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Neo-Neon Holdings Limited
同方友友控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01868)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 of the Company and its subsidiaries (collectively the "**Group**"), together with the comparative figures for year ended 31 December 2021. These results have been reviewed by the Company's audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	**2022** ***RMB'000***	2021 *RMB'000*
CONTINUING OPERATIONS			
REVENUE	*3*	**927,506**	863,857
Cost of sales		**(579,858)**	(628,453)
Gross profit		**347,648**	235,404
Other income, gains and losses, net	*4*	**60,487**	20,795
Reversal of provision/(provision) of impairment, net	*5*	**2,371**	(23,965)
Selling and distribution expenses		**(202,883)**	(161,523)
Administrative expenses		**(103,614)**	(101,680)
Finance costs	*6*	**(3,346)**	(3,903)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**100,663**	(34,872)
Income tax expense	*7*	**(14,882)**	(15,579)

	Notes	2022 *RMB'000*	2021 *RMB'000*
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**85,781**	(50,451)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	*8*	**(35,899)**	(220,779)
PROFIT/(LOSS) FOR THE YEAR		**49,882**	(271,230)
Attributable to:			
Owners of the parent		**48,771**	(272,178)
Non-controlling interests		**1,111**	948
		49,882	(271,230)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted			
– For profit/(loss) for the year		**RMB2.33 cents**	RMB(12.99) cents
– For profit/(loss) from continuing operations		**RMB4.04 cents**	RMB(2.45) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**49,882**	(271,230)
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(70,190)**	26,443
Deregistration of subsidiaries	**779**	–
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(69,411)**	26,443
Exchange differences:		
Exchange differences on translation of the Company	**125,165**	(39,994)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**125,165**	(39,994)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**55,754**	(13,551)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**105,636**	(284,781)
Attributable to:		
Owners of the parent	**103,123**	(285,620)
Non-controlling interests	**2,513**	839
	105,636	(284,781)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	**2022** ***RMB'000***	2021 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**33,924**	37,815
Investment properties		**73,509**	67,470
Right-of-use assets		**58,015**	55,473
Goodwill		**88,567**	81,079
Other intangible assets		**22,249**	17,366
Other assets		**–**	1,578
Financial assets at fair value through profit or loss		**132,024**	134,648
Deferred tax assets		**22,345**	14,027
Total non-current assets		**430,633**	409,456
CURRENT ASSETS			
Inventories		**176,172**	163,828
Trade and bills receivables	*10*	**128,818**	141,546
Loan receivable	*11*	**142,270**	130,218
Prepayments, other receivables and other assets		**49,691**	84,188
Financial assets at fair value through profit or loss		**17,997**	16,433
Cash held on behalf of clients		**–**	9,175
Cash and cash equivalents		**783,264**	698,422
Total current assets		**1,298,212**	1,243,810
CURRENT LIABILITIES			
Trade payables	*12*	**59,189**	92,783
Other payables and accruals		**108,092**	72,896
Interest-bearing bank borrowings		**–**	36,660
Lease liabilities		**10,009**	11,887
Tax payable		**13,745**	13,850
Provision		**5,792**	5,722
Total current liabilities		**196,827**	233,798
NET CURRENT ASSETS		**1,101,385**	1,010,012
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,532,018**	1,419,468

	Note	**2022** ***RMB'000***	2021 *RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**39,736**	34,256
Deferred tax liabilities		**10,150**	8,716
Total non-current liabilities		**49,886**	42,972
Net assets		**1,482,132**	1,376,496
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*13*	**185,672**	185,672
Reserves		**1,287,749**	1,184,626
		1,473,421	1,370,298
Non-controlling interests		**8,711**	6,198
Total equity		**1,482,132**	1,376,496

NOTES

31 December 2022

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 2101, 21/F., Golden Centre, 188 Des Voeux Road Central, Hong Kong.

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

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

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.

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

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**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investments properties 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

- the PRC lighting segment consists of the research and development, manufacture of lighting products in the PRC and distribution of lighting products in the PRC and overseas; and

- the USA lighting segment consists of the manufacture and trading of lighting products in the USA.

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

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

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

Segment liabilities exclude interest-bearing bank borrowings, 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 2022

	PRC lighting *RMB'000*	USA lighting *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	171,554	755,952	927,506
Intersegment sales	13,022	–	13,022
	184,576	755,952	940,528
Reconciliation:			
Elimination of intersegment sales			(13,022)
Revenue			927,506
Segment results	3,228	68,554	71,782
Reconciliation:			
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)
Profit before tax from continuing operations			100,663

	PRC lighting *RMB'000*	USA lighting *RMB'000*	Total *RMB'000*
Segment assets	334,023	425,659	759,682
Reconciliation:			
Deferred tax assets			22,345
Cash and cash equivalents			783,264
Corporate and other unallocated assets			163,554
Total assets			1,728,845
Segment liabilities	41,012	175,268	216,280
Reconciliation:			
Tax payable			13,745
Deferred tax liabilities			10,150
Corporate and other unallocated liabilities			6,538
Total liabilities			246,713

	PRC lighting *RMB'000*	USA lighting *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Other segment information from continuing operations:				
(Reversal of impairment)/impairment losses on financial assets, net	(1,884)	(1,840)	1,353	(2,371)
Provision for inventories included in cost of inventories sold	5,866	16,932	–	22,798
Depreciation and amortisation	11,652	13,876	96	25,624
Capital expenditure*	8,133	1,941	–	10,074

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Year ended 31 December 2021

	PRC lighting *RMB'000*	USA lighting *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	147,425	716,432	863,857
Intersegment sales	48,525	–	48,525
	195,950	716,432	912,382
Reconciliation:			
Elimination of intersegment sales			(48,525)
Revenue			863,857
Segment results	(86,875)	61,118	(25,757)
Reconciliation:			
Interest income and unallocated income and gains			2,637
Finance costs (other than interest on lease liabilities)			(2,668)
Government grants			10,364
Unallocated expenses			(19,448)
Loss before tax from continuing operations			(34,872)

	PRC lighting *RMB'000*	USA lighting *RMB'000*	Total *RMB'000*
Segment assets	449,421	394,665	844,086
Reconciliation:			
Elimination of intersegment receivables			(81,008)
Deferred tax assets			14,027
Cash and cash equivalents			698,422
Corporate and other unallocated assets			177,739
Total assets			1,653,266
Segment liabilities	34,982	164,650	199,632
Reconciliation:			
Elimination of intersegment payables			(81,008)
Interest-bearing bank borrowings			36,660
Tax payable			13,850
Deferred tax liabilities			8,716
Corporate and other unallocated liabilities			98,920
Total liabilities			276,770

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

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Geographical information

(a) Revenue from external customers

	2022	2021
	RMB'000	*RMB'000*
North America	**882,426**	812,431
Europe	**29,294**	26,208
The PRC	**5,880**	7,632
Asia (excluding the PRC)	**8,519**	16,143
Other countries	**1,387**	1,443
	927,506	863,857

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

(b) Non-current assets

	2022	2021
	RMB'000	*RMB'000*
North America	**146,866**	129,487
The PRC	**120,719**	125,187
Asia (excluding the PRC)	**8,679**	6,107
	276,264	260,781

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 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.

During the year ended 31 December 2021, revenue generated from customer A and customer B by the USA lighting segment amounting to approximately RMB98,662,000 and RMB93,025,000 accounted for over 10% of the Group's revenue.

4. OTHER INCOME, GAINS AND LOSSES, NET

	2022	2021
	RMB'000	*RMB'000*
Other income		
Bank interest income	**17,760**	2,316
Dividend income from financial assets at FVTPL	**2,412**	–
Government grants*	**1,708**	10,364
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	**7,338**	6,568
Reversal of aged other payables and accruals#	**–**	4,037
Others	**7,420**	4,480
	36,638	27,765
Gains and losses, net		
Fair value gains/(losses) on investments properties, net	**1,546**	(6,023)
Gain on disposal on financial assets at FVTPL	**–**	3,750
Gains on disposal of items of property, plant and equipment	**12**	233
Fair value (losses)/gains of financial assets at FVTPL, net	**(2,624)**	349
Foreign exchange differences, net	**24,915**	(5,708)
Change in fair value of contingent consideration payable	**–**	429
	23,849	(6,970)
	60,487	20,795

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

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

5. PROFIT/(LOSS) BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**556,707**	576,651
Depreciation of property, plant and equipment	**10,032**	16,339
Depreciation of right-of-use assets	**10,091**	11,799
Research and development costs:		
Deferred expenditure amortised*	**2,741**	6,452
Amortisation of other intangible assets*	**2,760**	2,616
Additional provision**	**353**	2,153
Lease payments not included in the measurement of lease liabilities	**215**	471
Auditor's remuneration	**2,224**	2,750
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**143,495**	133,316
Pension scheme contributions***	**5,895**	6,554
	149,390	139,870
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**553**	520
Write-off of other intangible assets	**–**	342
(Reversal of provision)/provision of impairment losses on financial assets, net:		
Trade and bills receivables	**(3,305)**	2,852
Other receivables	**934**	10,388
Impairment loss on intangible assets	**–**	2,669
Impairment loss on goodwill	**–**	8,056
	(2,371)	23,965
Write-down of inventories to net realisable value**	**22,798**	49,649

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

	2022	2021
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**420**	1,070
Depreciation of right-of-use assets	**2,957**	2,868
Amortisation of other intangible assets	**8**	996
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**11,969**	31,836
Pension scheme contributions***	**1,291**	2,535
	13,260	34,371
Impairment losses on financial assets, net:		
Trade and bills receivables	**159**	117
Other receivables	**13,992**	47,274
Loan receivable	**–**	31,271
Impairment loss on intangible assets	**–**	5,320
Impairment loss on goodwill	**–**	94,965
	14,151	178,947

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

** Included in "Cost of sales" 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.

6. FINANCE COSTS

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

	2022	2021
	RMB'000	*RMB'000*
Interest on bank loans	**1,907**	1,447
Interest on a loan from the ultimate holding company	**–**	1,221
Interest on lease liabilities	**1,439**	1,235
	3,346	3,903

7. INCOME TAX EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the year	**579**	881
Underprovision in prior years	**102**	–
Current – Elsewhere		
Charge for the year	**23,870**	17,592
Over-provision in prior years	**(3,579)**	9
Deferred tax	**(6,090)**	(2,903)
Total tax charge for the year from continuing operations	**14,882**	15,579
Total deferred tax credit for the year from a discontinued operation	**(157)**	(1,235)
	14,725	14,344

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 is no longer included in the note for operating segment information.

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

	2022	2021
	RMB'000	*RMB'000*
Revenue	**423**	10,672
Other income, gains and losses, net	**(2,264)**	7,087
Provision for impairment, net *(note 5)*	**(14,151)**	(178,947)
Selling and distribution expenses	**–**	(2,673)
Administrative expenses	**(19,934)**	(57,858)
Finance costs	**(130)**	(295)
Loss before tax from the discontinued operation	**(36,056)**	(222,014)
Income tax credit	**157**	1,235
Loss for the year from the discontinued operation	**(35,899)**	(220,779)

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,094,465,417 (2021: 2,094,465,417) in issue during the year.

The computation of diluted earnings/(loss) per share does not assume the exercise of a subsidiary of the Company's outstanding share options for the years ended 31 December 2022 and 2021 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 2022 and 2021.

	2022	2021
	RMB'000	*RMB'000*
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation	**48,771**	(272,178)
Attributable to:		
Continuing operations	**84,670**	(51,399)
Discontinued operation	**(35,899)**	(220,779)
	48,771	(272,178)

	2022	2021
	Number of shares	*Number of shares*
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation	**2,094,465,417**	2,094,465,417

10. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**134,582**	148,632
Bills receivables	**126**	577
Less: Impairment loss on trade receivables	**(5,890)**	(7,660)
Less: Impairment loss on bills receivables	**–**	(3)
	128,818	141,546

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

PRC and USA lighting segments

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

Securities segment

Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had certain concentration of credit risk as 100% and 100% (2021: 60% and 100%) of the total gross trade receivables was due from the Group's largest customer and the five largest customers, respectively. The Group has suspended the business during the prior year, as further detailed in note 8 to the announcement. The Group does not hold collateral over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from the Group's related parties of RMB2,061,000 (2021: RMB3,841,000) which are repayable on credit terms similar to those offered to the major customers of the Group.

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

	2022			2021		
	Lighting	**Securities**	**Total**	Lighting	Securities	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	**55,683**	**–**	**55,683**	125,622	265	125,887
1 to 2 months	**35,797**	**–**	**35,797**	5,722	–	5,722
2 to 3 months	**15,915**	**–**	**15,915**	4,349	–	4,349
3 to 6 months	**14,126**	**–**	**14,126**	2,447	–	2,447
Over 6 months	**7,297**	**–**	**7,297**	3,115	26	3,141
	128,818	**–**	**128,818**	141,255	291	141,546

11. LOAN RECEIVABLE

	2022	2021
	RMB'000	*RMB'000*
Loan receivable	**176,606**	161,646
Less: Impairment allowance	**(34,336)**	(31,428)
	142,270	130,218

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:

	2022	2021
	RMB'000	*RMB'000*
On demand	**142,270**	130,218

12. TRADE PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**59,189**	83,562
Accounts payables to securities clients	**–**	9,221
	59,189	92,783

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

	2022			2021		
	Accounts payables to securities clients	**Trade payables**	**Total**	Accounts payables to securities clients	Trade payables	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	**–**	**41,311**	**41,311**	9,221	44,030	53,251
1 to 2 months	**–**	**5,498**	**5,498**	–	11,063	11,063
2 to 3 months	**–**	**1,524**	**1,524**	–	3,997	3,997
3 to 6 months	**–**	**7,181**	**7,181**	–	19,264	19,264
6 months to 1 year	**–**	**2,445**	**2,445**	–	2,261	2,261
Over 1 year	**–**	**1,230**	**1,230**	–	2,947	2,947
	–	**59,189**	**59,189**	9,221	83,562	92,783

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

13. SHARE CAPITAL

	2022	2021
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	**500,000**	500,000

	2022	2021
	RMB'000	*RMB'000*
Issued and fully paid:		
2,094,465,417 (2021: 2,094,465,417) ordinary shares of HK$0.10 (2021: HK$0.10) each	**185,672**	185,672

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

	Number of shares in issue	**Share capital**
		RMB'000
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	2,094,465,417	185,672

Note: The Company did not purchase any shares in the current year (2021: Nil). The purchased shares of 40,000 were cancelled during the prior year.

14. SHARE OPTION SCHEME

Share option scheme of the Company

No share option was granted or exercised during the year ended 31 December 2022 (2021: 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:

	2022		2021	
	Weighted average exercise price ***US$ per share***	**Number of options** ***'000***	Weighted average exercise price *US$ per share*	Number of options *'000*
At 1 January and 31 December	**369**	**2,435**	369	2,435

No share option was granted or exercised during the year ended 31 December 2022 (2021: Nil).

15. RELATED PARTY TRANSACTIONS

	2022	2021
	RMB'000	*RMB'000*
Interest paid to the ultimate holding company	**–**	1,221

16. DIVIDENDS

The Directors did not recommend the declaration of any dividend for the years ended 31 December 2022 and 2021.

FINANCIAL REVIEW

The total revenue of continuing operations for the year ended 31 December 2022 was approximately RMB927.5 million, representing an increase of approximately 7.4% as compared to approximately RMB863.9 million for the year ended 31 December 2021. For further details, please see below.

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

Continuing Operations

The revenue from continuing operations (research and development, manufacturing, distribution and providing solutions of lighting products) for the year ended 31 December 2022 was approximately RMB927.5 million, which represents an increase of approximately RMB63.6 million as compared to approximately RMB863.9 million for the year ended 31 December 2021, mainly due to the increased revenue of approximately RMB39.5 million and RMB24.1 million from the USA lighting segment and the PRC lighting segment respectively. During the year ended 31 December 2022, the USA lighting segment continued expanding sales channels and the PRC lighting segment increased product prices, achieving good results.

Cost of sales

For the year ended 31 December 2022, the cost of sales from continuing operations was approximately RMB579.9 million, representing a decrease of approximately RMB48.6 million over approximately RMB628.5 million for the year ended 31 December 2021 primarily due to the decrease of material costs and decrease in provision of impairment in inventories.

Gross profit and gross profit margin

For the year ended 31 December 2022, the Group recorded a gross profit of approximately RMB347.6 million for continuing operations, representing an increase of approximately RMB112.2 million over the gross profit of approximately RMB235.4 million for the year ended 31 December 2021 primarily due to the expansion of sales channels with high gross profit for the USA lighting segment and decrease in provision of impairment in inventories.

Other income, gains and losses, net

For the year ended 31 December 2022, the Group recorded other income, gains and losses, net of approximately RMB60.5 million for continuing operations, representing a increase of approximately RMB39.7 million over approximately RMB20.8 million for the year ended 31 December 2021, mainly due to the increase in bank interest income and net foreign exchange gains of approximately RMB15.4 million and RMB30.6 million in 2022 respectively.

Provision for impairment, net

For the year ended 31 December 2022, the net amount of reversal impairment provision for continuing operations was approximately RMB2.4 million, representing a decrease of approximately RMB26.3 million over approximately RMB24.0 million for the year ended 31 December 2021, mainly due to the recovery of certain aged receivables of approximately RMB3.3 million and the decrease in provision of impairment loss for other receivables of approximately RMB9.45 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 2022, the selling and distribution expenses for the continuing operations of the Group were approximately RMB202.9 million, representing an increase of approximately RMB41.4 million over approximately RMB161.5 million for the year ended 31 December 2021, mainly attributable to the severe inflation during 2022, and the increased sales channels incurring higher selling expenses for the USA lighting segment.

The administrative expenses mainly comprised of staff costs, directors remuneration, depreciation charge and professional and legal fees. The administrative expenses of the continuing operations for the year ended 31 December 2022 were approximately RMB103.6 million, representing an increase of approximately RMB1.9 million over approximately RMB101.7 million for the year ended 31 December 2021, mainly due to the severe inflation during 2022 and the increase in labor costs for the USA lighting segment.

Finance costs

The finance costs of the continuing operations for the year ended 31 December 2022 were approximately RMB3.3 million, representing a decrease of approximately RMB0.6 million over approximately RMB3.9 million for the year ended 31 December 2021, mainly due to the repayment of a loan from the ultimate holding company in the first half of 2021.

Taxation

For the year ended 31 December 2022, tax charge of continuing operations of approximately RMB14.9 million (2021: RMB15.6 million) mainly included current tax charge for the year of approximately RMB24.4 million and deferred tax credit of approximately RMB6.1 million.

Discontinued Operation

The loss after tax of Securities Group for the year ended 31 December 2022 were approximately RMB35.9 million, representing a decrease of approximately RMB184.9 million over approximately RMB220.8 million for the year ended 31 December 2021 mainly due to the decrease in provision of impairment losses on financial assets and goodwill recorded in the prior period.

Profit attributable to owners of the parent

For the year ended 31 December 2022, the Group recorded profit attributable to owners of the parent of approximately RMB48.8 million, representing an increase of approximately RMB321 million over loss of approximately RMB272.2 million for the year ended 31 December 2021. Such increase in profit was primarily due to the decrease in provision of impairment loss of approximately RMB164.8 million from the Securities Group, the increase in gross profit from continuing operations of approximately RMB112.2 million and the increase in interest income from bank deposits from continuing operations of approximately RMB15.4 million during 2022.

Net Results

For the year ended 31 December 2022, the Group recorded a net profit of approximately RMB49.9 million, as compared to a net loss of approximately RMB271.2 million for the year ended 31 December 2021. The reasons for such increase 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 2022, the Group had cash and cash equivalents of approximately RMB783.3 million. The gearing ratio representing the ratio of total loans and total lease liabilities to total equity of the Group was 3.4% as at 31 December 2022 (31 December 2021: 6.0%). This was due to the repayment of short-term borrowings of RMB36.7 million by the USA lighting company.

Assets and Liabilities

As at 31 December 2022, the Group recorded the total assets of approximately RMB1,728.8 million (31 December 2021: approximately RMB1,653.3 million) and total liabilities of approximately RMB246.7 million (31 December 2021: approximately RMB276.8 million).

As at 31 December 2022, the Group's current assets and non-current assets were approximately RMB1,298.2 million (31 December 2021: approximately RMB1,243.8 million) and approximately RMB430.6 million (31 December 2021: approximately RMB409.5 million), respectively. The increase in current assets is due to the increase in cash and cash equivalents of approximately RMB84.8 million.

As at 31 December 2022, the Group's current liabilities and long-term liabilities were approximately RMB196.8 million (31 December 2021: RMB233.8 million) and approximately RMB49.9 million (31 December 2021: RMB43.0 million), respectively. The decrease in current liabilities was mainly attributable to the decrease in interest-bearing bank borrowings of approximately RMB36.7 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 2022, the Group pledged certain of its trade receivables and inventories with an aggregate carrying value of approximately RMB224.2 million (31 December 2021: RMB199.1 million) to secure bank credit facilities granted to the Group.

Capital Commitments

As at 31 December 2022, 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 2021: Nil).

Contingent Liabilities

During the year ended 31 December 2022, 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 2022, the issued share capital of the Company was approximately RMB185,672,131 (equivalent to approximately HK$209,446,542) (31 December 2021: 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, 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.

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 2022 (31 December 2021: Nil).

BUSINESS REVIEW

During the period under review, intensifying international geopolitical crisis, coupled with the dual challenges of regional conflicts and the COVID-19 pandemic, had a significant impact on global economic growth and inflation, which brought uncertainties to the business of the Company. Despite the difficulties, the Company, under the leadership of its management, proactively dealt with difficulties and managed to achieve steady revenue growth and improvement in profitability. The USA lighting segment continued to generate the Company's most revenue and profit during the period. During the year, the USA lighting segment adopted the adjusted strategy of increasing sales channels with high gross profit while reducing those with low gross profit, achieving a growth in gross profit. After disposing of non-performing legacy assets last year, the PRC segment improved its gross profits and achieved a turnaround during the period. The lighting industry has entered a period of stable growth at the moment.

In the future, we will continue to focus on the Group's core business, the LED lighting segment, plan strategic key areas, enter new markets through the development of new products, increase our promotion efforts on social media, adjust product prices, and establish the goal of gradual occupation of the lighting market to increase profit source; the USA lighting segment will keep its focus on expanding channels, product innovation, supply chain upgrade, optimization of management model and explore potential business opportunities to address opportunities and challenges in the lighting industry; the PRC lighting segment will further relocate its production capacity to Vietnam to improve gross profit.

Currently, Tongfang Securities has discontinued its operations. This resulted in Tongfang Securities incurring only overheads in contrast to last year's substantial loss.

Lastly, the Group will continue to strengthen its organization to achieve steady growth in business and market; build up a team of international management talents, ensure that members of the leadership team are able to cultivate new talent in a guiding and inclusive manner, encourage innovative thinking in all employees, strengthen cultural development to align with overall strategic to guarantee long-term steady growth.

Sales and Distribution

Lighting Segment

During the year ended 31 December 2022, 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 2022, the Group's total number of employees was 557 (31 December 2021: 703). 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, 27 June 2023 to Friday, 30 June 2023 (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, 30 June 2023. 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, 26 June 2023.

CORPORATE GOVERNANCE CODE

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

Under the code provision A2.1 of the Corporate Governance Code in force during the year ended 31 December 2022, 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 2022, the Company complied with the code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. Having made specific enquiry with all Directors, 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 2022.

AUDIT COMMITTEE

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

The Group's annual results for the year ended 31 December 2022 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 2022.

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 2022.

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 2022 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 2022 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 2022 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

* *For identification purpose only.*

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

Hong Kong, 24 March 2023

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