
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 PROVISION OF LOANS

A letter from the Board is set out on pages 4 to 15 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 16 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 17 to 34 of this circular.

A notice convening the EGM to be held at Unit 2102-3, 21/F, Golden Centre, 188 Des Voeux Road Central, Hong Kong on Friday, 10 March 2023 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 17/F., Far East Financial Centre, 16 Harcourt Road, 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.

9 February 2023

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DEFINITIONS

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

“Annual Cap”	the annual cap for the Provision of Loans, being RMB400,000,000 for each year during the term of the Loan Agreement
“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
“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)
“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
“Director(s)”	the directors of the Company
“EGM”	extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve, among other things, the Loan Agreement, the proposed Annual Cap and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

DEFINITIONS

“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 Loan Agreement (including the proposed Annual Cap) and the transactions contemplated thereunder
“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 activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement (including the proposed Annual Cap) and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than CNNC 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
“Latest Practicable Date”	3 February 2023, being the latest practicable date for ascertaining certain information in this circular
“Lender”	collectively, the Company and Tongfang Science Park
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the maximum amount loan agreement dated 3 January 2023 entered into between the Company, Tongfang Science Park and Tongfang, pursuant to which the Lender shall provide revolving loans to Tongfang during the term of the agreement
“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 only

DEFINITIONS

“Provision of Loans”	the revolving loan facilities to be provided to Tongfang by the Lender pursuant to the Loan Agreement
“Resuccess”	Resuccess Investments Limited, a controlling shareholder of the Company directly holding 1,357,442,690 Shares (representing approximately 64.81% of the Company’s issued share capital) 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
“Tongfang”	Tsinghua 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
“Tongfang Science Park”	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 and a subsidiary 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:*

Unit 2101

21/F, Golden Centre

188 Des Voeux Road Central

Hong Kong

9 February 2023

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

AND

MAJOR TRANSACTION

PROVISION OF LOANS

INTRODUCTION

The Board is pleased to announce that on 3 January 2023, the Company, Tongfang Science Park and Tongfang entered into the Loan Agreement, pursuant to which the Lender will provide revolving loans of not exceeding RMB400,000,000 to Tongfang during the term of the Loan Agreement commencing from 13 March 2023 to 12 March 2026.

LETTER FROM THE BOARD

LOAN AGREEMENT

The principal terms of the Loan Agreement are set out below:

- Date: 3 January 2023 (after trading hours)
- Parties: (1) the Company and (2) Tongfang Science Park (together, as the Lender); and
(3) Tongfang (as the Borrower)
- Cap amount of loans: Not exceeding RMB400,000,000 (the “**Cap Amount**”)
- Use of loans: All amounts borrowed by Tongfang under the Loan Agreement shall be used as replenishment of liquid working capital for the business operation of Tongfang and shall not be used for any other purposes without the Company’s written consent.
- Term: From 13 March 2023 to 12 March 2026, for a term of three years
- Reborrowing: Tongfang may reborrow any amount which has been repaid to the Lender in accordance with the terms of the Loan Agreement, provided that the aggregate outstanding principal amount of all loan(s) shall not exceed the Cap Amount at any time during the term of the Loan Agreement.
- Interest rates: The interest rates to be charged by the Lender shall be determined by negotiation between the Lender and Tongfang and shall not be lower than (i) the loan prime rate promulgated by the People’s Bank of China from time to time; (ii) the interest rates offered by the major commercial banks in the PRC; and (iii) the interest rates offered by the Lender to other independent third parties (if any), for the same type of loans.
- Repayment: The repayment date for each loan advanced by the Lender to Tongfang under the Loan Agreement shall be set out on a receipt of loan separately signed by the parties and such date shall fall within the term of the Loan Agreement.
- Tongfang may, at any time after a loan has been advanced and prior to its agreed repayment date, pre-repay such loan in whole or in part together with all interest accrued thereon.
- Default interest rate: 0.01% per day on the default amount, which shall accrue from the due date of payment to the date of actual payment.

LETTER FROM THE BOARD

Security:	The Lender reserves the right to request Tongfang to provide collateral, mortgage, pledge, guarantee or any other security to the extent permitted by the applicable laws.
Other terms:	The Lender has the sole discretion to make a decision whether to provide the loan requested by Tongfang pursuant to the Loan Agreement.
Conditions Precedent:	The compliance with all requirements under the Listing Rules, including but not limited to the approval by the Independent Shareholders of the Loan Agreement and the transactions contemplated thereunder at the EGM.

PROCEDURES AND MECHANISM FOR GRANTING LOANS TO TONGFANG

Set out below is the key procedures and mechanism for granting each loan to Tongfang under the Loan Agreement:

- (1) when Tongfang makes a borrowing request, the accounting department of the Company will request Tongfang to provide a detailed breakdown summary for expected usage and timeline for utilizing the loan to be granted. By doing this, the accounting department of the Company will be able to assess the financing needs of Tongfang and monitor the actual usage of the loan through quarterly check of actual usage reports and payment evidences prepared by Tongfang (such as bank transfer record, payment slip and/or invoice) and regular communication with Tongfang;
- (2) before a loan is granted, a meeting will be convened among the operational management of the Company (the “**Operational Management Meeting**”) to assess and review the funding needs of the Group while taking into consideration of (a) the existing business operation and development of the Group; (b) the potential investments plan of the Group; (c) the potential expansion of the existing business of the Group; (d) any change in tendency of the overall economic environment; and (e) the working capital forecast prepared by the accounting department of the Company considering the factors (a) to (d) above before each loan is granted. The Operational Management Meeting will confirm to grant the loan if the Company is able to maintain sufficient working capital for the term of the loan to be granted after taking into account the effect of fully lent out of such loan. The Company will put its funding needs as first priority and exercise its rights under the Loan Agreement not to provide any loan to Tongfang should a funding need is identified.

Further, assessment on the financial position and creditworthiness of Tongfang will be conducted through the review of, among others, (a) the repayment record of Tongfang in assessing whether repayments have been made punctually and the creditworthiness of Tongfang; (b) the financial statements of Tongfang to assess its financial position, especially the net asset value, ensuring that it continuously covers the Cap Amount; and (c) the public disclosures of Tongfang (including but not limited to board resolutions and any announcements that may indicate a potentially significant business change);

LETTER FROM THE BOARD

- (3) with regard to the interest rates to be charged, the accounting department of the Company will collect (i) the loan prime rate promulgated by the People's Bank of China; (ii) the interest rates offered by at least three major commercial banks in the PRC; and (iii) the interest rates offered by the Lender to other independent third parties. In addition, the accounting department of the Company will also assess other factors, such as any non-compliance of terms of the Loan Agreement by Tongfang (such as late repayment) or material adverse changes in the financial performance or position of Tongfang (the "Adverse Impact Events"). In the case that no such Adverse Impact Events occurs, the interest rate will be the highest of the aforesaid three interest rates. In case of occurrence of any of such Adverse Impact Events and Tongfang was able to rectify the non-compliance of terms of the Loan Agreements within a reasonable short period (i.e. within 5 business days), the Company will consider to continue to provide loans to Tongfang with an additional margin of 5% on top of the highest of the aforesaid three interest rates (i.e. the interest rate will be 105% of the highest of the aforesaid three interest rates);
- (4) with regard to the security for the loans, the necessity of requesting a security will be assessed during the Operational Management Meeting via reviewing (a) Tongfang's non-compliance of terms of the Loan Agreement (such as late repayment) and whether immediate remedy action has been taken; and (b) recent public disclosures of Tongfang to identify any material changes in the financial performance or position of Tongfang. In case of occurrence of any of Adverse Impact Events, the Operational Management Meeting will request securities (such as equity investments and/or properties of Tongfang with a loan-to-value ratio of approximately 70%) for the loans to be granted;
- (5) after the loan is granted, the accounting department and legal department of the Company will keep trace of (i) Tongfang's repayment record; and (ii) public disclosures of Tongfang including but not limited to the financial statements, board resolutions and announcements. In addition, the designated staff of accounting department of the Company will conduct checks of actual usage reports evidenced by relevant payment records on a quarterly basis to ensure the actual usage of the loans are consistent with the Loan Agreement. Should any material adverse change or any Adverse Impact Events be identified, the Company will exercise its rights under the Loan Agreement to request security for the loan or immediate repayment of the loan; and
- (6) once the loan is confirmed, a receipt shall be signed setting out all the borrowing details, including but not limited to the amount and the repayment date of each tranche of loans.

HISTORICAL TRANSACTION AMOUNTS

Before entering into the Loan Agreement, no members of the Group have provided loans to Tongfang.

ANNUAL CAP AND BASIS OF DETERMINATION

It is stipulated in the Loan Agreement that the maximum daily balance of the outstanding loan(s) advanced to Tongfang by the Lender for each year during the term of the Loan Agreement will be RMB400,000,000 respectively.

LETTER FROM THE BOARD

The proposed Annual Cap represents the Cap Amount which is determined after the negotiation on an arm's length basis between the Lender and Tongfang with reference to, among others, (i) the cash and cash equivalent of the Group as at 30 June 2022 (i.e. RMB681,298,000); (ii) the Group has retained sufficient working capital for at least the next twelve months after due and careful consideration by the Directors by taking into account, among others, (a) the effect of fully lent out of RMB400 million under the Loan Agreement and all necessary costs and expenses to maintain the existing operation of the Group (please refer to section headed "Appendix I - Financial Information of the Group - 3. Working Capital" in this circular for more details), (b) the Group has not formulated significant business expansion nor identified any quality and attractive investments opportunities consistent with the business plan, development strategy and risk appetite of the Group due to the uncertainty economic environment, and (c) the Cap Amount of RMB400 million has been deposited in the banks in the PRC for approximately two years and the Company has no intention to put it into other usages, therefore the aforesaid RMB400 million is considered as idle cash resources; and (iii) the development and financial requirements of Tongfang during the term of the Loan Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENT

Due to occurrence of uncertainty factors, including the outbreak of the COVID-19 pandemic since 2020, the increase of interest rate by the Federal Reserve of the United States of America as well as the war between Russia and Ukraine, the overall economic environment has generally been adversely affected and the Group has therefore adopted a more prudent approach towards significant investments and business expansion. On such basis, the Group has not identified any quality and attractive investments opportunities consistent with the business plan, development strategy and risk appetite of the Group for the utilization of its idle funds. In consideration of the good financial position and the existing cash surplus of the Group, the Company would like to seize the opportunity to obtain greater returns for the Shareholders. The Cap Amount of RMB400 million has been deposited in the banks in the PRC for approximately two years with an interest rate range of approximately 2.5% to 2.7% per annum while the one-year loan prime rate is 3.65% as published by the People's Bank of China as at the date of the Loan Agreement. As such, the interest rates under the Loan Agreement (which would not be lower than 3.65% per annum) are expected to be more favourable than that deposit interest rate offered by banks in the PRC. Therefore, entering into the Loan Agreement will enable the Group to increase the rate of return of its cash and cash equivalents so as to increase both the interest income and the profits of the Group. As the Company has not identified other significant investment opportunities or business expansion at the current stage, the Provision of Loans would provide additional interest income to the Company and is considered to be a good investment opportunity for the Group.

LETTER FROM THE BOARD

The terms of the Loan Agreement were negotiated on an arm's length basis between the Lender and Tongfang based on, among other things, the financing needs of Tongfang and the Company's assessment on the financial position and creditworthiness of Tongfang.

Pursuant to the terms of the Loan Agreement, the Lender keeps the sole discretion to make its decision on whether or not to provide loans to Tongfang per its borrowing requests, as such the Group has flexibility to maintain sufficient cash resources for its operation and development while the Provision of Loans has provided the Group the opportunities to earn additional interest income from idle cash resources from time to time.

The Provision of Loans is unsecured under the Loan Agreement. Tongfang is a limited liability company listed on the Shanghai Stock Exchange (stock code: 600100) and it is under the supervision of competent authorities in the PRC. Tongfang is ultimately controlled by the SASAC. Having considered (a) the background of Tongfang's ultimate beneficial owner; (b) the strong financial position of Tongfang as Tongfang had a net asset value of approximately RMB16,572 million as at 30 September 2022, which is far above the Cap Amount of RMB400 million; (c) the strict supervision by competent authorities for the listed companies in the PRC ensuring their compliance with relevant laws and regulations; (d) the Company is able to access to and review the material information and development of Tongfang from time to time as it is a listed company; (e) the release of the tranches of the loans will be subject to the Company's satisfaction of the assessment of the then financial performance and position of Tongfang; and (f) the Group reserves the right to request for security for any loans under the Loan Agreement, the Board is of the view that (i) Tongfang has the ability and intention to repay the interests and principal as they fall due and the default risk of Tongfang is justifiable; (ii) the assets and interests of the Company and the Shareholders can be safeguarded; and (iii) the grant of the loans under the Loan Agreement without requesting/obtaining security at the time of signing of the Loan Agreement is justifiable.

In view of the above reasons and benefits, despite the transactions contemplated under the Loan Agreement are not in the ordinary and usual course of business of the Company, they are on normal commercial terms or better, the Board are of the view that the terms of the Loan Agreement and the proposed 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 Loan Agreement and no Director is required to abstain from voting on the Board resolution approving the Loan Agreement.

LETTER FROM THE BOARD

INTERNAL CONTROL MEASURES

In order to properly mitigate the risks associated with the Provision of Loans, the Group will implement the following internal control and risk management measures:

- (1) the senior management of the Company will conduct continuous monitoring of the operations of the Loan Agreement through maintaining regular communication and active interaction with Tongfang and will regularly assess the financial position of Tongfang to ensure its repayment ability. The designated staff of the Company will regularly monitor and review the public disclosure made by Tongfang (as a public company) and identify any potential breach of the terms of the Loan Agreement. The Lender can demand the repayment of any outstanding loans in the event of any breach of the terms of the Loan Agreement by Tongfang, including the loan amounts under the Loan Agreement were used by Tongfang for purposes other than working capital, the occurrence of an event that may have a material adverse effect on the rights of the Lender as the lender;
- (2) before Tongfang withdraws a loan from the Lender, analysis and assessment will be conducted by the accounting department of the Company via collecting (i) the loan prime rate promulgated by the People's Bank of China; (ii) the interest rates offered by at least three major commercial banks in the PRC; and (iii) the interest rates offered by the Lender to other independent third parties (if any). With all the interest rates mentioned above collected, the Company will negotiate with Tongfang on the best interest rates to be charged. Such interest rates will set the bottom line for the loans in the negotiation process;
- (3) the designated staff of the accounting department of the Company will closely monitor the aggregated outstanding loan balances and report the latest status to the chief financial officer of the Company on a monthly basis to ensure that it does not exceed the Annual Cap;
- (4) the chief financial officer of the Company will report to the Board on half-yearly basis in relation to the transaction status, including the utilisation rate of the Annual Cap;
- (5) the Company will set an alert alarm when the outstanding loan balance is about to reach the Annual Cap. In case that the aggregated principal amount of the loans is expected to exceed the Annual Cap, the Company could timely re-comply with the requirements under Chapter 14A of the Listing Rules;
- (6) the audit committee of the Company will scrutinise the implementation and enforcement of the transactions under the Loan Agreement. If the Company's audit committee is of the view and decides that it would be in the Company's interests not to provide further loans to Tongfang, 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 loans under the Loan Agreement (including its views on how the terms of the Loan 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

- (7) the legal department of the Company will conduct regular random checks to review and assess whether the transactions contemplated under the Loan Agreement are conducted on normal commercial terms and in accordance with the terms set out in the Loan Agreement;
- (8) the Company's external auditors will conduct an annual review of the transactions under the Loan Agreement to ensure that the transactions amounts are within the Annual Cap and the transactions are in accordance with the terms set out in the Loan Agreement; and
- (9) the Company's independent non-executive Directors will conduct regular reviews of the status of the transactions under the Loan Agreement to ensure that the Company has complied with its internal approval process, the terms of the Loan Agreement and the relevant requirements under the Listing Rules.

Through the implementation of the aforesaid internal control measures, the Directors are of the opinions that there are sufficient internal control measures in place to secure the Provision of Loans to be conducted under the Loan Agreement will be on normal commercial terms, and will not prejudice the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECT OF THE LOAN AGREEMENT

Interest income is expected to be generated from the Provision of Loans. 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 Provision of Loans 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, which in turn holds approximately 64.81% of the total issued share capital of the Company, and is therefore a connected person of the Company.

Accordingly, the Provision of Loans by the Lender to Tongfang pursuant to the Loan 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 Loan Agreement and the transactions contemplated thereunder are 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 Provision of Loans under the Loan Agreement exceed 25%, the Provision of Loans constitutes major transaction of the Company and is subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

An Independent Board Committee has been established to advise the Independent Shareholders on the terms and the proposed Annual Cap of the Loan 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 Loan Agreement and its close associate(s) must abstain from voting on the relevant resolution(s) at the EGM. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, CNNC and its associates (including Tongfang) controlled or were entitled to exercise control over the voting rights in respect of their 1,357,442,690 Shares, representing approximately 64.81% of the issued share capital of the Company, and are required to abstain from voting on the relevant resolutions to be proposed at the EGM. Accordingly, CNNC and its associates (including Tongfang) will abstain from voting on the resolution in respect of the Loan 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 Loan 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 and provision of lighting solution.

2. Information of Tongfang Science Park

Tongfang Science Park is a company established under the laws of the PRC and a subsidiary of the Company. Tongfang Science Park is principally engaged in the businesses of manufacture and trading of lighting products.

3. Information of Tongfang

Tongfang is a limited liability company established in the PRC on 25 June 1997, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600100). Tongfang is mainly engaged in the businesses of digital information industry, civil nuclear technology industry and energy saving and environmental protection industry. As at the Latest Practicable Date, Tongfang is controlled as to approximately 30.11% by CNCC, a wholly-owned subsidiary of CNNC. 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 the SASAC.

LETTER FROM THE BOARD

EGM

The Company will convene the EGM at Unit 2102-3 21/F, Golden Centre, 188 Des Voeux Road Central, Hong Kong on Friday, 10 March 2023 at 11:00 a.m., at which resolution will be proposed for the purposes of considering and, if thought fit, approving the Loan Agreement, the transactions contemplated thereunder and the proposed 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 17/F., Far East Financial Centre, 16 Harcourt Road, 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 Tuesday, 7 March 2023 to Friday, 10 March 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. The record date for the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM will be on Friday, 10 March 2023. In order to qualify for the aforesaid entitlements, all transfers must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F., Far East Financial Centre, 16 Harcourt Road, Hong Kong, by no later than 4:30 p.m. on Monday, 6 March 2023.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 16 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Loan Agreement, the transactions contemplated thereunder and the proposed Annual Cap; (ii) the letter from Messis Capital Limited, the Independent Financial Adviser, set out on pages 17 to 34 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 Loan Agreement, the transactions contemplated thereunder and the proposed Annual Cap; and (iii) additional information set out in the appendices to this circular.

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 Loan Agreement, the transactions contemplated thereunder and the proposed Annual Cap are fair and reasonable, on normal commercial terms or better, 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 Loan Agreement, the transactions contemplated thereunder and the proposed Annual Cap.

LETTER FROM THE BOARD

The Board considers that the terms of the Loan Agreement, the transactions contemplated thereunder and the proposed Annual Cap are fair and reasonable; on normal commercial terms or better; 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)

9 February 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND
MAJOR TRANSACTION

PROVISION OF LOANS**

We refer to the circular of the Company dated 9 February 2023 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 Loan Agreement, the transactions contemplated thereunder and the proposed 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 4 to 15 and pages 17 to 34 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 although the entering into of the Loan Agreement is not conducted in the ordinary and usual course of the business of the Group, the Loan Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better 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 Loan Agreement, the transactions contemplated thereunder and the proposed 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 Limited which sets out its advice to the IBC and the Independent Shareholders for inclusion in this Circular.

MESSIS 大有融資

9 February 2023

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

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION PROVISION OF LOANS

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 Loan Agreement and the proposed Annual Cap for the three years ending 12 March 2026, 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 9 February 2023 (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 3 January 2023, Tongfang Science Park and Tongfang entered into the Loan Agreement, pursuant to which the Lender will provide revolving loans of not exceeding RMB400,000,000 to Tongfang during the term of the loan agreement commencing from 13 March 2023 to 12 March 2026.

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, 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.

The Provision of Loans by the Lender to Tongfang pursuant to the Loan 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 Loan Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratios in relation to the Provision of Loans under the Loan Agreement exceed 25%, the Provision of Loans 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 Loan Agreement and the proposed Annual Cap are fair and reasonable, and on normal commercial terms and the entering into of the Loan 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 did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company for the following transactions (the “**Previous Appointment**”):

Date of the relevant circular and our letter of advice	Nature of the transaction
23 December 2021	Continuing connected transactions and Major Transaction – Deposit Service Agreement

With regard to our independence from the Company, it is noted that (i) apart from normal professional fees paid or payable to us in connection with the Previous Appointment as well as the current appointment as the Independent Financial Adviser, 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; (ii) we have maintained our independence from the Company during the Previous Appointments; (iii) the service fees received separately or aggregately from the Previous Appointments and the current appointment do not constitute a significant portion of our total revenue; and (iv) our independence from the Company has not been compromised because of the Previous Appointments. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

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 2021 (the “**Annual Report 2021**”); (ii) the interim report of the Company for the six months ended 30 June 2022 (the “**Interim Report 2022**”); (iii) the Loan Agreement; (iv) the basis and assumptions of the proposed Annual Cap contemplated under the Loan Agreement; (v) the minutes of the board meeting regarding the Loan Agreement; and (vi) 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 Loan 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 Loan 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 Loan 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 two years ended 31 December 2020 and 2021 as extracted from the Annual Report 2021 and the unaudited financial results of the Group for the six months ended 30 June 2021 and 2022 as extracted from the Interim Report 2022:

	For the year ended		For the six months ended	
	31 December		30 June	
	2020	2021	2021	2022
	(audited)	(audited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	843,495	863,857	332,838	343,607
Gross profit	248,903	235,404	97,983	116,051
Profit (Loss)for the year/period attributable to owners of the Company	<u>(28,228)</u>	<u>(272,178)</u>	<u>(169,761)</u>	<u>17,852</u>

According to the Annual Report 2021, the Group's total revenue 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. For the year ended 31 December 2021, the Group recorded a gross profit of approximately RMB235.4 million, representing an 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Interim Report 2022, the Group's total revenue for the six months ended 30 June 2022 was approximately RMB343.6 million, representing an increase of approximately 3.2% as compared to approximately RMB332.8 million for the six months ended 30 June 2021. Such increase was mainly attributable to the increased revenue of approximately RMB24.9 million from the PRC lighting segment due to earlier shipments per customers' request compared to the same period last year and the increased price of products for the PRC lighting segment. For the six months ended 30 June 2022, the Group recorded a profit attributable to owners of the parent of approximately RMB17.9 million, representing an increase over a loss attributable to the owners of the parent of approximately RMB169.8 million for the six months ended 30 June 2021, primarily due to the decrease in provision of impairment loss of approximately RMB129.7 million, the increase in gross profit from continuing operations of approximately RMB18.1 million and the increase in interest income from bank deposits from continuing operations of approximately RMB11.3 million during the period.

As stated in the Interim Report 2022, as the lighting industry has entered a period of stable growth, the Company plans to focus more on quality development in the future: the USA lighting segment will promote changes in channel, product, supply chain, and business model to address opportunities and challenges; the PRC lighting segment will relocate production capacity to Vietnam to improve profitability.

(ii) Information of the Tongfang Science Park

Tongfang Science Park is a company established under the laws of the PRC and a subsidiary of the Company. Tongfang Science Park is principally engaged in the businesses of manufacture and trading of lighting products.

(iii) Information of the Tongfang

Tongfang is a limited liability company established in the PRC on 25 June 1997, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600100). Tongfang is mainly engaged in the businesses of digital information industry, civil nuclear technology industry and energy saving and environmental protection industry. As at the Latest Practicable Date, Tongfang is controlled as to approximately 30.11% by CNCC, a wholly-owned subsidiary of CNNC. 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 the 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).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Reasons and benefits for entering into the Loan Agreement

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

- i. Due to occurrence of uncertainty factors, including the outbreak of the COVID-19 pandemic since 2020, the increase of interest rate by the Federal Reserve of the United States of America as well as the war between Russia and Ukraine, the overall economic environment has generally been adversely affected and the Group has therefore adopted a more prudent approach towards significant investments and business expansion. On such basis, the Group has not identified any quality and attractive investments opportunities consistent with the business plan, development strategy and risk appetite of the Group for the utilization of its idle funds. In consideration of the good financial position and the existing cash surplus of the Group, the Company would like to seize the opportunity to obtain greater returns for the Shareholders. The Cap Amount of RMB400 million is currently deposited in the banks in the PRC with an interest rate range of approximately 2.5% to 2.7% per annum while the one-year loan prime rate is 3.65% as published by PBOC as at the date of the Loan Agreement. As such, the interest rates under the Loan Agreement (which would not be lower than 3.65% per annum) are expected to be more favourable than that deposit interest rate offered by banks in the PRC. Therefore, entering into the Loan Agreement will enable the Group to increase the rate of return of its cash and cash equivalents so as to increase both the interest income and the profits of the Group. As the Company has not identified other significant investment opportunities or business expansion at the current stage, the Provision of Loans would provide additional interest income to the Company and is considered to be a good investment opportunity for the Group. Pursuant to the terms of the Loan Agreement, the Lender keeps the sole discretion to make its decision on whether or not to provide loans to Tongfang per its borrowing requests, as such the Group has flexibility to maintain sufficient cash resources for its operation and development by taking into account of (i) its ongoing business development and operational expenses and (ii) its potential further investments and/or expansion of the existing business, while the Provision of Loans has provided the Group the opportunities to earn additional interest income from idle cash resources from time to time.
- ii. The terms of the Loan Agreement were negotiated on an arm's length basis between the Lender and Tongfang based on, among other things, the financing needs of Tongfang and the Company's assessment on the financial position and creditworthiness of Tongfang.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- iii. Tongfang is a limited liability company listed on the Shanghai Stock Exchange (stock code: 600100) and it is under the supervision of competent authorities in the PRC. Tongfang is ultimately controlled by the SASAC. Having considered (a) the background of Tongfang's ultimate beneficial owner; (b) the strong financial position of Tongfang as Tongfang had net asset value of approximately RMB16,572 million as at 30 September 2022 respectively, which is far above the Cap Amount of RMB400 million; (c) the strict supervision by competent authorities for the listed companies in the PRC ensuring their compliance with relevant laws and regulations; (d) the Company is able to access to and review the material information and development of Tongfang from time to time as it is a listed company; (e) the release of the tranches of the loans will be subject to the Company's satisfaction of the assessment of the then financial performance and position of Tongfang; and (f) the Group reserves the right to request for security for any loans under the Loan Agreement, the Board is of the view that (i) Tongfang has the ability and intention to repay the interests and principal as they fall due and the default risk of Tongfang is justifiable; (ii) the assets and interests of the Company and the Shareholders can be safeguarded; and (iii) the grant of the loans under the Loan Agreement without requesting/obtaining security at the time of signing of the Loan Agreement is justifiable.

In assessing the reason and benefits of entering into the Loan Agreement, we have considered the size of cash and cash equivalents of the Group. The table below illustrates the cash and cash equivalents of the Group as at 31 December 2020, 31 December 2021 and 30 June 2022:

	As at 31 December		As at 30 June
	2020	2021	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Cash and cash equivalents	408,485	698,422	681,298

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted from Annual Report 2021 that the cash and cash equivalents of the Group increased significantly by approximately 66.6% from approximately RMB408.5 million as at 31 December 2020 to approximately RMB698.4 million as at 31 December 2021. According to the Interim Report 2022, the cash and cash equivalents of the Group remained at a high level of approximately RMB681.3 million as at 30 June 2022. We have discussed with the Management and it is noted that due to the socio-economic uncertainties, the Group has attempted but unable to identify investment opportunity to utilise the idle cash, while the cash balance is currently deposited in the banks in the PRC with an interest rate range of approximately 2.5% to 2.7% per annum. We noted that the one-year loan prime rate is 3.65% as published by PBOC as at the date of the Loan Agreement and the interest rates under the Loan Agreement (which would not be lower than 3.65% per annum) are expected to be more favourable than that deposit interest rate offered by banks in the PRC. Considering the Lender keeps the sole discretion to make its decision on whether or not to provide loans to Tongfang per its borrowing requests, as such the Group has flexibility to maintain sufficient cash resources for its operation and development, if the Group is able to identify more favorable investment opportunities in the future, the Group has the sole discretion to stop providing new loans to Tongfang and investing in other opportunity instead. Accordingly, we are of the view that entering into the Loan Agreement provides an additional investment option and a source of interest income for the Group provided that the Group has no other investment opportunity identified.

We have also reviewed the financial information and background of Tongfang, we noted that Tongfang is a listed company in the Shanghai Stock Exchange which indicates that Tongfang is also subject to strict regulatory compliance. From the financial perspective, we noted that had net asset value of approximately RMB16,572 million, which indicates that Tongfang has a very large asset base and therefore the risk of default is low. It is also noted that Tongfang has no material record of default of payment and non-compliance, with one of Tongfang's substantial shareholder being ultimately owned by the 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), it is believed that Tongfang's repayment ability is ensured. Moreover, according to the Loan Agreement, the Lender has the right to request Tongfang to provide collateral, mortgage, pledge, guarantee or any other security to the extent permitted by the applicable laws when the Group finds it necessary, we are of the view that the risk of providing loans to Tongfang is low and hence the recoverability of the loan is ensured.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) the Lender will enjoy interest rates at least no less favourable than other major commercial banks in the PRC and it is beneficial to the Group to increase the rate of return of its cash and cash equivalents for the purposes of increasing both the interest income and the profits of the Group as compared to depositing idle cash resources in banks; (ii) the Loan Agreement provided the Lender rights to keep the sole discretion to make its decision on whether or not to provide loans to Tongfang per its borrowing requests, as such the Group has flexibility to maintain sufficient cash resources for its operation and development while the Provision of Loans has provided the Group the opportunities to earn additional interest income from idle cash resources from time to time; (iii) Tongfang is a listed company and has no material record of default of payment and non-compliance. The asset base of Tongfang is large and one of Tongfang's substantial shareholder is ultimately owned by the State-owned Assets Supervision and Administration Commission of the State Council, which ensured the recoverability of the loans; and (iv) the Group has the right to request Tongfang to provide pledge of assets in order to secure the loan and therefore the recoverability of the loan is further ensured, we concur with the Directors that the Provision of Loans is although not in the ordinary course of business, in the interests of the Company and the Shareholders as a whole.

3. Loan Agreement

The principal terms of the Loan Agreement are set out below:

Date:	3 January 2023 (after trading hours)
Parties:	(1) the Company and (2) Tongfang Science Park (together, as the Lender); and (3) Tongfang (as the Borrower)
Cap amount of loan:	Not exceeding RMB400,000,000 (the “ Cap Amount ”)
Use of loans:	All amounts borrowed by Tongfang under the Loan Agreement shall be used as replenishment of liquid working capital for the business operation of Tongfang and shall not be used for any other purposes without the Company's written consent.
Term:	From 13 March 2023 to 12 March 2026 for a term of 3 years
Reborrowing:	Tongfang may reborrow any amount which has been repaid to the Lender in accordance with the terms of the Loan Agreement, provided that the aggregate outstanding principal amount of all loan(s) shall not exceed the Cap Amount at any time during the term of the Loan Agreement.

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- Interest rates: The interest rates to be charged by the Lender shall be determined by negotiation between the Lender and Tongfang and shall not be lower than (i) the loan prime rate promulgated by the People's Bank of China from time to time; (ii) the interest rates offered by the major commercial banks in the PRC; and (iii) the interest rates offered by the Lender to other independent third parties (if any), for the same type of loans.
- Repayment: The repayment date for each loan advanced by the Lender to Tongfang under the Loan Agreement shall be set out on a receipt of loan separately signed by the parties and such date shall fall within the term of the Loan Agreement.
- Tongfang may, at any time after a loan has been advanced and prior to its agreed repayment date, pre-repay such loan in whole or in part together with all interest accrued thereon.
- Default interest rate: 0.01% per day on the default amount, which shall accrue from the due date of payment to the date of actual payment.
- Security: The Lender reserves the right to request Tongfang to provide collateral, mortgage, pledge, guarantee or any other security to the extent permitted by the applicable laws.
- Other terms: The Lender has the sole discretion to make a decision whether to provide the loan requested by Tongfang pursuant to the Loan Agreement.
- Conditions Precedent: The compliance with all requirements under the Listing Rules, including but not limited to the approval by the Independent Shareholders of the Loan Agreement and the transactions contemplated thereunder at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PROCEDURES AND MECHANISM FOR GRANTING LOANS TO TONGFANG

Set out below is the key procedures and mechanism for granting each loan to Tongfang under the Loan Agreement:

- (1) when Tongfang makes a borrowing request, the accounting department of the Company will request Tongfang to provide a detailed breakdown summary for expected usage and timeline for utilizing the loan to be granted. By doing this, the accounting department of the Company will be able to assess the financing needs of Tongfang and monitor the actual usage of the loan through quarterly check of actual usage reports and payment evidences prepared by Tongfang (such as bank transfer record, payment slip and/or invoice) and regular communication with Tongfang;
- (2) before a loan is granted, a meeting will be convened among the operational management of the Company (the “**Operational Management Meeting**”) to assess and review the funding needs of the Group while taking into consideration of (a) the existing business operation and development of the Group; (b) the potential investments plan of the Group; (c) the potential expansion of the existing business of the Group; (d) any change in tendency of the overall economic environment; and (e) the working capital forecast prepared by the accounting department of the Company considering the factors (a) to (d) above before each loan is granted. The Operational Management Meeting will confirm to grant the loan if the Company is able to maintain sufficient working capital for the term of the loan to be granted after taking into account the effect of fully lent out of such loan. The Company will put its funding needs as first priority and exercise its rights under the Loan Agreement not to provide any loan to Tongfang should a funding need is identified. Further, assessment on the financial position and creditworthiness of Tongfang will be conducted through the review of, among others, (a) the repayment record of Tongfang in assessing whether repayments have been made punctually and the creditworthiness of Tongfang; (b) the financial statements of Tongfang to assess its financial position, especially the net asset value, ensuring that it continuously covers the Cap Amount; and (c) the public disclosures of Tongfang (including but not limited to board resolutions and any announcements that may indicate a potentially significant business change);
- (3) with regard to the interest rates to be charged, the accounting department of the Company will collect (i) the loan prime rate promulgated by the People’s Bank of China; (ii) the interest rates offered by at least three major commercial banks in the PRC; and (iii) the interest rates offered by the Lender to other independent third parties. In addition, the accounting department of the Company will also assess other factors, such as any non-compliance of terms of the Loan Agreement by Tongfang (such as late repayment) or material adverse changes in the financial performance or position of Tongfang (the “**Adverse Impact Events**”). In the case that no such Adverse Impact Events occurs, the interest rate will be the highest of the aforesaid three interest rates. In case of occurrence of any of such Adverse Impact Events and Tongfang was able to rectify the non-compliance of terms of the Loan Agreements within a reasonable short period (i.e. within 5 business days), the Company will consider to continue to provide loans to Tongfang with an additional margin of 5% on top of the highest of the aforesaid three interest rates (i.e. the interest rate will be 105% of the highest of the aforesaid three interest rates);

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- (4) with regard to the security for the loans, the necessity of requesting a security will be assessed during the Operational Management Meeting via reviewing (a) Tongfang's non-compliance of terms of the Loan Agreement (such as late repayment) and whether immediate remedy action has been taken; and (b) recent public disclosures of Tongfang to identify any material changes in the financial performance or position of Tongfang. In case of occurrence of any of Adverse Impact Events, the Operational Management Meeting will request securities (such as equity investments and/or properties of Tongfang with a loan-to-value ratio of approximately 70%) for the loans to be granted;
- (5) after the loan is granted, the accounting department and legal department of the Company will keep trace of (i) Tongfang's repayment record; and (ii) public disclosures of Tongfang including but not limited to the financial statements, board resolutions and announcements. In addition, the designated staff of accounting department of the Company will conduct checks of actual usage reports evidenced by relevant payment records on a quarterly basis to ensure the actual usage of the loans are consistent with the Loan Agreement. Should any material adverse change or any Adverse Impact Events be identified, the Company will exercise its rights under the Loan Agreement to request security for the loan or immediate repayment of the loan; and
- (6) Once the loan is confirmed, a receipt shall be signed setting out all the borrowing details, including but not limited to the amount and the repayment date of each tranche of loans.

In respect of the pricing terms, it is noted that the interest rates in respect of the Provision of Loans shall be determined by negotiation between the Lender and Tongfang and shall not be lower than (i) the loan prime rate promulgated by the People's Bank of China from time to time; (ii) the interest rates offered by the major commercial banks in the PRC; and (iii) the interest rates offered by the Lender to other independent third parties (if any), for the same type of loans. We noted from the Directors that 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 under the Loan Agreement, monitoring the market trend and allowing the Group to better formulate its funds management strategy. With all the benchmarks mentioned above collected, the Lender will negotiate with Tongfang on the best interest rates most favourable to the Group that can be obtained. The benchmarks will set the bottom line for members of the Group in the negotiation process. In addition, the accounting department of the Company will assess other factors including the Adverse Impact Events. The above steps would finally ensure the interest rate to be offered by the Lender to Tongfang will be the highest of the aforementioned three interest rates. Also, the Company reserves the right to request securities for the loans to be granted with a loan-to-value ratio of approximately 70%, we are of the view that the risk of Provision of Loans is mitigated and the recoverability of the Loans is secured. We have also been advised by the Management that in the event a loan is repaid early, the accrued interest cost will still be charged on a proportional basis and the Group will then deposit the recollected sum into bank accounts in order to secure the minimum interest earning. Therefore, the Group will still earn the accrued interest for the shortened loan period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Management, before granting a loan, when Tongfang makes a borrowing request, Operational Management Meeting will be convened in order to assess and review the funding needs of the Group while taking into consideration of (a) the existing business operation and development of the Group; (b) the potential investments plan of the Group; (c) the potential expansion of the existing business of the Group; (d) any change in tendency of the overall economic environment; and (e) the working capital forecast prepared by the accounting department of the Company considering the factors (a) to (d) above before each loan is granted. The Operational Management Meeting will confirm to grant the loan if the Company is able to maintain sufficient working capital for the term of the loan to be granted after taking into account the effect of fully lent out of such loan. The Company will put its funding needs as first priority and exercise its rights under the Loan Agreement not to provide any loan to Tongfang should a funding need is identified. Furthermore, the Company will request Tongfang to provide a detailed breakdown summary for expected usage and timeline for utilizing the loan to be granted. With such measures, the Company will be able to assess the financing needs of Tongfang and monitor the actual usage of the loan through periodical check and communication with Tongfang. Although no loan recall terms are included in the Loan Agreement, we are of the view that sufficient measures are in place in order to ensure the needs of fund of the Group is prioritised. We are of the view that here are sufficient measures in place to assess the financial needs of the Group and ensure the needs of the Group is prioritised, as well as ensuring the recoverability of the Loans.

It is noted that in the event of late repayment, default rate of 0.01% per day on the default amount will be charged by the Lender to Tongfang. We have reviewed the financial information of Tongfang and noted that it had net asset value of approximately RMB16,572 million and RMB15,903 million as at 30 September 2022 and 31 December 2021 respectively, which indicates that Tongfang has a very large asset base and therefore the risk of default is low. Accordingly, we consider the default interest rate nominal, however, fair and reasonable. As advised by the Management, assessment on the financial position and creditworthiness of Tongfang will also be conducted through the review of, among others, (a) the repayment record of Tongfang in assessing whether repayments have been made punctually and the creditworthiness of Tongfang; (b) the financial statements of Tongfang to assess its financial position, especially the net asset value, ensuring that it continuously covers the Cap Amount; and (c) the public disclosures of Tongfang (including but not limited to board resolutions and any announcements that may indicate a potentially significant business change). It is noted that any late repayment shall affect the assessment of whether to grant another loan and affect the interest rate to be charged to Tongfang and such measure is rather deterrent than charging a high default interest rate. We are of the view that there are sufficient procedures to ensure the financial needs of the Group itself to be satisfied before granting a loan to Tongfang while the risk of Provision of Loans is also mitigated.

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 Provision of Loans. We consider that the implementation of the internal control measures would ensure on-going compliance with the Provision of Loans as set out above, as well as the interest rate to be charged will not be lower than the interest rate offered by the comparable banks for comparable loans of the same type and term.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above factors and in particular that (i) the interest rates charged to Tongfang are no less favourable than those quoted on the PBOC and offered by the major commercial banks within the PRC, which is substantially higher than the interest rate of depositing the idle cash resources into banks; (ii) there are sufficient measures in place to assess the financial needs of the Group and ensure the needs of the Group is prioritised; (iii) there are sufficient measures in place in order to assess Tongfang's financial position as well as the recoverability of the loan before granting such loan; (iv) the Group has the right to decide whether to provide loans to Tongfang and the Loan Agreement does not impose any obligation to the Group to provide loans to Tongfang, the Group may provide loans to Tongfang when it, from time to time, thinks fit and appropriate for the benefit of the Group; and (v) the Group has the internal control measures in place to ensure the Company to enjoy the most favourable interest rates and terms of the loans available in the market, we are of the view that the terms of the Provision of Loans under the Loan 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 Loan Agreement, no members of the Group have provided loans to Tongfang.

It is stipulated in the Loan Agreement that the maximum daily balance of the outstanding loan(s) advanced to Tongfang by the Lender for each of the three years ending 12 March 2026 will be as follows:

For the year ending 12 March	Maximum Daily Balance of the Outstanding Loans (RMB)
2024	400,000,000
2025	400,000,000
2026	400,000,000

As stated in the Letter from the Board, the proposed Annual Cap was represents the Cap Amount which is determined after the negotiation on an arm's length basis between the Lender and Tongfang with reference to, among others, (i) the cash and cash equivalent of the Group as at 30 June 2022 (i.e. RMB681,298,000); (ii) the Group has retained sufficient working capital for at least the next twelve months after due and careful consideration by the Directors by taking into account, among others, the effect of fully lent out of RMB400 million under the Loan Agreement (please refer to section headed "Appendix I - Financial Information of the Group - 3. Working Capital" in this circular for more details)., and the Group has not identified any quality and attractive investments opportunities consistent with the business plan, development strategy and risk appetite of the Group due to the uncertainty economic environment, therefore the aforesaid RMB400 million is considered as idle cash resources as it will not affect the required working capital of the Group; and (iii) the development and financial requirements of Tongfang during the term of the Loan Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the reasonableness of the proposed Annual Cap, we have considered the major factors in relation to the (i) size of cash and cash equivalents; and (ii) the business scale of the Group.

- i. As illustrated above in section “2. Reasons and benefits for entering into the Loan Agreement”, we noted from Annual Report 2021 that the cash and cash equivalents of the Group increased significantly by approximately 66.6% from approximately RMB408.5 million as at 31 December 2020 to approximately RMB698.4 million as at 31 December 2021. According to the Interim Report 2022, the cash and cash equivalents of the Group remained at a high level of approximately RMB681.3 million as at 30 June 2022.

As such, the size of cash and cash equivalents of the Group as at 31 December 2020 equals to 174.5% of the proposed Annual Cap and proposed Annual Cap only accounted for 58.7% of the cash and cash equivalents of the Group as at 30 June 2022, which indicates the Group’s possible demand to make productive use of their idle cash resources while the Provision of Loans has provided the Group the opportunities to earn additional interest income from idle cash resources from time to time and even the proposed Annual Cap is fully utilised, the Group will still have sufficient capital for their operational use.

- ii. We noted that the proposed Annual Cap has determined with reference to, among other things, the significant increase in cash and cash equivalents of the Group, which we consider such increase was mainly due to the combined effect of disposal of discontinued businesses and the gradually expanding operation scale. We noted from the Annual Report 2021 and the Interim Report 2022 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 2022 was approximately RMB343.6 million, which represented an increase of approximately RMB10.8 million as compared to approximately RMB332.8 million for the six months ended 30 June 2021. Such increase was mainly attributable to attributable to the increased revenue of approximately RMB24.9 million from the PRC lighting segment due to earlier shipments per customers’ request compared to the six months ended 30 June 2021 and the increased price of products for the PRC lighting segment.
- iii. 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 continuing expansion of the Company’s operation scale; (ii) the positive outlook of the lighting market in both US and PRC; and (iii) the dispose of non-core asset and businesses during the year ended 31 December 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to cater the significant increase in cash and cash equivalents and potential business growth of the Group, it is reasonable for the Group to manage spare funds by Provision of Loans to Tongfang, given that the interest rates are at terms not lower than those offered by major commercial banks in the PRC, which provides an opportunity to earn additional income, and the proposed Annual Cap only accounted for 58.7% of the cash and cash equivalents of the Group as at 30 June 2022, which indicates that the Group will still have sufficient financial resources for operational use. 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 Provision of Loans contemplated under the Loan Agreement.

5. Internal Control Measures

As confirm by the Director, the Company will adopt the following internal control procedures and risk management measures when providing loans to Tongfang:

- (1) the senior management of the Company will conduct continuous monitoring of the operations of the Loan Agreement through maintaining regular communication and active interaction with Tongfang and will regularly assess the financial position of Tongfang to ensure its repayment ability. The designated staff of the Company will regularly monitor and review the public disclosure made by Tongfang (as a public company) and identify any potential breach of terms of the Loan Agreement. The Lender can demand the repayment of any outstanding loans in the event of any breach of the terms of the Loan Agreement by Tongfang, including the loan amounts under the Loan Agreement were used by Tongfang for purposes other than working capital, the occurrence of an event that may have a material adverse effect on the rights of the Lender as the lender;
- (2) before Tongfang withdraws a loan from the Lender, analysis and assessment will be conducted by the accounting department of the Company via collecting (i) the loan prime rate promulgated by the People's Bank of China; (ii) the interest rates offered by at least three major commercial banks in the PRC; and (iii) the interest rates offered by the Lender to other independent third parties (if any). With all the interest rates mentioned above collected, the Company will negotiate with Tongfang on the best interest rates to be charged. Such interest rates will set the bottom line for the loans in the negotiation process;
- (3) the designated staff of the accounting department of the Company will closely monitor the aggregated outstanding loan balances and report the latest status to the chief financial officer of the Company on a monthly basis to ensure that it does not exceed the Annual Cap;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (4) the chief financial officer of the Company will report to the Board on half-yearly basis in relation to the transaction status, including the utilisation rate of the Annual Cap;
- (5) the Company will set an alert alarm when the outstanding loan balance is about to reach the Annual Cap. In case that the aggregated principal amount of the loans is expected to exceed the Annual Cap, the Company could timely re-comply with the requirements under Chapter 14A of the Listing Rules;
- (6) the audit committee of the Company will scrutinise the implementation and enforcement of the transactions under the Loan Agreement. If the Company's audit committee is of the view and decides that it would be in the Company's interests not to provide further loans to Tongfang, 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 loans under the Loan Agreement (including its views on how the terms of the Loan Agreement have been complied with) and its decisions on matters in relation thereto will be disclosed in the Company's annual reports;
- (7) the legal department of the Company will conduct regular random checks to review and assess whether the transactions contemplated under the Loan Agreement are conducted on normal commercial terms and in accordance with the terms set out in the Loan Agreement;
- (8) the Company's external auditors will conduct an annual review of the transactions under the Loan Agreement to ensure that the transactions amounts are within the Annual Cap and the transactions are in accordance with the terms set out in the Loan Agreement; and
- (9) the Company's independent non-executive Directors will conduct regular reviews of the status of the transactions under the Loan Agreement to ensure that the Company has complied with its internal approval process, the terms of the Loan Agreement and the relevant requirements under the Listing Rules.

In light of the above and we have obtained and reviewed the referencing interest rates (namely, (i) the loan prime rate promulgated by the People's Bank of China; and (ii) the interest rates offered by at least three major commercial banks in the PRC) collected by the accounting department of the Company, we are of the view that there are sufficient internal control and risk management measures in place and the interest rates charged to Tongfang will not be lower than that charged by major commercial banks in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken the above principal factors and reasons, we considered that the terms of the Provision of Loans contemplated under the Loan Agreement (including the proposed Annual Cap) are although not in the ordinary and usual course of business of the Group, fair and reasonable, and the entering into of the Provision of Loans contemplated under the Loan 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 Loan 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 28 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 2019, 31 December 2020, 31 December 2021 and the six months period ended 30 June 2022 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 2022 published on 19 September 2022 (pages 35 to 87)
(available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0919/2022091900606.pdf>)
- annual report of the Group for the year ended 31 December 2021 published on 26 April 2022 (pages 95 to 258)
(available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042601143.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>)

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 December 2022, 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) no outstanding interest-bearing bank borrowings; and
- b) current and non-current lease liabilities amounting to approximately RMB10,008 million and approximately RMB39,736 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 December 2022 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 Loan 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 2021, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

Warfare and conflicts around the world, coupled with COVID-19 pandemic, had a significant impact on global economic growth and inflation, which had an impact on the lighting business of the Company during the period under review. Despite the difficulties, the Company, under the leadership of its management, managed to achieve stable revenue and significant profit growth in 2022. The USA lighting segment continued to generate the Company's most revenue and profit during the period, although its performance was marginally lower than last year. This was mainly due to lower gross profit margin as a result of significant price increases on the supply chain side due to inflation this year, while competition on the sales side prevented significant price increases, coupled with the increase in production costs due to inflation. The USA lighting segment has begun planning for next year's marketing efforts to reduce the impact of adverse factors. After disposing of non-performing legacy assets last year, the PRC lighting segment improved gross margins and achieved a turnaround this year. As the lighting industry has entered a period of stable growth, the Company plans to focus more on quality development in the future: the USA lighting segment will promote changes in channel, product, supply chain, and business model to address opportunities and challenges; the PRC lighting segment will relocate production capacity to Vietnam to improve profitability.

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 2021 (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 date of this circular 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
Resuccess ⁽¹⁾	Beneficial owner	1,357,442,690	64.81%
Tongfang ⁽¹⁾	Interest of controlled corporation	1,357,442,690	64.81%
Vast Stone Limited ⁽²⁾	Beneficial owner	177,227,723	8.46%
Daniel P.W. Li ⁽²⁾	Interest of controlled corporation	177,227,723	8.46%

Notes:

- (1) Resuccess directly holds 1,357,442,690 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.
- (2) 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 date of this circular which is or may be material:

- (1) the Loan Agreement; and
- (2) the deposit service agreement dated 25 November 2021 entered into between the Company and China Nuclear Finance Company Limited (中核財務有限責任公司), pursuant to which China Nuclear Finance Company Limited (中核財務有限責任公司) shall provide the deposit service to 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》) during the term of the agreement.

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 Unit 2101, 21/F, Golden Centre, 188 Des Voeux Road Central, Hong Kong. The transfer office of the Company is Tricor Investor Services Limited, 17/F., Far East Financial Centre, 16 Harcourt Road, 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 activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)

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 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

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 Loan 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 to 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 Unit 2102-3, 21/F, Golden Centre, 188 Des Voeux Road Central, Hong Kong on Friday, 10 March 2023 at 11:00 a.m., to transact the following businesses:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the Loan Agreement (as defined in 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 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 Loan Agreement or the transactions contemplated thereunder.”

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

Hong Kong, 9 February 2023

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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 17/F., Far East Financial Centre, 16 Harcourt Road, 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 Tuesday, 7 March 2023 to Friday, 10 March 2023, 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 share registrars in Hong Kong, Tricor Investor Services Limited at 17/F., Far East Financial Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 6 March 2023. The record date for the determination of the entitlement to attend and vote at the EGM will be Friday, 10 March 2023.

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.