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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 2021

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 2021 of the Company and its subsidiaries (collectively the “**Group**”), together with the comparative figures for year ended 31 December 2020. These results have been reviewed by the Company’s audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	3	863,857	843,495
Cost of sales		<u>(628,453)</u>	<u>(594,592)</u>
Gross profit		235,404	248,903
Other income, gains and losses, net	4	20,795	15,362
Provision of impairment	5	(23,965)	(16,420)
Selling and distribution expenses		(161,523)	(168,875)
Administrative expenses		(101,680)	(99,610)
Finance costs	6	<u>(3,903)</u>	<u>(24,946)</u>
LOSS BEFORE TAX FROM CONTINUING OPERATIONS			
	5	(34,872)	(45,586)
Income tax (expense)/credit	7	<u>(15,579)</u>	<u>41,553</u>

		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		<u>(50,451)</u>	<u>(4,033)</u>
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	8	<u>(220,779)</u>	<u>(23,405)</u>
LOSS FOR THE YEAR		<u>(271,230)</u>	<u>(27,438)</u>
Attributable to:			
Owners of the parent		(272,178)	(28,228)
Non-controlling interests		<u>948</u>	<u>790</u>
		<u>(271,230)</u>	<u>(27,438)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
– For loss for the year		<u>RMB(12.99) cents</u>	<u>RMB(1.35) cents</u>
– For loss from continuing operations		<u>RMB(2.45) cents</u>	<u>RMB(0.23) cent</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 RMB'000	2020 <i>RMB'000</i> (Restated)
LOSS FOR THE YEAR	(271,230)	(27,438)
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>26,443</u>	<u>45,809</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>26,443</u>	<u>45,809</u>
Other comprehensive (loss)/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	<u>—</u>	<u>(404)</u>
Surplus on revaluation upon transfer of right-of-use assets to investment properties		352
Income tax effect	<u>—</u>	<u>(88)</u>
	—	264
Surplus on revaluation upon transfer of property, plant and equipment to investment properties	—	2,820
Income tax effect	<u>—</u>	<u>(705)</u>
	—	2,115
Exchange differences:		
Exchange differences on translation of the Company	<u>(39,994)</u>	<u>(90,922)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(39,994)</u>	<u>(88,947)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(13,551)</u>	(43,138)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(284,781)</u>	<u>(70,576)</u>
Attributable to:		
Owners of the parent	<u>(285,620)</u>	(71,713)
Non-controlling interests	<u>839</u>	<u>1,137</u>
	<u>(284,781)</u>	<u>(70,576)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

		2021	2020
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		37,815	48,130
Investment properties		67,470	74,441
Right-of-use assets		55,473	33,238
Goodwill		81,079	187,181
Other intangible assets		17,366	35,691
Prepayments and other assets		1,578	1,364
Financial assets at fair value through profit or loss		134,648	134,299
Deferred tax assets		14,027	11,980
Total non-current assets		409,456	526,324
CURRENT ASSETS			
Inventories		163,828	160,170
Trade and bills receivables	<i>10</i>	141,546	128,138
Loan receivable	<i>11</i>	130,218	159,579
Prepayments, other receivables and other assets		84,188	810,670
Financial assets at fair value through profit or loss		16,433	43,253
Cash held on behalf of clients		9,175	2,646
Cash and cash equivalents		698,422	408,485
Total current assets		1,243,810	1,712,941
CURRENT LIABILITIES			
Trade payables	<i>12</i>	102,309	90,784
Other payables and accruals		63,370	58,970
Interest-bearing bank borrowings		36,660	80,518
Lease liabilities		11,887	7,586
Tax payable		13,850	20,528
Provision		5,722	6,259
Contingent consideration payable		–	23,516
Total current liabilities		233,798	288,161

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
NET CURRENT ASSETS		<u>1,010,012</u>	<u>1,424,780</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,419,468</u>	<u>1,951,104</u>
NON-CURRENT LIABILITIES			
Government grants		–	383
Lease liabilities		34,256	13,242
Interest-bearing bank borrowings		–	10,596
Deferred tax liabilities		8,716	10,987
Loan from the ultimate holding company		–	254,619
Total non-current liabilities		<u>42,972</u>	<u>289,827</u>
Net assets		<u>1,376,496</u>	<u>1,661,277</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	<i>13</i>	185,672	185,676
Reserves		<u>1,184,626</u>	<u>1,470,242</u>
		1,370,298	1,655,918
Non-controlling interests		<u>6,198</u>	<u>5,359</u>
Total equity		<u>1,376,496</u>	<u>1,661,277</u>

NOTES

31 December 2021

1. CORPORATE AND GROUP INFORMATION

Neo-Neon Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the Company’s head office and principal place of business is located at Unit 12, 13/F., Harbour Centre Tower, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong.

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

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

* These activities were suspended and collectively classified as discontinued operation during the year ended 31 December 2021. Further details of the discontinued operation are included in note 8 of this announcement.

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 (“**the 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, financial assets at fair value through profit or loss and contingent consideration payable which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond 30
June 2021 (early adopted)*

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in US dollars (“**US\$**”) based on the London Interbank Offered Rate (“**LIBOR**”) as at 31 December 2021. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

3. OPERATING SEGMENT INFORMATION

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

- the PRC lighting segment consists of the research and development, manufacture of lighting products in the PRC and distribution of lighting products in the PRC and overseas; and
- the USA lighting segment consists of the provision of lighting solutions and trading of lighting products in the USA.

As at 31 December 2021, the Securities Group (as defined below) was classified as a discontinued operation. With the Securities Group being classified as a discontinued operation, the securities segment which consisted of asset management services, investment advisory services and securities trading services is no longer included in the note for operating segment information.

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

Segment assets exclude deferred tax assets, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, 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 2021

	PRC lighting RMB'000	USA lighting RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	147,425	716,432	863,857
Intersegment sales	48,525	–	48,525
	<u>195,950</u>	<u>716,432</u>	<u>912,382</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(48,525)</u>
Revenue			<u><u>863,857</u></u>
Segment results	(86,875)	61,118	(25,757)
<i>Reconciliation:</i>			
Interest income and unallocated income and gains			2,637
Finance costs (other than interest on lease liabilities)			(2,668)
Government grants			10,364
Unallocated expenses			<u>(19,448)</u>
Loss before tax from continuing operations			<u><u>(34,872)</u></u>
	PRC lighting RMB'000	USA lighting RMB'000	Total RMB'000
Segment assets	449,421	394,665	844,086
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(81,008)
Deferred tax assets			14,027
Cash and cash equivalents			698,422
Corporate and other unallocated assets			<u>177,739</u>
Total assets			<u><u>1,653,266</u></u>
Segment liabilities	34,982	164,650	199,632
<i>Reconciliation:</i>			
Elimination of intersegment payables			(81,008)
Interest-bearing bank borrowings			36,660
Tax payable			13,850
Deferred tax liabilities			8,716
Corporate and other unallocated liabilities			<u>98,920</u>
Total liabilities			<u><u>276,770</u></u>

	PRC lighting RMB'000	USA lighting RMB'000	Unallocated RMB'000	Total RMB'000 (Restated)
Other segment information:				
Impairment losses/(reversal of impairment) on financial assets	15,483	(2,243)	–	13,240
Impairment losses on non-financial assets	2,669	8,056	–	10,725
Provision for inventories included in cost of inventories sold	38,566	11,083	–	49,649
Depreciation and amortisation	22,352	13,719	1,135	37,206
Capital expenditure*	9,629	4,020	–	13,649

* Capital expenditure consists of additions to property, plant and equipment and intangible assets (excludes discontinued operation).

Year ended 31 December 2020

	PRC lighting RMB'000	USA lighting RMB'000	Total RMB'000 (Restated)
Segment revenue			
Sales to external customers	147,886	695,609	843,495
Intersegment sales	13,391	–	13,391
	161,277	695,609	856,886
<i>Reconciliation:</i>			
Elimination of intersegment sales			(13,391)
Revenue			843,495
Segment results	(39,982)	37,063	(2,919)
<i>Reconciliation:</i>			
Interest income and unallocated income and gains			3,581
Finance costs (other than interest on lease liabilities)			(24,407)
Government grants			3,174
Unallocated expenses			(25,015)
Loss before tax from continuing operations			(45,586)

	PRC lighting RMB'000	USA lighting RMB'000	Total RMB'000 (Restated)
Segment assets	1,185,780	319,812	1,505,592
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(81,008)
Deferred tax assets			11,980
Cash and cash equivalents			408,485
Corporate and other unallocated assets			394,216
Total assets			2,239,265
Segment liabilities	28,170	154,423	182,593
<i>Reconciliation:</i>			
Elimination of intersegment payables			(81,008)
Interest-bearing bank borrowings			91,114
Loan from the ultimate holding company			254,619
Tax payable			20,528
Deferred tax liabilities			10,987
Corporate and other unallocated liabilities			99,155
Total liabilities			577,988

	PRC lighting RMB'000	USA lighting RMB'000	Unallocated RMB'000	Total RMB'000 (Restated)
Other segment information:				
Impairment losses on financial assets	10,022	1,560	–	11,582
Impairment losses on non-financial assets	4,838	–	–	4,838
Provision for inventories included in cost of inventories sold	18,001	14,068	–	32,069
Depreciation and amortisation	21,385	11,808	1,200	34,393
Capital expenditure*	18,046	3,379	–	21,425

* Capital expenditure consists of additions to property, plant and equipment and intangible assets (excludes discontinued operation).

Geographical information

(a) Revenue from external customers

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated)
North America	812,431	792,111
Europe	17,702	29,324
The PRC	7,632	1,917
Asia (excluding the PRC)	24,649	20,143
Other countries	1,443	–
	<u>863,857</u>	<u>843,495</u>

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

(b) Non-current assets

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
North America	129,487	116,985
The PRC	125,187	149,058
Asia (excluding the PRC)	6,107	114,002
	<u>260,781</u>	<u>380,045</u>

The non-current asset information 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 2021, revenue generated from customer A and customer B by the USA lighting segment amounting to approximately RMB98,662,000 (2020: RMB156,016,000) and RMB93,025,000 (2020: RMB87,636,000) accounted for over 10% of the Group's revenue.

4. OTHER INCOME, GAINS AND LOSSES, NET

	2021 RMB'000	2020 RMB'000 (Restated)
Other income		
Bank interest income	2,316	1,759
Dividend income from financial assets at FVTPL	–	2,500
Government grants*	10,364	3,174
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	6,568	6,644
Reversal of aged other payables and accruals [#]	4,037	15,967
Others	4,480	1,789
	<u>27,765</u>	<u>31,833</u>
Gains and losses, net		
Fair value losses on investments properties, net	(6,023)	(41,165)
Gain on disposal on financial assets at FVTPL	3,750	–
Gains/(losses) on disposal of items of property, plant and equipment	233	(252)
Gains on disposal of items of non-current assets classified as held for sale	–	9,825
Fair value gains of financial assets at FVTPL, net	349	20,841
Foreign exchange differences, net	(5,708)	(18,380)
Gain on disposal of subsidiaries	–	10,090
Change in fair value of contingent consideration payable	429	2,486
Others	–	84
	<u>(6,970)</u>	<u>(16,471)</u>
	<u><u>20,795</u></u>	<u><u>15,362</u></u>

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

[#] The amount represented one-off reversal of certain aged other payables and accruals.

5. LOSS BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated)
Cost of inventories sold	578,804	562,523
Depreciation of property, plant and equipment	16,339	13,437
Depreciation of right-of-use assets	11,799	11,775
Research and development costs:		
Deferred expenditure amortised*	6,452	6,742
Amortisation of other intangible assets*	2,616	2,439
Provision for legal proceedings	2,153	6,142
Lease payments not included in the measurement of lease liabilities	471	341
 Auditor's remuneration	 2,750	 3,000
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	133,316	128,001
Equity-settled share option expenses	–	174
Pension scheme contributions***	6,554	8,529
	<hr/> 139,870	<hr/> 136,704
 Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	 520	 164
 Impairment losses on financial assets, net:		
Trade and bills receivables	2,852	5,919
Other receivables	10,388	5,663
Impairment loss on intangible assets	2,669	–
Impairment loss on goodwill	8,056	–
Impairment loss on property, plant and equipment	–	4,838
	<hr/> 23,965	<hr/> 16,420
 Write-down of inventories to net realisable value**	 49,649	 32,069
	<hr/> <hr/>	<hr/> <hr/>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation of property, plant and equipment	1,070	1,705
Depreciation of right-of-use assets	2,868	3,373
Amortisation of other intangible assets	996	1,042
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	31,836	29,693
Pension scheme contributions***	2,535	2,031
	<u>34,371</u>	<u>31,724</u>
Impairment losses on financial assets, net:		
Trade and bills receivables	117	4,072
Other receivables	47,274	8,309
Loan receivable	31,271	160
Impairment loss on intangible assets	5,320	–
Impairment loss on goodwill	94,965	21,736
	<u><u>178,947</u></u>	<u><u>34,277</u></u>

* The amortisation of deferred development costs and other intangible assets for the year is included in “Administrative expenses” in the consolidated statement of profit or loss.

** Included in “Cost of sales”.

*** At 31 December 2021, there are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions (2020: Nil).

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated)
Interest on bank loans	1,447	13,305
Interest on a loan from the ultimate holding company	1,221	11,102
Interest on lease liabilities	1,235	539
	<u><u>3,903</u></u>	<u><u>24,946</u></u>

7. INCOME TAX

	2021 RMB'000	2020 RMB'000 (Restated)
Current – Hong Kong		
Charge for the year	881	197
(Over)/underprovision in prior years	–	(39)
Current – Elsewhere		
Charge for the year	17,592	20,523
Underprovision in prior years	9	–
Deferred tax	(2,903)	(62,234)
Total tax charge/(credit) for the year from continuing operations	15,579	(41,553)
Total tax charge/(credit) for the year from a discontinued operation	(1,235)	2,176
	<u>14,344</u>	<u>(39,377)</u>

8. DISCONTINUED OPERATION

On 7 December 2021, the Company announced the decision to suspend its business of regulated activity under the Securities and Futures Ordinance of Tongfang Securities, an indirect wholly-owned subsidiary of the Company, and ceased to take on new clients with effect from 8 December 2021 and would gradually terminate the relationship with its existing clients in respect of the business of type 1 regulated activity. Furthermore, the board of directors of the Company has determined to suspend asset management services, investment advisory services and money lending business carried out by Tongfang Securities, its subsidiaries and fellow subsidiaries (collectively known as the “**Securities Group**”) during the year. As a result, as at 31 December 2021, the Securities Group was classified as a discontinued operation. With the Securities Group being classified as a discontinued operation, the securities segment which consisted of asset management services, investment advisory services and securities trading services is no longer included in the note for operating segment information.

The results of the Securities Group for the year are presented below:

	2021 RMB'000	2020 RMB'000
Revenue	10,672	33,243
Other income, gains and losses, net	7,087	34,634
Provision for impairment, net	(178,947)	(34,277)
Selling and distribution expenses	(2,673)	–
Administrative expenses	(57,858)	(54,511)
Finance costs	(295)	(318)
Loss before tax from the discontinued operation	(222,014)	(21,229)
Income tax (expense)/credit	1,235	(2,176)
Loss for the year from the discontinued operation	<u>(220,779)</u>	<u>(23,405)</u>

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,094,465,417 (2020: 2,094,465,417) in issue during the year.

The computation of diluted loss per share does not assume the exercise of a subsidiary of the Company's outstanding share options for the years ended 31 December 2021 and 2020 because the exercise price of those share options was higher than the price of a subsidiary of the Company's share during the years.

The Company had no potentially dilutive ordinary shares in issue during the year ended 31 December 2021.

No adjustment had been made to the basic loss per share amount presented for the year ended 31 December 2020 in respect of a dilution as the impact of the share options outstanding of the Company had an anti-dilutive effect on the basic loss per share amount presented.

	2021 RMB'000	2020 <i>RMB'000</i> (Restated)
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	<u>(272,178)</u>	<u>(28,228)</u>
Attributable to:		
Continuing operations	(51,399)	(4,823)
Discontinued operation	<u>(220,779)</u>	<u>(23,405)</u>
	<u>(272,178)</u>	<u>(28,228)</u>
	2021 Number of shares	2020 <i>Number of</i> <i>shares</i>
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<u>2,094,465,417</u>	<u>2,094,465,417</u>

10. TRADE AND BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	148,632	133,921
Bills receivables	577	642
Less: Impairment loss on trade receivables	(7,660)	(6,409)
Less: Impairment loss on bills receivables	(3)	(16)
	<u>141,546</u>	<u>128,138</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to six months for major customers.

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 60% and 100% (2020: 70% and 88%) of the total gross trade receivables was due from the Group's largest customer and the five largest customers, respectively. The Group has suspended the business during the year, as further detailed in note 8. The Group does not hold collateral over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from the Group's related parties of RMB3,841,000 (2020: RMB4,613,000) which are repayable on credit terms similar to those offered to the major customers of the Group.

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:

	2021			2020		
	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	125,622	265	125,887	59,023	4,763	63,786
1 to 2 months	5,722	–	5,722	22,699	431	23,130
2 to 3 months	4,349	–	4,349	4,698	97	4,795
3 to 6 months	2,447	–	2,447	24,832	2,082	26,914
Over 6 months	3,115	26	3,141	8,246	1,267	9,513
	<u>141,255</u>	<u>291</u>	<u>141,546</u>	<u>119,498</u>	<u>8,640</u>	<u>128,138</u>

11. LOAN RECEIVABLE

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Loan receivable	161,646	160,206
Less: Impairment allowance	<u>(31,428)</u>	<u>(627)</u>
	<u>130,218</u>	<u>159,579</u>

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
On demand	<u>130,218</u>	<u>159,579</u>

12. TRADE PAYABLES

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	93,088	88,138
Accounts payables to securities clients	<u>9,221</u>	<u>2,646</u>
	<u>102,309</u>	<u>90,784</u>

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

	2021			2020		
	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	9,221	53,556	62,777	2,646	68,832	71,478
1 to 2 months	–	11,063	11,063	–	9,347	9,347
2 to 3 months	–	3,997	3,997	–	3,014	3,014
3 to 6 months	–	19,264	19,264	–	5,144	5,144
6 months to 1 year	–	2,261	2,261	–	162	162
Over 1 year	–	2,947	2,947	–	1,639	1,639
	9,221	93,088	102,309	2,646	88,138	90,784

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

13. SHARE CAPITAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Authorised:		
5,000,000,000 ordinary shares of HK\$0.10 each	500,000	500,000
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Issued and fully paid:		
2,094,465,417 (2020: 2,094,505,417) ordinary shares of HK\$0.10 (2020: HK\$0.10) each	185,672	185,676

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 2020, 31 December 2020 and 1 January 2021	2,094,505,417	185,676
Shares cancelled	(40,000)	(4)
At 31 December 2021	2,094,465,417	185,672

Note: The Company did not purchase any shares in the current year (2020: Nil). The purchased shares of 40,000 were cancelled during the year (2020: Nil).

14. SHARE OPTION SCHEME

Share option scheme of the Company

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

	2021		2020	
	Weighted average exercise price <i>HK\$</i> <i>per share</i>	Number of options <i>'000</i>	Weighted average exercise price <i>HK\$</i> <i>per share</i>	Number of options <i>'000</i>
At 1 January	N/A	–	1.31	15,600
Forfeited during the year	N/A	–	1.31	(15,600)
At 31 December		–	1.31	–

No share option was granted or exercised during the year ended 31 December 2021 (2020: Nil).

At the date of approval of this announcement, the Company had no share options outstanding under the scheme.

Share option scheme of a subsidiary of the Company

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

	2021		2020	
	Weighted average exercise price <i>US\$</i> <i>per share</i>	Number of options <i>'000</i>	Weighted average exercise price <i>US\$</i> <i>per share</i>	Number of options <i>'000</i>
At 1 January and 31 December	369	2,435	369	2,435

No share option was granted or exercised during the year ended 31 December 2021 (2020: Nil).

15. RELATED PARTY TRANSACTIONS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest paid to the ultimate holding company	1,221	17,553

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The total revenue of continuing operations for the year ended 31 December 2021 was approximately RMB863.9 million, representing an increase of approximately 2.4% as compared to approximately RMB843.5 million for the year ended 31 December 2020. For further details, please see below.

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

Continuing Operations

The revenue from continuing operations (research and development, manufacturing, distribution and providing solutions of lighting products) for the year ended 31 December 2021 was approximately RMB863.9 million, which represents an increase of approximately RMB20.4 million as compared to approximately RMB843.5 million for the year ended 31 December 2020, mainly due to the increased revenue of approximately RMB20.8 million from the USA lighting segment. During the year ended 31 December 2021, the USA lighting segment continued expanding sales channels and achieved good results.

Cost of sales

For the year ended 31 December 2021, the cost of sales from continuing operations was approximately RMB628.5 million, representing an increase of approximately RMB33.9 million over approximately RMB594.6 million for the year ended 31 December 2020 primarily due to the increase of material costs and the impairment loss of obsolete stock.

Gross profit and gross profit margin

For the year ended 31 December 2021, the Group recorded a gross profit of approximately RMB235.4 million for continuing operations, representing a decrease of approximately RMB13.5 million over the gross profit of approximately RMB248.9 million for the year ended 31 December 2020 primarily due to the decrease in gross profit for PRC lighting segment.

Other income, gains and losses, net

For the year ended 31 December 2021, the Group recorded other gains, net of approximately RMB20.8 million for continuing operations, representing an increase of approximately RMB5.4 million over approximately RMB15.4 million for the year ended 31 December 2020, mainly due to the increased government grants of approximately RMB7.2 million in 2021.

Provision for impairment, net

For the year ended 31 December 2021, the net amount of impairment provision for continuing operations was approximately RMB24.0 million, representing an increase of approximately RMB7.6 million over approximately RMB16.4 million, mainly due to the impairment loss of goodwill from USA lighting cash-generating unit for Tivoli, LLC.

Operating expenses

The selling and distribution expenses from continuing operations mainly comprised of staff costs, promotion and advertising, freight and transportation, agency and custom costs, and rent and rates.

For the year ended 31 December 2021, the selling and distribution expenses for the continuing operations of the Group were approximately RMB161.5 million, representing an decrease of approximately RMB7.4 million over approximately RMB168.9 million for the year ended 31 December 2020, mainly attributable to the decrease in selling expenses relating to taxes and royalty and patent issues for the USA lighting segment.

The administrative expenses mainly comprised of staff costs, directors remuneration, depreciation charge and professional and legal fees. The administrative expenses of the continuing operations for the year ended 31 December 2021 were approximately RMB101.7 million, representing an increase of approximately RMB2.1 million over approximately RMB99.6 million for the year ended 31 December 2020, mainly due to the increase in dismission welfare due to downsizing of the Group.

Finance costs

The finance costs of the continuing operations for the year ended 31 December 2021 were approximately RMB3.9 million, representing a decrease of approximately RMB21.0 million over approximately RMB24.9 million for the year ended 31 December 2020, mainly due to the decrease of interest-bearing bank borrowings of approximately RMB54.4 million and the repayment of loan from the ultimate holding company of RMB254.6 million.

Taxation

For the year ended 31 December 2021, tax charge of continuing operations of approximately RMB15.6 million (2020: tax credit of approximately RMB41.6 million) mainly included current tax charge for the year of approximately RMB18.5 million and deferred tax credit of approximately RMB2.9 million.

Discontinued Operation

The loss after tax of Securities Group for the year ended 31 December 2021 were approximately RMB220.8 million, representing an increase of approximately RMB197.4 million over approximately RMB23.4 million for the year ended 31 December 2020 mainly due to the impairment loss on goodwill, loan receivable and other receivables of approximately RMB95.0 million, RMB31.3 million and RMB47.3 million, respectively.

Profit attributable to owners of the parent

For the year ended 31 December 2021, the Group recorded a loss attributable to owners of the parent of approximately RMB272.2 million, representing an increase of approximately RMB244.0 million over a loss of approximately RMB28.2 million for the year ended 31 December 2020. Such increase in loss was mainly due to impairment loss of goodwill and other receivables mainly from the Securities Group.

Net Loss

For the year ended 31 December 2021, the Group recorded a net loss of approximately RMB271.2 million, as compared to a net loss of approximately RMB27.4 million for the year ended 31 December 2020. The reason for such decrease is same as the reason for profit attribute to owners of the parent.

Financial Resources and Liquidity and Gearing Ratio

The Group maintained a stable financial position. As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB698.4 million and short-term bank loans of approximately RMB36.7 million. The gearing ratio representing the ratio of total loans and total lease liabilities to total equity of the Group was 6.0% as at 31 December 2021 (31 December 2020: 22.1%). Such decrease was mainly caused by the repayment in loan from the ultimate holding company of approximately RMB254.6 million.

Assets and liabilities

As at 31 December 2021, the Group recorded the total assets of approximately RMB1,653.3 million (31 December 2020: approximately RMB2,239.3 million) and total liabilities of approximately RMB276.8 million (31 December 2020: approximately RMB578.0 million).

As at 31 December 2021, the Group's current assets and non-current assets were approximately RMB1,243.8 million (31 December 2020: approximately RMB1,712.9 million) and approximately RMB409.5 million (31 December 2020: approximately RMB526.3 million), respectively. The decrease in current assets was mainly attributable to the decrease in prepayments, other receivables and other assets of approximately RMB726.5 million and the increase in cash and cash equivalents of approximately RMB289.9 million. The decrease in non-current assets was mainly attributable to the decrease in goodwill of approximately RMB106.1 million resulting from the impairment loss on goodwill of USA lighting cash-generating unit for Tivoli, LLC and the Securities Group.

As at 31 December 2021, the Group's current liabilities and long-term liabilities were approximately RMB233.8 million (31 December 2020: RMB288.2 million) and approximately RMB43.0 million (31 December 2020: RMB289.8 million), respectively. The decrease in current liabilities was mainly attributable to the decrease in interest-bearing bank borrowings of approximately RMB43.8 million and the decrease in contingent consideration payable of approximately RMB23.5 million. The decrease in long-term liabilities was mainly attributable to the repayment in loan from the ultimate holding company of approximately RMB254.6 million.

Foreign Currency Risk

Several subsidiaries of the Company have sales and purchases denominated in currencies other than the functional currency of respective entities, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

Charges on Assets

As at 31 December 2021, the Group pledged certain of its trade receivables and inventories with an aggregate carrying value of approximately RMB199.1 million (31 December 2020: RMB142.0 million and certain of property, plant and equipment of RMB7.4 million and Group's right-of-use assets of RMB8.1 million) to secure bank credit facilities granted to the Group.

Capital Commitments

As at 31 December 2021, the Group had no capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment (31 December 2020: Nil).

Contingent Liabilities

During the year ended 31 December 2021, 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 2021, the issued share capital of the Company was approximately RMB185,672,131 (equivalent to approximately HK\$209,446,542) (31 December 2020: approximately RMB185,675,677 (equivalent to approximately HK\$209,450,542), divided into 2,094,465,417 ordinary shares of HK\$0.10 each.

Material Acquisition, Disposal and Significant Investment

On 31 December 2021 (EST), American Lighting completed the Second Closing in respect of the acquisition of the Minority Interests contemplated under the Membership Interest Purchase Agreement dated 1 January 2019 (MST). Upon completion of the Second Closing, the Company indirectly holds 100% of the Membership Interests in Novelty Lights. For details, please refer to the Company's announcement dated 2 January 2022.

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 2021 (31 December 2020: Nil).

BUSINESS REVIEW

During the year under review, the continued spread of the COVID-19 pandemic throughout the globe caused a slowdown in the global economy and brought uncertainties to the Company's business, which is particularly noticeable in its overseas operations and production activities. Our employees overcame many challenges and implemented measures such as wearing masks, intermittent work from home arrangement as well as the use of network meetings to proactively cope with the situation and to minimise the impact of the pandemic. The Company will continue to adopt precautionary measures and controls to minimise the impact of the pandemic and will also strive to continue to increase its revenue in the future.

The Company's revenue for the year remained at a similar level as compared to last year, mainly due to the suspension of Type 1 regulated business of Tongfang Securities Limited. The lighting segment, particularly the USA lighting segment, continued its market expansion during the year and achieved significant growth in both revenue and profit. The USA lighting segment is focused on developing a robust product line and a comprehensive and integrated online and offline channel network covering customers of all sizes; continuously optimising the allocation of resources to make the USA lighting segment irreplaceable and ever competitive; and persistently developing new products to tap into new markets. The USA lighting segment will continue to focus on promoting transformation in the areas of channel, product, supply chain and business model to address the opportunities and challenges of the lighting industry.

As Tongfang Securities continues to incur significant losses, the Company has suspended the Type 1 regulated activities business of Tongfang Securities and optimised the related staffing. Furthermore, on 25 March 2022, the Board has resolved to cease the business of Types 1, 4, 6 and 9 regulated activities. For details, please refer to the announcement of the Company dated 25 March 2022.

Looking forward, the Company will devote more resources to focus on the development of the lighting segment as well as industries with promising market prospects and in which the Group can leverage its core competencies and implement its innovation-driven development strategy.

Sales and Distribution

Lighting Segment

During the reporting period, the Group took efforts in distribution and marketing, cultivating the new sales channels 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.

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 2021, the Group's total number of employees was 703 (31 December 2020: 832). 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 Monday, 20 June 2022 to Thursday, 23 June 2022 (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 Friday, 17 June 2022.

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the shareholders.

Under the code provision A2.1 of the Corporate Governance Code in force during the year ended 31 December 2021, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate chairman and a chief executive officer and Mr. Gao Zhi holds both positions. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company as non-executive Directors and independent non-executive Directors form the majority of the Board, with five out of seven of the Directors being non-executive directors and independent non-executive Directors. The Board believes that vesting the roles of both chairman and chief executive officer in the same person can facilitate execution of the Company's business strategies and boost effectiveness of its operation. The Board will review the current structure from time to time and shall make necessary arrangements when the Board considers appropriate.

Save as disclosed in this announcement throughout the year ended 31 December 2021, 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 2021.

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 2021 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 2021.

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

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 2021.

SCOPE OF WORK OF ERNST & YOUNG

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 2021 as set out in the preliminary announcement have been agreed by the Company's auditors, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company's auditor 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 2021 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) and the Company (<http://www.neo-neon.com>). The annual report for the year ended 31 December 2021 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, 25 March 2022

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