

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Neo-Neon Holdings Limited

同方友友控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01868)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Neo-Neon Holdings Limited (the “**Company**”) is pleased to announce the consolidated results for the year ended 31 December 2023 of the Company and its subsidiaries (collectively the “**Group**”), together with the comparative figures for the year ended 31 December 2022. These results have been reviewed by the Company’s audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	<i>Notes</i>	2023 <i>RMB’000</i>	2022 <i>RMB’000</i>
CONTINUING OPERATIONS			
REVENUE	3	786,110	927,506
Cost of sales		(440,240)	(579,858)
Gross profit		345,870	347,648
Other income, gains and losses, net (Provision)/reversal of provision of impairment, net	4 5	51,168 (1,261)	60,487 2,371
Selling and distribution expenses		(221,199)	(202,883)
Administrative expenses		(131,666)	(103,614)
Finance costs	6	(1,532)	(3,346)
PROFIT BEFORE TAX FROM			
CONTINUING OPERATIONS	5	41,380	100,663
Income tax expense	7	(13,705)	(14,882)

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<u>27,675</u>	<u>85,781</u>
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	8	<u>–</u>	<u>(35,899)</u>
PROFIT FOR THE YEAR		<u>27,675</u>	<u>49,882</u>
Attributable to:			
Owners of the parent		<u>26,821</u>	<u>48,771</u>
Non-controlling interests		<u>854</u>	<u>1,111</u>
		<u>27,675</u>	<u>49,882</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9		
– For profit for the year		<u>RMB1.28 cents</u>	<u>RMB2.33 cents</u>
– For profit from continuing operations		<u>RMB1.28 cents</u>	<u>RMB4.04 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT FOR THE YEAR	27,675	49,882
	<u> </u>	<u> </u>
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	(11,799)	(70,190)
Deregistration of subsidiaries	–	779
	<u> </u>	<u> </u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(11,799)	(69,411)
	<u> </u>	<u> </u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of the Company	20,431	125,165
	<u> </u>	<u> </u>
Surplus on revaluation upon transfer of right-of-use assets to investment properties	22,787	–
Income tax effect	(5,697)	–
	<u> </u>	<u> </u>
	17,090	–
	<u> </u>	<u> </u>
Surplus on revaluation upon transfer of property, plant and equipment to investment properties	36,161	–
Income tax effect	(9,040)	–
	<u> </u>	<u> </u>
	27,121	–
	<u> </u>	<u> </u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	64,642	125,165
	<u> </u>	<u> </u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	52,843	55,754
	<u> </u>	<u> </u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	80,518	105,636
	<u> </u>	<u> </u>
Attributable to:		
Owners of the parent	79,552	103,123
Non-controlling interests	966	2,513
	<u> </u>	<u> </u>
	80,518	105,636
	<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		19,634	33,924
Investment properties		146,588	73,509
Right-of-use assets		42,751	58,015
Goodwill		90,069	88,567
Other intangible assets		21,812	22,249
Financial assets at fair value through profit or loss		136,598	132,024
Deferred tax assets		26,552	22,345
		<hr/>	<hr/>
Total non-current assets		484,004	430,633
CURRENT ASSETS			
Inventories		154,053	176,172
Trade and bills receivables	10	109,146	128,818
Loan receivable	11	127,506	142,270
Prepayments, other receivables and other assets		24,997	49,691
Loan to the ultimate holding company	12	395,403	–
Financial assets at fair value through profit or loss		16,391	17,997
Tax recoverable		7,284	–
Cash and cash equivalents		498,097	783,264
		<hr/>	<hr/>
Total current assets		1,332,877	1,298,212
CURRENT LIABILITIES			
Trade payables	13	62,990	59,189
Other payables and accruals		90,189	108,092
Lease liabilities		10,450	10,009
Tax payable		–	13,745
Provision		33,440	5,792
		<hr/>	<hr/>
Total current liabilities		197,069	196,827
		<hr/>	<hr/>
NET CURRENT ASSETS		1,135,808	1,101,385

	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,619,812</u>	<u>1,532,018</u>
NON-CURRENT LIABILITIES			
Lease liabilities		32,578	39,736
Deferred tax liabilities		<u>24,584</u>	<u>10,150</u>
Total non-current liabilities		<u>57,162</u>	<u>49,886</u>
Net assets		<u><u>1,562,650</u></u>	<u><u>1,482,132</u></u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	185,672	185,672
Reserves		<u>1,367,301</u>	<u>1,287,749</u>
		1,552,973	1,473,421
Non-controlling interests		<u>9,677</u>	<u>8,711</u>
Total equity		<u><u>1,562,650</u></u>	<u><u>1,482,132</u></u>

NOTES

31 December 2023

1. CORPORATE AND GROUP INFORMATION

Neo-Neon Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the Company’s head office and principal place of business is located at Unit 3405, 34/F., 118 Connaught Road West, Hong Kong.

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

- manufacture and trading of lighting products
- provision of lighting solutions

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2.4 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

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

- the People's Republic of China (“**PRC**”) lighting segment consists of research and development, manufacture of lighting products in the PRC and Vietnam and distribution of lighting products in the PRC and overseas; and
- the United States of America (“**USA**”) lighting segment consists of the manufacture and trading of lighting products in the USA.

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

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

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

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

Year ended 31 December 2023

	PRC lighting RMB'000	USA lighting RMB'000	Total RMB'000
Segment revenue (note 4):			
Sales to external customers	82,239	703,871	786,110
Intersegment sales	15,800	–	15,800
	<hr/>	<hr/>	<hr/>
	98,039	703,871	801,910
<i>Reconciliation:</i>			
Elimination of intersegment sales			(15,800)
			<hr/>
Total segment revenue			786,110
			<hr/> <hr/>
Segment results	(9,567)	30,158	20,591
<i>Reconciliation:</i>			
Interest income and unallocated income and gains			32,996
Finance costs (other than interest on lease liabilities)			(131)
Government grants			56
Unallocated expenses			(12,132)
			<hr/>
Profit before tax			41,380
			<hr/> <hr/>
	PRC lighting RMB'000	USA lighting RMB'000	Total RMB'000
Segment assets	345,141	393,502	738,643
<i>Reconciliation:</i>			
Deferred tax assets			26,552
Loan to the ultimate holding company			395,403
Tax recoverable			7,284
Cash and cash equivalents			498,097
Corporate and other unallocated assets			150,902
			<hr/>
Total assets			1,816,881
			<hr/> <hr/>
Segment liabilities	25,532	200,291	225,823
<i>Reconciliation:</i>			
Deferred tax liabilities			24,584
Corporate and other unallocated liabilities			3,824
			<hr/>
Total liabilities			254,231
			<hr/> <hr/>

Year ended 31 December 2022

	PRC lighting RMB'000	USA lighting RMB'000	Total RMB'000
Segment revenue (note 4):			
Sales to external customers	171,554	755,952	927,506
Intersegment sales	13,022	–	13,022
	<hr/>	<hr/>	<hr/>
	184,576	755,952	940,528
<i>Reconciliation:</i>			
Elimination of intersegment sales			(13,022)
			<hr/>
Total segment revenue			927,506
			<hr/> <hr/>
Segment results			
	3,228	68,554	71,782
<i>Reconciliation:</i>			
Interest income and unallocated income and gains			41,708
Finance costs (other than interest on lease liabilities)			(1,907)
Government grants			1,708
Unallocated expenses			(12,628)
			<hr/>
Profit before tax from continuing operations			100,663
			<hr/> <hr/>
Segment assets			
	334,023	425,659	759,682
<i>Reconciliation:</i>			
Deferred tax assets			22,345
Cash and cash equivalents			783,264
Corporate and other unallocated assets			163,554
			<hr/>
Total assets			1,728,845
			<hr/> <hr/>
Segment liabilities			
	41,012	175,268	216,280
<i>Reconciliation:</i>			
Tax payable			13,745
Deferred tax liabilities			10,150
Corporate and other unallocated liabilities			6,538
			<hr/>
Total liabilities			246,713
			<hr/> <hr/>

Geographical information

(a) Revenue from external customers

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
North America	755,123	882,426
Europe	6,985	29,294
The PRC	1,549	5,880
Asia (excluding the PRC)	22,393	8,519
Other countries	60	1,387
	<u>786,110</u>	<u>927,506</u>

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

(b) Non-current assets

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
North America	141,746	146,866
The PRC	171,002	120,719
Asia (excluding the PRC)	8,106	8,679
	<u>320,854</u>	<u>276,264</u>

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

Information about major customers

During the year ended 31 December 2023, revenue generated from customer B by the USA lighting segment amounting to approximately RMB84,063,978 accounted for over 10% of the Group's revenue.

During the year ended 31 December 2022, revenue generated from customer A by the USA lighting segment amounting to approximately RMB102,734,000 accounted for over 10% of the Group's revenue.

4. OTHER INCOME, GAINS AND LOSSES, NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other income		
Bank interest income	17,085	17,760
Other interest income	10,139	–
Dividend income from financial assets at FVTPL	3,177	2,412
Government grants*	56	1,708
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	8,920	7,338
Others	6,813	7,420
	<u>46,190</u>	<u>36,638</u>
Total other income	<u>46,190</u>	<u>36,638</u>
Gains and losses, net		
Fair value gains/(losses) on investments properties, net	(1,493)	1,546
Gains/(losses) on disposal of items of property, plant and equipment	(121)	12
Fair value gains/(losses) of financial assets at FVTPL, net	2,721	(2,624)
Foreign exchange differences, net	3,871	24,915
	<u>4,978</u>	<u>23,849</u>
Total gains	<u>4,978</u>	<u>23,849</u>
Total other income and gains	<u><u>51,168</u></u>	<u><u>60,487</u></u>

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

5. PROFIT BEFORE TAX

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of inventories sold	444,785	556,707
Depreciation of property, plant and equipment	9,627	10,032
Depreciation of right-of-use assets	11,103	10,091
Research and development costs:		
Deferred expenditure amortised*	3,696	2,741
Amortisation of other intangible assets*	1,913	2,760
Additional provision**	28,659	353
Lease payments not included in the measurement of lease liabilities	471	215
Auditor's remuneration	2,339	2,224
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	132,788	143,495
Pension scheme contributions***	5,944	5,895
Total	<u>138,732</u>	<u>149,390</u>
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	340	553
Provision of impairment losses/(reversal of provision) on financial assets, net:		
Trade and bills receivables	1,546	(3,305)
Other receivables	(5,287)	934
Loan to the ultimate holding company	5,002	–
Total	<u>1,261</u>	<u>(2,371)</u>
Write-down/(reversal of write-down) of inventories to net realisable value#	<u>(5,132)</u>	<u>22,798</u>

The Group's loss before tax from a discontinued operation is arrived at after charging:

	2022
	<i>RMB'000</i>
Depreciation of property, plant and equipment	420
Depreciation of right-of-use assets	2,957
Amortisation of other intangible assets	8
Employee benefit expense (including directors' and chief executive's remuneration)	
Wages and salaries	11,969
Pension scheme contributions***	<u>1,291</u>
Total	<u>13,260</u>
Impairment losses on financial assets, net:	
Trade and bills receivables	159
Other receivables	<u>13,992</u>
Total	<u><u>14,151</u></u>

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

** Except for additional provision for warranties of RMB587,000 (2022: RMB353,000) included in "Cost of sales" in the consolidated statement of profit or loss, the additional provision for litigation are included in "Administrative expenses" in the consolidated statement of profit or loss.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

Included in "Cost of sales" in the consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on bank loans	131	1,907
Interest on lease liabilities	<u>1,401</u>	<u>1,439</u>
	<u><u>1,532</u></u>	<u><u>3,346</u></u>

7. INCOME TAX EXPENSE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current – Hong Kong		
Charge for the year	83	579
Underprovision in prior years	4,778	102
Current – Elsewhere		
Charge for the year	12,956	23,870
(Over)/underprovision in prior years	(121)	(3,579)
Deferred tax	<u>(3,991)</u>	<u>(6,090)</u>
Total tax charge for the year from continuing operations	13,705	14,882
Total deferred tax credit for the year from a discontinued operation	<u>–</u>	<u>(157)</u>
Total	<u><u>13,705</u></u>	<u><u>14,725</u></u>

8. DISCONTINUED OPERATION

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

The results of the Securities Group for the year ended 31 December 2022 were presented below:

	2022 <i>RMB'000</i>
Revenue	423
Other income, gains and losses, net	(2,264)
Provision for impairment, net	(14,151)
Administrative expenses	(19,934)
Finance costs	<u>(130)</u>
Loss before tax from the discontinued operation	(36,056)
Income tax credit	<u>157</u>
Loss for the year from the discontinued operation	<u><u>(35,899)</u></u>

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,094,465,417 (2022: 2,094,465,417) in issue during the year.

The computation of diluted earnings per share does not assume the exercise of a subsidiary of the Company's outstanding share options for the years ended 31 December 2023 and 2022 because the exercise price of those share options was higher than the price of a subsidiary of the Company's share during the years.

The Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>26,821</u>	<u>48,771</u>
Attributable to:		
Continuing operations	26,821	84,670
Discontinued operation	<u>–</u>	<u>(35,899)</u>
Total	<u>26,821</u>	<u>48,771</u>

	2023	2022
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	<u>2,094,465,417</u>	<u>2,094,465,417</u>

10. TRADE AND BILLS RECEIVABLES

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	112,435	134,582
Bills receivables	408	126
Less: Impairment loss on trade receivables	(3,695)	(5,890)
Less: Impairment loss on bills receivables	(2)	–
	<u>109,146</u>	<u>128,818</u>

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

PRC and USA lighting segments

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

Included in the Group's trade receivables were amounts due from the Group's related parties of RMB2,061,000 as at 31 December 2022 which were repayable on credit terms similar to those offered to the major customers of the Group. The balance was provided in prior years and is written off during the year ended 31 December 2023.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	54,606	55,683
1 to 2 months	37,448	35,797
2 to 3 months	4,834	15,915
3 to 6 months	7,006	14,126
Over 6 months	5,252	7,297
	109,146	128,818

11. LOAN RECEIVABLE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loan receivable	162,340	176,606
Less: Impairment allowance	(34,834)	(34,336)
	127,506	142,270

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
On demand	127,506	142,270

12. LOAN TO THE ULTIMATE HOLDING COMPANY

	2023 <i>RMB'000</i>
Loan to the ultimate holding company	400,405
Less: Impairment allowance	(5,002)
	395,403

The loan to the ultimate holding company represents (i) the revolving loan to Tsinghua Tongfang Co., Limited with an amount of RMB400,000,000, which is unsecured, interest-bearing at 3.65% per annum and repayable on demand and (ii) interest receivables of approximately RMB405,000 as at 31 December 2023.

13. TRADE PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	<u>62,990</u>	<u>59,189</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	46,510	41,311
1 to 2 months	3,989	5,498
2 to 3 months	2,549	1,524
3 to 6 months	7,609	7,181
6 months to 1 year	519	2,445
Over 1 year	<u>1,814</u>	<u>1,230</u>
	<u>62,990</u>	<u>59,189</u>

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

14. SHARE CAPITAL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Authorised: 5,000,000,000 ordinary shares of HK\$0.10 each	<u>500,000</u>	<u>500,000</u>

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Issued and fully paid: 2,094,465,417 (2022: 2,094,465,417) ordinary shares of HK\$0.10 (2022: HK\$0.10) each	<u>185,672</u>	<u>185,672</u>

15. SHARE OPTION SCHEME

Share option scheme of the Company

No share option was granted or exercised during the year ended 31 December 2023 (2022: Nil).

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

Share option scheme of a subsidiary of the Company

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

	2023		2022	
	Weighted average exercise price <i>US\$ per share</i>	Number of options <i>'000</i>	Weighted average exercise price <i>US\$ per share</i>	Number of options <i>'000</i>
At 1 January and 31 December	<u>369</u>	<u>2,435</u>	<u>369</u>	<u>2,435</u>

No share option was granted or exercised during the year ended 31 December 2023 (2022: Nil).

16. DIVIDENDS

The Directors did not recommend the declaration of any dividend for the years ended 31 December 2023 and 2022.

17. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

As at date of this announcement, the Group has no significant events after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The total revenue of continuing operations for the year ended 31 December 2023 was approximately RMB786.1 million, representing a decrease of approximately 15.2% as compared to approximately RMB927.5 million for the year ended 31 December 2022. For further details, please see below.

Continuing Operations

The revenue from continuing operations (research and development, manufacturing, distribution and providing solutions of lighting products) for the year ended 31 December 2023 was approximately RMB786.1 million, which represents a decrease of approximately RMB141.4 million as compared to approximately RMB927.5 million for the year ended 31 December 2022, mainly due to the decreased revenue of approximately RMB89.3 million and RMB52.1 million from the PRC lighting segment and the USA lighting segment respectively. During the year ended 31 December 2023, due to inflationary pressures in the American Market and the continued economic downturn, the order volume decreased.

Cost of sales

For the year ended 31 December 2023, the cost of sales from continuing operations was approximately RMB440.2 million, representing a decrease of approximately RMB139.7 million over approximately RMB579.9 million for the year ended 31 December 2022 primarily due to the reduction in overall costs through the change of product structure, increasing sales of products with high gross profit while reducing those with low gross profit.

Gross profit and gross profit margin

For the year ended 31 December 2023, the Group recorded a gross profit of approximately RMB345.9 million for continuing operations, representing a decrease of approximately RMB1.7 million over the gross profit of approximately RMB347.6 million for the year ended 31 December 2022, which was basically the same as the same period last year, primarily due to the change of product structure.

Other income, gains and losses, net

For the year ended 31 December 2023, the Group recorded other income, gains and losses, net of approximately RMB51.2 million for continuing operations, representing a decrease of approximately RMB9.3 million over approximately RMB60.5 million for the year ended 31 December 2022, mainly due to the decrease in net exchange gains of approximately RMB21.0 million and the increase in other interest income of approximately RMB10.1 million.

Provision for impairment, net

For the year ended 31 December 2023, the net amount of impairment provision for continuing operations was approximately RMB1.3 million, representing an increase of approximately RMB3.7 million over impairment reversal of approximately RMB2.4 million for the year ended 31 December 2022, mainly due to the recovery of certain long-aged receivables of approximately RMB3.3 million during 2022.

Operating expenses

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

For the year ended 31 December 2023, the selling and distribution expenses for the continuing operations of the Group were approximately RMB221.2 million, representing an increase of approximately RMB18.3 million over approximately RMB202.9 million for the year ended 31 December 2022, mainly due to inflation, changes in exchange rate, increased promotion of new products and the establishment of high gross profit channels resulting in higher labor cost and agency fees, during 2023.

The administrative expenses mainly comprised of staff costs, directors remuneration, depreciation charge and professional and legal fees. The administrative expenses of the continuing operations for the year ended 31 December 2023 were approximately RMB131.7 million, representing an increase of approximately RMB28.1 million over approximately RMB103.6 million for the year ended 31 December 2022, which was mainly attributable to inflation, changes in exchange rate and the increase in labor costs and litigation expenses in the USA lighting segment.

Finance costs

The finance costs of the continuing operations for the year ended 31 December 2023 were approximately RMB1.5 million, representing a decrease of approximately RMB1.8 million over approximately RMB3.3 million for the year ended 31 December 2022, mainly due to the USA lighting segment did not have any bank loans during 2023.

Taxation

For the year ended 31 December 2023, tax charge of continuing operations of approximately RMB13.7 million (2022: RMB14.9 million) mainly included current tax charge for the year of approximately RMB13.0 million and deferred tax credit of approximately RMB4.0 million.

Discontinued Operation

The loss after tax of Securities Group for the year ended 31 December 2022 was approximately RMB35.9 million.

Profit attributable to owners of the parent

For the year ended 31 December 2023, the Group recorded profit attributable to owners of the parent of approximately RMB26.8 million, representing a decrease of approximately RMB22.0 million over profit of approximately RMB48.8 million for the year ended 31 December 2022. Such decrease in profit was primarily due to the increase in total operating expenses of the USA lighting segment.

Net Results

For the year ended 31 December 2023, the Group recorded a net profit of approximately RMB27.7 million, as compared to a net profit of approximately RMB49.9 million for the year ended 31 December 2022. The reasons for such decrease are same as the reasons for profit attributable to owners of the parent.

Financial Resources, Liquidity and Gearing Ratio

The Group maintained a stable financial position. As at 31 December 2023, the Group had cash and cash equivalents of approximately RMB498.1 million. The gearing ratio representing the ratio of total loans and total lease liabilities to total equity of the Group was 2.8% as at 31 December 2023 (31 December 2022: 3.4%). Such decrease was mainly attributable to the increase in total equity due to increase in value as a result of leasing out the factory premises of the PRC lighting segment and transfer into an investment property during 2023.

Assets and Liabilities

As at 31 December 2023, the Group recorded the total assets of approximately RMB1,816.9 million (31 December 2022: approximately RMB1,728.8 million) and total liabilities of approximately RMB254.2 million (31 December 2022: approximately RMB246.7 million).

As at 31 December 2023, the Group's current assets and non-current assets were approximately RMB1,332.9 million (31 December 2022: approximately RMB1,298.2 million) and approximately RMB484.0 million (31 December 2022: approximately RMB430.6 million), respectively. The increase in current assets is due to the increase in loan to the ultimate holding company of approximately RMB395.4 million, the decrease in cash and cash equivalents of approximately RMB285.2 million and the decrease in inventories and receivables of approximately RMB81.2 million. The increase in non-current asset was mainly attributable to the increase in investment properties of approximately RMB73.1 million as a result of the leasing out of the factory premises of the PRC lighting segment and transfer into investment properties during 2023.

As at 31 December 2023, the Group's current liabilities and non-current liabilities were approximately RMB197.1 million (31 December 2022: RMB196.8 million) and approximately RMB57.2 million (31 December 2022: RMB49.9 million), respectively. The increase in non-current liabilities were mainly attributable to the increase in deferred tax liabilities of approximately RMB14.4 million.

Foreign Currency Risk

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

Charges on Assets

As at 31 December 2023, the Group pledged certain of its trade receivables and inventories with an aggregate carrying value of approximately RMB174.4 million (31 December 2022: RMB224.2 million) to secure bank credit facilities granted to the Group.

Capital Commitments

As at 31 December 2023, the Group had no capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment (31 December 2022: Nil).

Contingent Liabilities

During the year ended 31 December 2023, certain subsidiaries are parties to various legal claims in their ordinary course of business. In the opinion of the Directors, these claims would not have a significant impact on the Group's results and financial position.

Capital Structure

As at 31 December 2023, the issued share capital of the Company was approximately RMB185,672,131 (equivalent to approximately HK\$209,446,542) (31 December 2022: approximately RMB185,672,131 (equivalent to approximately HK\$209,446,542), divided into 2,094,465,417 ordinary shares of HK\$0.10 each.

Provision of Revolving Loans to Tongfang

On 3 January 2023, the Company and Guangdong Tongfang Science Park Company Limited* (廣東同方科技園有限公司) (as lenders) and Tsinghua Tongfang Co., Ltd.* (同方股份有限公司) (“**Tongfang**”) entered into a loan agreement (the “**Loan Agreement**”), pursuant to which the lender(s) 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. The Loan Agreement was approved by the independent shareholders at the extraordinary general meeting held on 10 March 2023.

Pursuant to the terms of the Loan Agreement, the lender(s) 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.

During 2023, the lender has granted a loan to Tongfang with a total principal amount of RMB400 million at an interest rate of 3.65% per annum pursuant to the terms of the Loan Agreement.

Loan to an Individual

References are made to the announcement dated 6 April 2018, 9 July 2020 and 27 October 2023 in relation to the repayment framework agreement (the “**Repayment Framework Agreement**”) entered into between Mr. Wang Lifeng as the Borrower and his spouse and Tongfang Finance Limited as the Lender, pursuant to which the Borrower and his spouse shall repay the remaining principal of HK\$175.45 million by 30 September 2025 and shall repay the accrued interests of approximately HK\$43.07 million by 31 October 2027. In addition, the Borrower and his spouse have agreed to provide additional securities including certain shares in two PRC companies in the PRC to secure the full repayment of the Bonds. The Repayment Framework Agreement shall become effective upon the signing of the relevant application documents by the respective parties for judicial mediation in the PRC and to the court and court order staying proceedings in Hong Kong. All other material terms of the Bonds remain unchanged.

Material Acquisition and Disposal and Significant Investment

There were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year under review.

FINAL DIVIDEND

The Board resolved not to declare any dividend for the year ended 31 December 2023 (31 December 2022: Nil).

BUSINESS REVIEW

During the year 2023, global geopolitical frictions, severe inflation, sluggish economic recovery, monetary tightening and intensifying energy crisis in Europe led to reduced consumer purchasing power and a decline in demand for discretionary products such as lighting and decorative lights. Facing the ever-changing market environment, the Company closely focused on its development goals and continuously adjusted its sales strategy and optimized its personnel structure to reduce costs and increase efficiency. The USA lighting segment generated the Company's most revenue and profit during the period. In order to reduce the impact of inflation, the Company strengthened its business strategy to promote new products and high-margin products. Despite the decline in year-on-year revenue, gross profit on sales was basically the same as the same period last year. The PRC lighting segment further shifted its production capacity to factories in Vietnam with more favorable trade policies to reduce trading costs and production costs.

In the future, the Group will continue to focus on developing the LED lighting business, pay attention to the development trends of the consumer market, actively enhance the brand image and promote the brand's popularity in the international market. Based on the Company's development goals and business vision, the Group will continue to optimize our business strategies including product development, market penetration and marketing mix strategies, etc. The Group will also focus on the integration of product supply chain, increase product categories and acquire more collaborative projects. By implementing plans to upgrade existing products and retaining profit margins despite the decrease in product unit prices, the Group will strive to stabilize its performance and maintain market share.

Lastly, the Group will rationally allocate human resources, adhere to the people-oriented management philosophy and strengthen cultural development. The Group will also create a respectful atmosphere for talent, knowledge and creation, and fully mobilize the enthusiasm and initiative of all employees to achieve long-term steady growth of the Group.

Sales and Distribution

Lighting Segment

During the year ended 31 December 2023, the Group took efforts in distribution and marketing, cultivating the new sales channels and promoting the new brand of lighting products. The Group proactively made deployment in branding establishment and sales channel in the world's fastest growing markets and brought to its customers better sales services in energy-saving technologies and solutions.

Research and Development (“R&D”)

The Group's R&D efforts were driven towards product design, new product development and production efficiency improvement in order to reduce the overall production cost.

Employees and Remuneration

As at 31 December 2023, the Group's total number of employees was 472 (31 December 2022: 557). The basic remunerations of the employees are determined with reference to the industry remuneration benchmark, the employees' experience and their performance. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits required by laws, the Group provides discretionary bonus based upon the Group's results and the individual performance of the staff.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting. The record date for the purpose of determining the entitlements of the shareholders to attend and vote at the annual general meeting will be on Friday, 21 June 2024. In order to qualify for attending and voting at the annual general meeting, all transfers accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 17 June 2024.

CORPORATE GOVERNANCE CODE

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

Under the code provision C.2.1 of the code on corporate governance practices contained in Appendix C1 (the "**Corporate Governance Code**") to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in force during the year ended 31 December 2023, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate chairman and a chief executive officer and Mr. Gao Zhi holds both positions. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company as non-executive Directors and independent non-executive Directors form the majority of the Board, with five out of seven of the Directors being non-executive directors and independent non-executive Directors. The Board believes that vesting the roles of both chairman and chief executive officer in the same person can facilitate execution of the Company's business strategies and boost effectiveness of its operation. The Board will review the current structure from time to time and shall make necessary arrangements when the Board considers appropriate.

Save as disclosed in this announcement throughout the year ended 31 December 2023, the Company complied with the code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct for securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors’ securities transactions for the year ended 31 December 2023.

AUDIT COMMITTEE

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

The Group’s annual results for the year ended 31 December 2023 have been reviewed by the audit committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors. In addition, the audit committee reviewed the internal control and risk management systems of the Group during the year of 2023.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2023.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Company’s auditors, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by the Company’s auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company’s auditor on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the total issued capital of an issuer must be held by the public at any time. Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules for the year ended 31 December 2023 and the subsequent period ended the date of this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.neo-neon.com>). The annual report for the year ended 31 December 2023 containing all the information required by Appendix D2 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

* *For identification purpose only.*

By order of the board of
Neo-Neon Holdings Limited
Gao Zhi
Chairman

Hong Kong, 21 March 2024

As at the date of this announcement, the executive Directors are Mr. Gao Zhi and Mr. Lian Chenwei; the non-executive Directors are Mr. Kong Lingqi and Ms. Liu Wenjing; the independent non-executive Directors are Dr. Fan Ren Da Anthony, Ms. Yang Juan and Ms. Li Ming Qi.