annual Cap. We consider that the Company takes into account (i) the continued expansion of the Company's operation scale; and (ii) strategy to dispose non-core asset and businesses, which are evidenced by the increase in net cash generated from operating activities the cash and cash equivalents of the Group as mentioned above. We also consider the suspension of the type 1 regulated activity under the SFO of Tongfang Securities Limited has insignificant effect to the Group as a whole as such business only recorded revenue of approximately HK\$1 million for the eleven months ended 30 November 2021, therefore, the suspension of such business will not result in any adjustment to the proposed Annual Cap.

In order to cater the significant increase in cash and cash equivalents, net cash generated from operating activities and potential business growth of the Group, it is reasonable for the Group to deposit spare funds to the Finance Company, given that the interest rates are at terms no less favourable than those offered by major commercial banks in the PRC and no settlement fee will be charged. Accordingly, we consider that the proposed Annual Cap is acceptable.

Having considered the above, we are of the view that the basis adopted by the Company in determining the proposed Annual Cap are fair and reasonable so far as the Independent Shareholders are concerned. However, the Shareholders should note that the proposed Annual Cap relates to the future event and it does not represent a forecast of turnover to be generated from the Deposit Service contemplated under the Deposit Service Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Internal Control Measures

As confirm by the Director, the Company will adopt the following internal control procedures and corporate governance measures when receiving Deposit Service from the Finance Company:

- i. The Group has adopted a sound and independent audit system and a comprehensive financial management system. The Group also maintains bank accounts with independent banks. CNNC Group does not share any bank account with the Group;
- ii. The management of the Group will regularly assess the risk of the funds deposited with the Finance Company. The management of the Group will also report to the Board every year with respect to the Deposit Service under the Deposit Service Agreement including utilisation rate of Annual Cap;
- iii. In particular, the Company's audit committee will scrutinise the implementation and enforcement of the transactions under the Deposit Service Agreement. If the Company's audit committee is of the view and decides that it would be in the Company's interests to reduce the level of deposits with the Finance Company, the Group will take appropriate steps to implement its decision, and in such case, any material findings in the risk assessment reports, the views of the Company's audit committee on the deposits under the Deposit Service Agreement (including its views on how the terms of the Deposit Service Agreement have been complied with) and its decisions on matters in relation thereto will be disclosed in the Company's annual reports;
- iv. The Company will regularly obtain benchmarks during the term of the Deposit Service Agreement. All the benchmarks obtained by the Company will be kept in a database maintained by the Company, which will be used internally for, in addition to determining the interest rates and/or exchange rates under the Deposit Service Agreement, monitoring the market trend and allowing the Group to better formulate its funds management strategy. With all the benchmarks mentioned above collected, the Group will negotiate with Finance Company on the best interest rates/exchange rates most favourable to the relevant member of the Group that can be obtained. The benchmarks will set the bottom line for members of the Group in the negotiation process;
- v. To enable the Group to monitor and ensure that the relevant Annual Cap under the Deposit Service Agreement has not been exceeded, the Group will obtain a monthly report from the Finance Company on the status of the Group's deposits. The Group will also monitor the maximum daily balance of the deposits on a daily basis to ensure that the aggregate deposits do not exceed the applicable Annual Cap; and
- vi. The Company will, from time to time and at its sole discretion, request for the deposits with the Finance Company to be withdrawn (either in full or in part) to assess and ensure the liquidity and safety of the Group's deposits.

Based on the aforesaid, we are of the view that the terms of the Deposit Service Agreement are in the interests of the Group and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken the above principal factors and reasons, we considered that the terms of the Deposit Service contemplated under the Deposit Service Agreement (including the proposed Annual Cap) are in the ordinary and usual course of business of the Group, fair and reasonable, and on normal commercial terms and the entering into of the Deposit Service contemplated under the Deposit Service Agreement is in the interests of the Group and the Shareholders as a whole.

Accordingly, we advise the IBC to recommend, the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM approving the Deposit Service Agreement (including the proposed Annual Cap).

Yours faithfully,
For and on behalf of
Messis Capital Limited
Thomas Lai
Chief Executive Officer

Mr. Thomas Lai is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Mesis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 27 years of experience in corporate finance industry.

1. CONSOLIDATED FINANCIAL STATEMENTS

Details of the financial information of the Group for each of the financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and the six months period ended 30 June 2021 are disclosed in the following documents which have been published on both the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.neo-neon.com>):

- interim report of the Group for the six months period ended 30 June 2021 published on 30 August 2021 (pages 37 to 86)
(available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0830/2021083000623.pdf>)
- annual report of the Group for the year ended 31 December 2020 published on 29 April 2021 (pages 71 to 187)
(available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042901215.pdf>)
- annual report of the Group for the year ended 31 December 2019 published on 28 April 2020 (pages 70 to 188)
(available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042801711.pdf>)
- annual report of the Group for the year ended 31 December 2018 published on 25 April 2019 (pages 78 to 188)
(available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltn20190425801.pdf>)

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2021, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had the following indebtedness:

- a) outstanding non-current interest-bearing bank borrowings of approximately RMB68.7 million, which were all unguaranteed but secured by property, plant and equipment, trade receivables and inventories; and
- b) current and non-current lease liabilities amounting to approximately RMB12.2 million and approximately RMB36.3 million, respectively, which were all unsecured and unguaranteed.

Save as aforesaid or as otherwise disclosed above, and apart from intra-group liabilities and normal trade payables, the Group did not have at the close of business on 31 October 2021 any other debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are satisfied after due and careful consideration and taking into account the present internal financial resources available to the Group, the banking facilities presently available, the effect of the transactions contemplated under the Deposit Service Agreement and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

During 2021, both the global business environment and the Group continued to be affected by the COVID-19 pandemic. The Group continued to implement preventive and control measures against its outbreak so as to minimise the impact arising therefrom and to continue to increase revenue. During the Period, the Group's USA lighting segment delivered a good performance as it continued to optimise its resource allocation and facilitate the integration of upstream and downstream businesses to form an organic chain that creates value for customers. With the cooperation of customers, the R&D department of the USA lighting segment was directly involved in various initiatives such as the research and development of new products and quality control in the upstream factories according to customers' requirements. Its work met the needs of customers and gained their recognition and support. Targeting the high-end smart home market and engineering project market, the USA lighting segment actively launched and promoted two high-end brands, namely Proluxe and Prizm, thus further enhancing the overall gross margin level and competitiveness of the USA lighting segment and with the prospect of further bolstering its foothold in the North American market.

As at the Latest Practicable Date, the Group's overall operating results was similar to that of the previous year, except for the continued subdued performance of Tongfang Securities. The USA lighting segment continued its outstanding performance and made a major contribution to the Group's business and with the prospect of further bolstering its foothold in the USA market. Going forward, the Group's business will shift to emerging sectors that are technology-driven and strive to achieve integration with the end market to develop cutting-edge new products. Meanwhile, the Group will continue to focus on meeting and satisfying user needs and enhance brand awareness.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTEREST BY DIRECTORS

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, Mr. Liang Wu Quan is a director of Resuccess. Save as disclosed above, no Director or proposed Director was a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, no Directors had any existing or proposed service contracts with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.

As at the Latest Practicable Date, none of the Directors had direct or indirect material interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by any member of the Group.

There is no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

3. SUBSTANTIAL SHAREHOLDERS

So far as it is known to the Directors, as at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity	Number of Ordinary Share as at the Latest Practicable Date	Percentage of total issued share capital as at the Latest Practicable Date
THTF ES ⁽¹⁾	Beneficial owner	1,348,360,690	64.38%
Resuccess ⁽¹⁾⁽²⁾	Interest of controlled corporation and beneficial owner	1,357,442,690	64.81%
Tongfang ⁽¹⁾⁽²⁾	Interest of controlled corporation	1,357,442,690	64.81%
Vast Stone Limited ⁽³⁾	Beneficial owner	177,227,723	8.46%
Daniel P.W. Li ⁽³⁾	Interest of controlled corporation	177,227,723	8.46%

Notes:

- (1) Resuccess holds the entire issued share capital of THTF ES and Tongfang holds the entire issued share capital of Resuccess. Therefore, each of Resuccess and Tongfang is deemed to be interested in all 1,348,360,690 Shares held by THTF ES.
- (2) Resuccess directly holds 9,082,000 Shares in the Company. Tongfang holds the entire issued share capital of Resuccess. Therefore, Tongfang is deemed to be interested in all Shares held by Resuccess.
- (3) Daniel P.W. Li holds the entire issued share capital of Vast Stone Limited and is therefore deemed to be interested in all 177,227,723 Shares held by Vast Stone Limited.

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

4. MATERIAL CONTRACTS

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the Latest Practicable Date which is or may be material:

- (1) the Deposit Service Agreement; and
- (2) the equity interest transfer agreement dated 29 October 2020 entered into between Guangdong Tongfang Science Park Company Limited* (廣東同方科技園有限公司), a company established under the laws of the PRC, an indirect wholly-owned subsidiary of the Company, and Zhonghe Real Estate Development Company* (中核興業控股有限公司), a company established under the laws of the PRC, in respect of the transfer of the entire equity interests of Jiangmen Tonghe and Jiangmen Tongxin from Guangdong Tongfang Science Park Company Limited* (廣東同方科技園有限公司) to Zhonghe Real Estate Development Company* (中核興業控股有限公司) at the consideration of RMB392,961,124.51.

5. LITIGATION AND CLAIMS

At as the Latest Practicable Date, the Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any personal interests in companies engaged in businesses, which compete or may compete with the Group.

7. GENERAL

The English text of this circular shall prevail over the Chinese text in case of inconsistency.

The company secretary of the Company is Mr. Ho Yuk Ming Hugo, who is an associate member of the Hong Kong Institute of Certified Public Accountants.

The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is at 15th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong. The transfer office of the Company is Tricor Investor Services Limited, Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong.

8. EXPERT AND CONSENT

The following are the qualifications of the expert who has been named in this circular or have given opinion or letter contained in this circular:

Name	Qualifications
Messis Capital Limited	A licensed corporation permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, MESSIS Capital Limited has given and have not withdrawn its written consent to the issue of this circular with the inclusion therein of their letters and references to their names, in the form and context in which they are included.

As at the Latest Practicable date, MESSIS Capital Limited did not have any shareholding in any member of the Group and did not have the right to subscribe for or to nominate persons to subscribe for shares in any members of the Group.

As at the Latest Practicable Date, MESSIS Capital Limited did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. DOCUMENTS ON DISPLAY

Electronic copies of the following documents are published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.neo-neon.com>) for a period of 14 days from the date of this circular (both days inclusive):

- (i) the Deposit Service Agreement;
- (ii) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in the circular;
- (iii) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (iv) the letter from MESSIS Capital Limited, the Independent Financial Adviser, the text of which is set out in this circular; and
- (v) the written consent from MESSIS Capital Limited in the section headed “Expert and Consent” in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of Neo-Neon Holdings Limited (the “**Company**”) will be held at 15th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong on Monday, 17 January 2022 at 11:00 a.m., to transact the following businesses:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the Deposit Service Agreement (as defined in the circular of the Company dated 24 December 2021 (the “**Circular**”), the terms and the transactions contemplated thereunder (a copy of the agreement has been produced to the meeting and marked “A” and initialed by the chairperson of the meeting for the purposes of identification), together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2024 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorised to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Deposit Service Agreement or the transactions contemplated thereunder.”

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

Hong Kong, 24 December 2021

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the EGM.
4. The register of members of the Company will be closed from 12 January 2022 to 17 January 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 11 January 2022. The record date for the determination of the entitlement to attend and vote at the EGM will be 17 January 2022.

As at the date of this notice, the executive Directors of the Company are Mr. GAO Zhi and Mr. LIU Zhigang; non-executive Directors are Mr. LIANG Wu Quan and Mr. ZHOU Hai Ying; the independent non-executive Directors are Mr. FAN, Ren Da Anthony, Mr. LIU Tian Min and Ms. LI Ming Qi.