

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: 1868)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

ANNUAL RESULTS

The Board of Directors of Neo-Neon Holdings Limited is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2017, together with the comparative figures for year ended 31 December 2016. These results have been audited by the Company's auditors and reviewed by the Company's audit committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

(Expressed in Renminbi ("RMB"))

		Year ended 31 December 2017	Year ended 31 December 2016
	Note	RMB'000	RMB'000
Revenue	3	665,724	611,243
Cost of goods sold		<u>(457,634)</u>	<u>(422,713)</u>
Gross profit		208,090	188,530
Other income	4(A)	35,858	11,657
Other gains and losses	4(B)	105,374	28,058
Distribution and selling expenses		(90,146)	(97,396)
Administrative expenses		(128,199)	(108,173)
Finance costs	5	<u>(4,658)</u>	<u>(3,873)</u>

		Year ended 31 December 2017	Year ended 31 December 2016
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	6	126,319	18,803
Income tax	7	<u>(5,838)</u>	<u>(7,061)</u>
Profit for the year		<u>120,481</u>	<u>11,742</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share	8		
– Basic and diluted		<u>5.72</u>	<u>0.61</u>
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
– Available-for-sale securities: net movement in fair value reserve, net of nil tax		(13,285)	–
– Exchange differences on translation of financial statements, net of nil tax		<u>(57,271)</u>	<u>33,298</u>
Total comprehensive income for the year		<u>49,925</u>	<u>45,040</u>
Profit for the year attributable to			
– owners of the Company		120,375	11,778
– non-controlling interests		106	(36)
		<u>120,481</u>	<u>11,742</u>
Total comprehensive income for the year attributable to			
– owners of the Company		49,964	44,951
– non-controlling interests		(39)	89
		<u>49,925</u>	<u>45,040</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

(Expressed in RMB)

		At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Investment properties		14,200	14,700
Property, plant and equipment		130,394	151,213
Prepaid lease payments		30,469	31,863
Goodwill		123,454	8,663
Intangible assets		35,404	29,840
Available-for-sale investments		3,324	3,639
Financial asset at fair value through profit or loss		111,166	108,152
Deferred tax assets		6,179	7,063
		<u>454,590</u>	<u>355,133</u>
Current assets			
Inventories		177,395	184,316
Trade and other receivables	9	208,968	178,930
Tax reserve certificates		29,633	22,765
Available-for-sale investments		321,079	–
Financial asset at fair value through profit or loss		21,571	–
Restricted bank deposits		13,322	27,667
Cash held on behalf of clients		90,321	–
Cash and cash equivalents		435,964	647,356
		<u>1,298,253</u>	<u>1,061,034</u>
Assets held for sale		–	105,275
		<u>1,298,253</u>	<u>1,166,309</u>
Current liabilities			
Trade and other payables	10	234,827	163,546
Taxation payable		40	10,068
Bank borrowings		70,243	110,967
		<u>305,110</u>	<u>284,581</u>
Liabilities held for sale		–	11,195
		<u>305,110</u>	<u>295,776</u>
Net current assets		<u>993,143</u>	<u>870,533</u>
Total assets less current liabilities		<u>1,447,733</u>	<u>1,225,666</u>

		At 31 December 2017 <i>RMB'000</i>	At 31 December 2016 <i>RMB'000</i>
	<i>Note</i>		
Non-current liabilities			
Government grants		7,475	12,765
Deferred tax liabilities		<u>6,459</u>	<u>2,950</u>
		<u>13,934</u>	<u>15,715</u>
Net assets		<u>1,433,799</u>	<u>1,209,951</u>
Capital and reserves			
Share capital	<i>11</i>	186,912	171,808
Reserves		<u>1,242,923</u>	<u>1,037,362</u>
Equity attributable to owners of the Company		1,429,835	1,209,170
Non-controlling interests		<u>3,964</u>	<u>781</u>
Total equity		<u>1,433,799</u>	<u>1,209,951</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB)

1 GENERAL

Neo-Neon Holdings Limited (the “Company”) was incorporated and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands and acts as an investment holding company. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and certain of its shares are listed as Depositary Receipts in Taiwan Stock Exchange.

On 19 March 2014, a subscription agreement was entered into between the Company and Tsinghua Tongfang Co., Ltd. (“Tsinghua Tongfang”) via THTF Energy-Saving Holdings Limited (“THTF ES”) (an indirectly wholly-owned subsidiary of Tsinghua Tongfang), in relation to the subscription (the “Subscription”) of 1,000,000,000 shares (representing approximately 106.46% of the then issued share capital of the Company) at the subscription price of Hong Kong Dollar (“HK\$”) 0.90 per share by THTF ES. The completion of the Subscription pursuant to the subscription agreement took place on 1 August 2014 and the consideration for the Subscription in the sum of HK\$900,000,000 has been fully paid by THTF ES to the Company on 1 August 2014. Upon completion, THTF ES had subscribed for an aggregate of approximately 51.56% of the issued share capital of the Company.

On 20 January 2016, THTF ES acquired an aggregate of 347,668,000 shares of the Company at HK\$1.18 per Share (“Increase in Shareholding”). Immediately after the Increase in Shareholding, the shareholding of THTF ES in the Company increased from approximately 51.75% to approximately 69.68%.

By a special resolution passed at the Extraordinary General Meeting held on 5 January 2015, the Chinese name of the Company is changed from “真明麗控股有限公司” to “同方友友控股有限公司”. The English name “Neo-Neon Holdings Limited” remains unchanged. The change of company name will not affect any of the right of the shareholders.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual 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. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Significant accounting policies adopted by the Company and its subsidiaries (collectively the “Group”) are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment property; and
- financial instruments classified as available-for-sale and financial asset at fair value through profit or loss.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on by divisions, which are organised by a mixture of both business lines (products and services) and geography. Specifically, the Group's reportable segments under HKFRS 8 are as follows:

People's Republic of China ("PRC") lighting segment	– research and development, manufacture of lighting products in the PRC and distribution of lighting products in the PRC and overseas
United States of America ("USA") lighting segment	– providing of lighting solutions in the USA.
Securities segment	– asset management services, investment advisory services and securities trading

During the year ended 31 December 2017, the chief operating decision maker of the Group changed the structure of internal reports they review regularly in allocating resources to segments and in assessing their performance as a result of the acquisition of Tongfang Securities Limited ("Tongfang Securities", formerly known as "Buttonwood Finance Limited"). Accordingly, the Group has restated the operating segment information for the year ended 31 December 2016.

Revenue represents the fair value of the consideration received and receivable for goods sold and services provided by the Group to external customers during the year.

(a) **Information about profit or loss, assets and liabilities**

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

<i>For the year ended</i>	PRC lighting segment		USA lighting segment		Securities segment		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers	214,787	236,016	414,520	375,227	36,417	–	665,724	611,243
Inter-segment revenue	11,810	29,360	–	–	–	–	11,810	29,360
Reportable segment revenue	<u>226,597</u>	<u>265,376</u>	<u>414,520</u>	<u>375,227</u>	<u>36,417</u>	<u>–</u>	<u>677,534</u>	<u>640,603</u>
Reportable segment profit	<u>92,299</u>	<u>1,593</u>	<u>15,451</u>	<u>35,054</u>	<u>35,420</u>	<u>–</u>	<u>143,170</u>	<u>36,647</u>
<i>As at 31 December</i>								
Reportable segment assets	852,468	775,216	257,037	263,805	628,287	–	1,737,792	1,039,021
Reportable segment liabilities	123,422	211,883	85,498	99,608	107,026	–	315,946	311,491

(b) **Reconciliations of reportable segment profit or loss**

	Year ended 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment profit derived from Group's external customers	143,170	36,647
Unallocated expenses	(17,763)	(19,485)
Unallocated other gains and losses	912	1,641
Profit before taxation	<u>126,319</u>	<u>18,803</u>

Segment profit represents the profit incurred by each segment without allocation of unallocated expenses, certain other gains or losses and expenses. This is the measure reported to the board of directors of the Company for the purposes of resource allocation and performance assessment.

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment, prepaid lease payments, intangible assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset and the location of the operation to which they are allocated.

	Revenues from external customers		Specified non-current assets	
	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>	31 December 2017 <i>RMB'000</i>	31 December 2016 <i>RMB'000</i>
North America	527,857	456,201	47,769	32,978
Europe	41,159	64,109	160	9,729
PRC	28,592	24,885	236,644	138,476
Asia (excluding PRC)	65,380	53,764	49,348	55,096
Other countries	2,736	12,284	–	–
	665,724	611,243	333,921	236,279

Information about major customers

There were no customers who individually contribute over 10% of the total revenues of the Group for the year ended 31 December 2017 and 2016.

4(A) OTHER INCOME

	Year ended 31 December 2017 <i>RMB'000</i>	Year ended 31 December 2016 <i>RMB'000</i>
Interest income from bank deposits	3,383	2,140
Dividend income from available-for-sale investment	21,058	–
Government grants	5,515	1,605
Rental income from operating leases	4,191	2,179
Others	1,711	5,733
	<u>35,858</u>	<u>11,657</u>

4(B) OTHER GAINS AND LOSSES

	Year ended 31 December 2017 <i>RMB'000</i>	Year ended 31 December 2016 <i>RMB'000</i>
Gain on disposal of subsidiaries	110,649	298
Fair value changes on financial assets at fair value through profit or loss	11,614	2,772
Fair value change on investment properties	500	–
Gain on disposal of property, plant and equipment	496	2,421
Net (allowance)/reversal of allowance for bad and doubtful debts	(1,368)	5,213
Impairment loss on available-for-sale equity securities	315	14
Net exchange (loss)/gain	(16,097)	18,523
Others	(735)	(1,183)
	<u>105,374</u>	<u>28,058</u>

5 FINANCE COSTS

	Year ended 31 December 2017 <i>RMB'000</i>	Year ended 31 December 2016 <i>RMB'000</i>
Interest on bank borrowings	4,658	3,873

6 PROFIT BEFORE TAXATION

	Year ended 31 December 2017 <i>RMB'000</i>	Year ended 31 December 2016 <i>RMB'000</i>
Profit before taxation is arrived at after charging:		
Directors' remuneration	1,944	1,793
Equity-settled share based payment expenses	1,601	2,718
Salaries, wages and other benefits	124,915	135,835
	<u>128,460</u>	<u>140,346</u>

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Depreciation	19,425	30,321
Amortisation		
– prepaid lease payments	804	999
– intangible assets	5,129	3,556
Net allowance/(reversal of allowance) for bad and doubtful debts	1,368	(5,213)
Impairment loss on available-for-sale equity securities	315	14
Auditor's remuneration		
– audit service	2,310	3,627
– non-audit services	387	221
	<u>2,697</u>	<u>3,848</u>
Cost of inventories	452,235	422,883
Operating lease rentals in respect of rented premises	9,707	7,387
Research and development expenditure recognised as an expense	484	590
And after crediting:		
Property rental income before deduction of negligible outgoings	(4,191)	(2,179)

7 TAXATION

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Taxation in the consolidated statement of comprehensive income represents:		
Provision for the year	3,201	15,294
Deferred taxation	2,637	(8,233)
	<u>5,838</u>	<u>7,061</u>

8 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Year ended 31 December 2017 <i>RMB'000</i>	Year ended 31 December 2016 <i>RMB'000</i>
Profit for year attributable to owners of the Company	<u>120,375</u>	<u>11,778</u>

Weighted average number of ordinary shares:

	Number of shares	
	2017 '000	2016 '000
Issued ordinary shares at 1 January	1,938,320	1,939,319
Effect of shares repurchased	(2,559)	(293)
Effect of issuance of new shares	<u>167,517</u>	<u>–</u>
Weighted average number of ordinary shares at 31 December	<u>2,103,278</u>	<u>1,939,026</u>

The computation of diluted earnings per share did not assume the exercise of the equity-settled share options because they are antidilutive for the years ended 31 December 2017 and 2016.

9 TRADE AND OTHER RECEIVABLES

	At 31 December 2017 <i>RMB'000</i>	At 31 December 2016 <i>RMB'000</i>
Trade receivables		
– due from related parties	4,667	4,260
– due from third parties	168,562	144,881
Bills receivable	10,190	11,815
Less: allowance for bad and doubtful debts	<u>(46,312)</u>	<u>(47,450)</u>
	137,107	113,506
Deposits paid to suppliers	13,916	21,079
Value added tax recoverable	35,193	33,656
Value added tax refundable on export sales	3,905	3,446
Other receivables	<u>18,847</u>	<u>7,243</u>
	<u>208,968</u>	<u>178,930</u>

Payment terms with customers are mainly on credit. Invoices are normally payable from 90 days of issuance, except for certain well established customers in which the credit terms are up to 180 days. The following is an ageing analysis of trade and bills receivable presented based on the invoice dates (or date of revenue recognition, if earlier) and net of allowance for doubtful debts:

	At 31 December 2017 <i>RMB'000</i>	At 31 December 2016 <i>RMB'000</i>
0 to 60 days	87,539	72,292
61 to 90 days	6,461	12,828
91 to 180 days	19,129	10,473
Over 180 days	23,978	17,913
	<u>137,107</u>	<u>113,506</u>

10 TRADE AND OTHER PAYABLES

	At 31 December 2017 <i>RMB'000</i>	At 31 December 2016 <i>RMB'000</i>
Accounts payable to securities clients	90,321	–
Trade payables	55,771	71,613
Bills payable	24,669	21,935
Payroll and welfare payables	3,959	9,808
Other payables	44,211	42,680
	<u>218,931</u>	<u>146,036</u>
Financial liabilities measured at amortised cost		146,036
Customers' deposits	11,866	13,433
Other taxes payable	4,030	4,077
	<u>234,827</u>	<u>163,546</u>

The following is an ageing analysis of trade and bills payable presented based on the invoice date at the end of the year:

	At 31 December 2017 <i>RMB'000</i>	At 31 December 2016 <i>RMB'000</i>
0 to 60 days	57,408	58,926
61 to 90 days	2,963	4,236
91 to 180 days	53	873
181 to 360 days	3,469	2,094
More than 360 days	16,547	27,419
	<u>80,440</u>	<u>93,548</u>

11 SHARE CAPITAL

(i) Issued share capital

	Authorised		Issued and fully paid	
	Number of shares	Amount <i>HKD'000</i>	Number of shares	Amount <i>RMB'000</i>
Ordinary shares of par value HK\$0.10 each				
– at 31 December 2016	5,000,000,000	500,000	1,938,319,694	171,808
Issuance of new shares	–	–	177,227,723	15,670
Share repurchased and cancelled	–	–	(6,384,000)	(566)
– at 31 December 2017	<u>5,000,000,000</u>	<u>500,000</u>	<u>2,109,163,417</u>	<u>186,912</u>

On 20 January 2017, an aggregate of 177,227,723 new ordinary shares were issued as the consideration for the acquisition of Tongfang Securities.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Treasury shares

	2017	
	Number of shares	Amount <i>RMB</i>
Treasury shares		
At 1 January	–	–
Shares repurchased to be cancelled	15,328,000	11,304,000
Cancellation of treasury shares	(6,384,000)	(5,004,000)
At 31 December	<u>8,944,000</u>	<u>6,300,000</u>

During the year ended 31 December 2017, the Company repurchased its own ordinary share on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Price per share		Aggregate consideration paid <i>HK\$</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
January 2017	200,000	1.15	1.12	230,000
August 2017	1,898,000	0.80	0.77	1,497,000
September 2017	3,638,000	0.97	0.80	3,366,000
October 2017	648,000	0.85	0.83	548,000
November 2017	2,374,000	0.85	0.77	1,901,000
December 2017	6,570,000	0.85	0.70	5,199,000
				<u>12,741,000</u>

(iii) Dividends

The directors of the Company did not recommend the payment of a dividend for the years ended 31 December 2017 and 2016.

12. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company

The number and weighted average exercise prices of share options are as follows:

	31 December 2017		31 December 2016	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	HK\$1.31	23,600,000	HK\$1.31	33,000,000
Forfeited during the period	HK\$1.31	(1,300,000)	HK\$1.31	(9,400,000)
Outstanding at the end of the period	HK\$1.31	<u>22,300,000</u>	HK\$1.31	<u>23,600,000</u>
Exercisable at the end of the period	HK\$1.31	<u>22,300,000</u>	HK\$1.31	<u>11,800,000</u>

The options outstanding at 31 December 2017 had an exercise price of HK\$1.31 (2016: HK\$1.31) and a weighted average remaining contractual life of 2.88 years (2016: 3.88 years).

Subsidiary

	31 December 2017		31 December 2016	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	US\$330	2,231	US\$330	2,830
Addition during the period	US\$405	1,401	–	–
Exercised during the period	US\$330	(853)	–	–
Forfeited during the period	US\$330	(54)	US\$330	(599)
Outstanding at the end of the period	US\$369	<u>2,725</u>	US\$330	<u>2,231</u>
Exercisable at the end of the period	US\$330	<u>450</u>	US\$330	<u>859</u>

The options outstanding at 31 December 2017 had an average exercise price of US\$369 (2016: US\$330) and a weighted average remaining contractual life of 8.44 years (2016: 8.5 years).

13. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with the controlling shareholder and its subsidiaries

	Year ended 31 December 2017	Year ended 31 December 2016
	RMB'000	RMB'000
Sales of products	2,487	8,443
Consideration received from disposal of subsidiaries	<u>251,668</u>	<u>–</u>

(b) Transactions with other state-controlled entities in the PRC

The controlling shareholder of the Company, Tsinghua Tongfang is a state-controlled enterprise controlled by the PRC government. Apart from transactions with Tsinghua Tongfang and its subsidiaries which were disclosed in note 13(a) above, the Group also has transactions with other state-controlled entities, included but not limited to the following:

- sales of products and provision of services;
- purchase of materials; and
- bank deposits and borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The total revenue for the year ended 31 December 2017 was approximately RMB665.7 million, representing an increase of approximately 8.9% as compared to approximately RMB611.2 million for the year ended 31 December 2016. For further details, please refer to the below.

Lighting Segment

The revenue of attributable to the lighting segment (research and development, manufacturing of lighting products and distribution of lighting products and distribution and providing solutions of lighting products) for the year ended 31 December 2017 was approximately RMB641.1 million, which remained stable as compared to approximately RMB640.6 million for the year ended 31 December 2016.

Securities Segment

In August 2016, the Company entered into a sales and purchase agreement to acquire Buttonwood Finance Limited, which is currently named as Tongfang Securities Limited. Tongfang Securities Limited is principally engaged in provision of asset management services, investment advisory services and securities trading. The completion of the acquisition took place on 20 January 2017. As at 31 December 2017, Tongfang Securities Limited is authorised to be a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and is licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities. Tongfang Securities Limited also incorporated Tongfang Capital Limited which is a licensed corporation to carry on Type 6 (Advising on Corporate Finance) regulated activity under the SFO. Tongfang Finance Limited, an entity under common control with Tongfang Securities, is a corporation to carry on money lending business under Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong). During the year ended 31 December 2017, the revenue attributable to securities segment was approximately RMB36.4 million.

Cost of goods sold

For the year ended 31 December 2017, the cost of goods sold was approximately RMB457.6 million, representing an increase of approximately RMB34.9 million over approximately RMB422.7 million for the year ended 31 December 2016 primarily due to the increase of material costs.

Gross profit and gross profit margin

For the year ended 31 December 2017, the Group recorded a gross profit of approximately RMB208.1 million, representing an increase of RMB19.6 million over the gross profit of approximately RMB188.5 million for the year ended 31 December 2016. For further details, please refer to the below.

Lighting Segment

For the year ended 31 December 2017, the Group recorded a gross profit of approximately RMB171.7 million for the lighting segment, representing an decrease of approximately RMB16.8 million or 8.9% over approximately RMB188.5 million for the year ended 31 December 2016 primarily due to the increase of the cost of goods sold.

Securities Segment

For the year ended 31 December 2017, the Group recorded a gross profit of approximately RMB36.4 million for the securities segment. There is no cost of goods sold for securities segment.

Other gains, losses and expenses

For the year ended 31 December 2017, the Group recorded other gains of approximately RMB105.4 million, representing an increase of approximately RMB77.3 million over the other gains of RMB28.1 million for the year ended 31 December 2016, due to the net gains of approximately RMB110.6 million resulting from the completion of the disposal of three subsidiaries in early 2017, namely Yangzhou Tongfang Semiconductors Co., Ltd, Shanghai Cuineng Photoelectricity Science and Technology Co., Ltd and Tianjin Zhenmingli Photoelectricity Co., Ltd. For further details, please refer to the announcement dated 31 October 2016 and the circular dated 28 November 2016.

Impairment loss of property, plant and equipment

For the year ended 31 December 2017, the amount of impairment losses recognised in respect of property, plant and equipment was nil (31 December 2016: nil).

Operating expenses

The distribution and selling expenses mainly comprised of staff costs for lighting segment, promotion and advertising, freight and transportation, agency and custom costs and rent and rates.

For the year ended 31 December 2017, the distribution and selling expenses of the Group were approximately RMB90.1 million, representing a decrease of approximately RMB7.3 million over approximately RMB97.4 million for the year ended 31 December 2016, mainly attributable to the decrease in staff costs of approximately RMB5.0 million.

The administrative expenses mainly comprised of staff costs for securities segment, directors remuneration, depreciation charge and professional and legal fee. The administrative expenses for the year ended 31 December 2017 were approximately RMB128.2 million, representing an increase of approximately RMB20.0 million over approximately RMB108.2 million for the year ended 31 December 2016, mainly due to the increase in staff costs due to the completion of the acquisition of Tongfang Securities Limited.

Finance costs

The finance costs for the year ended 31 December 2017 was approximately RMB4.7 million, representing an increase over RMB3.9 million for the year ended 31 December 2016, mainly due to the increase in new bank loan of approximately RMB94.8 million for the year of 2017 against the year of 2016.

Taxation

For the year ended 31 December 2017, the Group's tax charge of RMB5.8 million (31 December 2016: tax charge of RMB7.1 million) mainly included tax provision for the year of 2017 for approximately RMB3.2 million and deferred tax of approximately RMB2.6 million.

Profit attributable to owners of the Company

For year ended 31 December 2017, the Group recorded a profit attributable to owners of the Company of RMB120.4 million, representing an increase over RMB108.6 million for the year ended 31 December 2016, Such profit was mainly derived from, among others, PRC lighting segment profit of approximately RMB92.3 million, USA lighting segment profit of approximately RMB15.5 million and increase in revenue generated from securities segment.

Net profit

For year ended 31 December 2017, the Group recorded a net profit of RMB120.5 million, as compared to RMB11.7 million for the year ended 31 December 2016. Such profit was mainly derived from, among others, PRC lighting segment profit of approximately RMB92.3 million, USA lighting segment profit of approximately RMB15.5 million and increase in revenue generated from securities segment.

Financial Resources and Liquidity and Gearing Ratio

The Group maintained a stable financial position. As at 31 December 2017, the Group had bank balances of RMB436.0 million and short-term bank loans of RMB70.2 million. The gearing ratio representing the ratio of short-term bank loans to total equity of the Group was 4.9% as at 31 December 2017 (31 December 2016: 9.2%). Such decrease was mainly caused by the repayment of bank loans of RMB210.6 million incurred in 2017.

Cash flows

The Group's financial resources mainly consist of cash flow from operating activities, investing activities and financing activities.

The Group recorded (1) cash outflow from operating activities of approximately RMB95.7 million for the year ended 31 December 2017 (the year ended 31 December 2016: cash inflow of RMB4.9 million), (2) cash outflow from investing activities of approximately RMB40.5 million for the year ended 31 December 2017 (the year ended 31 December 2016: cash outflow of approximately RMB13.1 million), and (3) cash outflow from financing activities of approximately RMB51.6 million for year ended 31 December 2017 (the year ended 31 December 2016: cash inflow of approximately RMB4.6 million).

The above increase in cash outflow from operating activities was mainly attributable to the increase in cash held on behalf of client of approximately RMB90.3 million.

The above increase in cash outflow from investing activities was mainly attributable to the increase in placement of restricted bank deposits of approximately RMB29.4 million and purchase of listed shares of approximately RMB13.5 million.

The above increase in cash outflow from financing activities was mainly attributable to new bank loans of approximately RMB175.0 million, repayment of bank loans of approximately RMB210.6 million and payment for repurchase of Shares of approximately RMB11.3 million in the year of 2017.

Assets and liabilities

As at 31 December 2017, the Group recorded the total assets of approximately RMB1,752.8 million (31 December 2016: RMB1,521.4 million) and total liabilities of approximately RMB319.0 million (31 December 2016: RMB311.5 million).

As at 31 December 2017, the Group's current assets and non-current assets were approximately RMB1,298.3 million (31 December 2016: RMB1,166.3 million) and approximately RMB454.5 million (31 December 2016: RMB355.1 million), respectively. The increase in current assets was mainly attributable to the increase in available-for-sale investment of approximately of RMB321.1 million and decrease in cash and cash equivalents of approximately of RMB211.4 million.

As at 31 December 2017, the Group's current liabilities and long-term liabilities were approximately RMB305.1 million (31 December 2016: RMB295.8 million) and approximately RMB13.9 million (31 December 2016: RMB15.7 million), respectively. The increase in current liabilities was mainly attributable to increase in account payable to securities clients.

Foreign Exchange Risk

Several subsidiaries of the Company have sales and purchases denominated in currencies other than the functional currency of respective entity, which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

Charge on Assets

As at 31 December 2017, the Group did not pledge any of its land and buildings (31 December 2016: nil). The Group pledged certain of its trade receivables and inventories with an aggregate carrying value of approximately RMB53.4 million (31 December 2016: RMB78.5 million), and also bank deposits of aggregate carrying value of RMB13.3 million (31 December 2016: RMB27.7 million) to secure bank credit facilities granted to the Group.

Capital Commitments

As at 31 December 2017, the Group had capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment of RMB4.6 million (31 December 2016: RMB1.8 million).

Contingent Liabilities

During the year ended 31 December 2017, 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 2017, the issued share capital of the Company was RMB186,911,931 (equivalent to HK\$210,916,342) (31 December 2016: RMB171,808,087 (equivalent to HK\$193,831,969)), divided into 2,109,163,417 ordinary shares of HK\$0.10 each. Such change was primarily due to settlement of the consideration by issuing of new 177,227,723 shares for the acquisitions of Tongfang Securities Limited and cancellation of the repurchased Shares.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period, nor was there any plan authorized by the Board for other material investments or additions of capital assets during the year ended 31 December 2017.

Subsequent Event

On 16 June 2017, Tongfang Securities, a wholly-owned subsidiary of the Company, entered into a discretionary client agreement with Hai Tong Asset Management (HK) Limited ("Investment Manager"), pursuant to which the Investment Manager has agreed to subscribe for 374,448.04 HK\$ ClassR1A Shares in the Haitong Freedom Multi-Tranche Bond Fund (the "Fund") for and on behalf of Tongfang Securities at the consideration of HK\$400,000,000 (equivalent to approximately RMB348,600,000) (the "Investment Amount").

At 31 December 2017, the above investments were classified as available-for-sale with a fair value of HK\$384,107,000 (equivalent to approximately RMB321,079,000) that are held for short-term purposes.

Subsequent to the end of the reporting period, the Investment Manager has redeemed certain interest in the Fund in the amount of HK\$370,000,000 (equivalent to approximately RMB309,283,000), for and on behalf of Tongfang Securities pursuant to its discretionary authority under the discretionary client agreement on 9 February 2018.

Final Dividend

The Board resolved not to declare any dividend for the year ended 31 December 2017 (31 December 2016: nil).

BUSINESS REVIEW

Overview

During the year, lighting segment of the Group seized the opportunity to explore the overseas market without slack, increased the gross margins, improved the management level, and revitalized idle assets, which lead to the improvement in operating performance.

Heshan Tongfang Lighting Technology Co., Ltd.* (鶴山同方照明科技有限公司) (“Heshan Tongfang”), a wholly-owned subsidiary of the Group, entered into an investment framework agreement (the “Investment Framework Agreement”) with the Management Committee of Heshan Municipal Industry City* (鶴山市工業城管委會) (“Management Committee of Heshan Industry City”) in relation to the development and expansion of electronic information industry and LED lighting industry in Heshan Industry City* (鶴山市工業城) by planning and constructing Tongfang Science and Technology City* (同方科技城), a science and technology zone to be operated by Heshan Tongfang on 29 June 2017.

The Investment Framework Agreement marks the Group’s continuous efforts to expand its current businesses of research & development, sales and manufacturing of LED decorative lighting, LED general lighting, LED professional lighting and engineering projects. The cooperation with Management Committee of Heshan Industry City also demonstrates the local government authority’s commitment and faith in the Group’s business and operation.

Accordingly, the Directors (including the independent non-executive Directors) are of the view that the Investment Framework Agreement is in the best interest of the Company and the shareholders of the Company as a whole.

The Company received an approval letter from Heshan Municipal People’s Government* (鶴山市人民政府) (“Heshan Government”), pursuant to which Heshan Government has approved the construction and development plan of Tongfang Science and Technology City* (同方科技城), a science and technology zone to be operated by Heshan Tongfang, in Heshan Industry City* (鶴山市工業城) as contemplated under the Investment Framework Agreement on 1 March 2018. In the event any definitive agreement in relation to the Investment Framework Agreement is entered into, further announcement(s) will be made as appropriate in compliance with the Listing Rules.

The Company has start to cultivate the following into new pillar businesses, fund management, investment banking, financial management and technology-based financial business investments from emerging industries. During the year, the Company completed the acquisition of Buttonwood Finance Limited, which is currently name as Tongfang Securities Limited and has become a wholly-owned subsidiary of the Company. Tongfang Securities Limited is a company incorporated in Hong Kong with limited liability and is principally engaged in provision of asset management services, investment advisory services and securities trading, and is licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities. Tongfang Securities Limited also incorporated Tongfang Capital Limited which is a licensed corporation to carry on Type 6 (Advising on Corporate Finance) regulated activity under the SFO. Tongfang Finance Limited, an entity under common control with Tongfang Securities, is a corporation to carry on money lending business under Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong). The deployment and development such national strategic emerging industries would facilitate the Group to continue to innovate and develop.

Sales and Distribution

Lighting Segment

During the year, lighting segment of the Group took efforts in distribution and marketing, improving and expanding the sales channel of general LED 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.

Securities Segment

Tongfang Securities Limited expects to leverage on the Company's diversified business portfolio, solid client bases and extensive expertise in the high technology industry to further develop its financial service business and to explore cross-selling opportunities within the Company, especially relating to the technology sector.

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 Policy

As at 31 December 2017, the Group's total number of employees was approximately 1,200 (31 December 2016: 1,500). 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.

Prospects

The Company is committed to a sustainable social development of low-carbon economy, and providing the human comfort, safety, energy-saving light environment with more than 30 years of LED lighting industry expertise and experience. The acquisition of the Tongfang Securities Limited is consistent with the development strategy of the Company to diversify the business and it will enable the Group to expand its business into the financial services industry.

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.

Throughout the year ended 31 December 2017, the Company complied with the code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors' securities transactions for the year ended 31 December 2017.

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 audited annual results for the year ended 31 December 2017 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 2017.

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

During the year ended 31 December 2017, the Company repurchased its own Shares on the Stock Exchange, details of which are as follows:

Repurchase date	Number of Shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid	Cancellation date
9/1/2017	200,000	HK\$1.15	HK\$1.12	HK\$229,560	16/2/2017
29/8/2017	482,000	HK\$0.78	HK\$0.78	HK\$375,960	6/12/2017
30/8/2017	1,012,000	HK\$0.80	HK\$0.77	HK\$797,360	6/12/2017
31/8/2017	404,000	HK\$0.80	HK\$0.79	HK\$323,160	6/12/2017
7/9/2017	386,000	HK\$0.83	HK\$0.80	HK\$320,060	6/12/2017
8/9/2017	240,000	HK\$0.87	HK\$0.85	HK\$207,720	6/12/2017
11/9/2017	844,000	HK\$0.95	HK\$0.92	HK\$797,840	6/12/2017
12/9/2017	326,000	HK\$0.97	HK\$0.95	HK\$314,020	6/12/2017
13/9/2017	336,000	HK\$0.97	HK\$0.95	HK\$324,240	6/12/2017
14/9/2017	1,000,000	HK\$0.96	HK\$0.93	HK\$947,880	6/12/2017
25/9/2017	506,000	HK\$0.90	HK\$0.89	HK\$454,300	6/12/2017
25/10/2017	184,000	HK\$0.85	HK\$0.83	HK\$155,260	6/12/2017
26/10/2017	464,000	HK\$0.85	HK\$0.84	HK\$393,140	6/12/2017

Repurchase date	Number of Shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid	Cancellation date
14/11/2017	600,000	HK\$0.84	HK\$0.84	HK\$495,980	5/3/2018
16/11/2017	372,000	HK\$0.85	HK\$0.81	HK\$311,180	5/3/2018
22/11/2017	684,000	HK\$0.80	HK\$0.78	HK\$533,920	5/3/2018
24/11/2017	220,000	HK\$0.80	HK\$0.79	HK\$175,540	5/3/2018
28/11/2017	52,000	HK\$0.78	HK\$0.77	HK\$40,440	5/3/2018
29/11/2017	116,000	HK\$0.78	HK\$0.77	HK\$90,240	5/3/2018
30/11/2017	330,000	HK\$0.77	HK\$0.77	HK\$254,100	5/3/2018
5/12/2017	100,000	HK\$0.75	HK\$0.75	HK\$75,000	5/3/2018
6/12/2017	364,000	HK\$0.75	HK\$0.74	HK\$269,700	5/3/2018
7/12/2017	992,000	HK\$0.73	HK\$0.70	HK\$708,480	5/3/2018
11/12/2017	792,000	HK\$0.79	HK\$0.73	HK\$602,180	5/3/2018
12/12/2017	872,000	HK\$0.85	HK\$0.76	HK\$707,600	5/3/2018
13/12/2017	230,000	HK\$0.85	HK\$0.80	HK\$189,540	5/3/2018
15/12/2017	70,000	HK\$0.85	HK\$0.84	HK\$59,100	5/3/2018
18/12/2017	288,000	HK\$0.84	HK\$0.81	HK\$240,300	5/3/2018
19/12/2017	360,000	HK\$0.84	HK\$0.83	HK\$301,880	5/3/2018
22/12/2017	1,098,000	HK\$0.84	HK\$0.81	HK\$905,720	5/3/2018
27/12/2017	1,404,000	HK\$0.84	HK\$0.79	HK\$1,139,480	5/3/2018

The purchase of the Company's shares during the year was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above, 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 2017.

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 2017 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.

DEFINITIONS

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

“Articles of Association” or “Articles”	the articles of association of the Company adopted by the written resolution of the Shareholders on 20 November 2006 and as amended, supplemented and otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company

“Business Day” or “business day”	a day on which banks in Hong Kong and Cayman Islands are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong or Cayman Islands
“BVI”	British Virgin Islands
“China” or “PRC”	the People’s Republic of China, excluding for the purpose of the Prospectus, Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Company”	means Neo-Neon Holdings Limited (stock code: 1868), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange, and part of shares of which are listed on the Taiwan Stock Exchange as depositary receipts
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholders”	has the meaning ascribed thereto in the Listing Rules
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time

“Share(s)”	means share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“THTF ES”	THTF Energy Saving Holdings Limited, a substantial shareholder of the Company
“Tsinghua Tongfang”	同方股份有限公司 (Tsinghua Tongfang Co., Ltd*), a joint stock limited company incorporated in the PRC, whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600100)
“%”	per cent.

By order of the board of
Neo-Neon Holdings Limited
Huang Yu
Chairman

Hong Kong, 16 March 2018

As at the date of this announcement, the executive Director of the Company is Mr. SEAH Han Leong; non-executive Directors are Mr. HUANG Yu (Chairman), Mr. WANG Liang Hai and Mr. LIU Wei Dong; independent non-executive Directors are Mr. FAN, Ren Da Anthony, Mr. LIU Tian Min and Ms. LI Ming Qi.