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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: 1868)**

## **CLARIFICATION ANNOUNCEMENT IN RELATION TO PREVIOUS ANNUAL REPORT AND INTERIM REPORT DISCLOSEABLE TRANSACTION DISPOSAL OF CONVERTIBLE BONDS**

### **CLARIFICATION**

The Company clarifies that the unlisted investments disclosed in the notes to the consolidated financial statements of the Reports included the Convertible Bonds. The relevant paragraphs shall be amended to more accurately describe the component investment items being included in the Group's financial assets at FVTPL.

### **THE DISPOSAL**

The Board announces that the Seller, a wholly-owned subsidiary of the Company, entered into the Transfer Agreement with the Purchaser pursuant to which the Seller has agreed to dispose and the Purchaser has agreed to purchase the Convertible Bonds on 31 December 2019.

### **LISTING RULES IMPLICATIONS**

As one or more than one of the applicable percentage ratios in respect of the Disposal is more than 5% and below 25% under the Listing Rules, the Disposal constitutes a discloseable transaction for the Company, and is therefore subject to the notification and announcement requirements but exempt from Shareholders' requirement pursuant to Chapter 14 of the Listing Rules.

Pursuant to Rule 14.34 of the Listing Rules, as soon as possible after the terms of a discloseable transaction have been finalised, the Company must publish an announcement as soon as possible. As such, the failure by the Company to comply with the aforesaid requirement constituted breach of Rule 14.34 of the Listing Rules.

**Shareholders and potential investors of the Company should note that the Transfer Agreement is subject to certain conditions precedent. As such, the Disposal may or may not proceed. Accordingly, Shareholders and potential investors of the Company shall exercise caution when dealing in the shares of the Company.**

## **CLARIFICATION**

Reference is made to the Reports. Capitalised terms used herein shall have the same meaning as ascribed to them in the Reports unless otherwise defined in this announcement.

The Company clarifies that the unlisted investments disclosed in the notes to the consolidated financial statements of the Reports included the Convertible Bonds. The relevant paragraphs shall be amended to read as follows to more accurately describe the component investment items being included in the Group's financial assets at FVTPL:

### **The third paragraph of note 23 (ii) in 2018 Annual Report**

“Except for the Fund, the above unlisted investments included other investment fund, convertible bond issued by Burwill Holdings Limited and 8.125% Senior Secured Notes issued by Jiayuan International Group Limited. These investments were mandatorily classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest.”

### **The fourth paragraph of note 14 (ii) in 2019 Interim Report**

“As at 30 June 2019, the above unlisted investments included investment fund, convertible bond issued by Burwill Holdings Limited and 8.5% Senior Unsecured Notes issued by Sunshine 100 China Holdings Limited (31 December 2018: except for the Fund, the above unlisted investments included other investment fund, convertible bond issued by Burwill Holdings Limited and 8.125% Senior Secured Notes issued by Jiayuan International Group Limited). These investments were mandatorily classified as financial assets as FVTPL as their contractual cash flows are not solely payments of principal and interest.”

Save as the amendments mentioned above, the remaining contents contained in the Reports shall remain valid and unchanged.

## THE DISPOSAL AND TRANSFER AGREEMENT

The Board announces that the Seller and the Purchaser entered into the Transfer Agreement on 31 December 2019 relating to the Disposal. The principal terms of the Transfer Agreement are set out below:

- Date : 31 December 2019
- Parties : (1) Tongfang Securities Limited, a wholly-owned subsidiary of the Company, as the Seller.
- (2) Crowd Wisdoms Investments Limited, a limited liability company incorporated in Samoa, as the Purchaser.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons as defined under the Listing Rules.

- Subject matter : Seller has agreed to sell to the Purchaser or its designee, and the Purchaser has agreed to purchase, the Convertible Bonds.

- Information about the Convertible Bonds : The details of Convertible Bonds are as follows:

- (1) Issuer: Burwill;
- (2) Principal amount: US\$9 million;
- (3) Interest rate: 7% per annum;
- (4) Default interest rate: 15% per annum;
- (5) Issue date: 28 March 2018;
- (6) Maturity date: 27 September 2019.

- Consideration : The consideration is US\$9,227,000 (approximately RMB63,432,000), an amount equal to the aggregate of:
- (1) The principal amount of US\$9 million; and
  - (2) The interest at 2% per annum for the period from 28 September 2019 to the date of Completion.

- Basis of consideration : The consideration in the respect of the Disposal was determined following commercial negotiations between the parties on an arm's length basis with reference to the prevailing bank interest rate.
- Payment : The consideration is payable by the Purchaser to the Seller upon Completion by way of cash or other method as may be agreed by parties.
- Conditions precedent : The Completion is conditional upon all the following conditions being satisfied or waived:
- (1) the Seller delivering the signed transfer form and original certificate of the Convertible Bonds (if applicable);
  - (2) the Seller and the Purchaser obtaining relevant approvals from its respective board of directors;
  - (3) procuring Burwill to issue the new certificate of the Convertible Bonds (if applicable); and
  - (4) the Purchaser becoming the official holder of the Convertible Bonds including entering the Purchaser's name in the relevant register (if applicable).
- As at the date of this announcement, the conditions precedent have not been satisfied or waived.
- Completion : The date of Completion is 31 December 2020, or such other time as agreed by the parties in writing.
- Upon Completion, the Purchaser would be entitled to all rights under the Convertible Bonds including the principal amount, the overdue interest in the amount of US\$317,589.04 and the default interest accrued from the date of maturity.
- Termination : If any party breaches certain representations, warranties or undertakings set out in the Transfer Agreement, the non-defaulting party may by written notice, on the date of Completion:
- (1) not proceed to Completion and terminate the Transfer Agreement;
  - (2) proceed to Completion to the extent practical after taking into consideration of the breaches; or
  - (3) postpone the Completion to a new date which shall not be later than 180 business days after 31 December 2020 and the Completion can only be postponed once.

## **INFORMATION OF THE CONVERTIBLE BONDS**

The Convertible Bonds are 7% redeemable fixed coupon convertible bonds issued by Burwill to the Seller in the aggregate principal amount of US\$9 million. There is no restriction on subsequent sale of the Convertible Bonds and the Seller has obtained prior consent from Burwill on the proposed transfer. The maturity of the Convertible Bonds does not affect their transferability.

Based on the accounts of the Seller for the financial year ended 31 December 2018, the financial information relating to the Convertible Bonds was as follows:

	<b>For the year ended 31 December 2018 RMB</b>
Interest income	2,127,000
Fair value gain of financial assets at fair value through profit or loss	4,865,000

## **FINANCIAL EFFECT OF THE DISPOSAL**

As at 30 June 2019, the book value of the Convertible Bonds was approximately RMB72,255,000. Based on the consideration of US\$9,227,000 (approximately RMB63,432,000), assuming the Completion takes place on 31 December 2020, the Company is expected to recognise a loss of approximately RMB8,823,000 from the Disposal. The estimate of loss is for illustration purpose only and subject to adjustments that may be made during audit in the future.

## **USE OF PROCEEDS FROM THE DISPOSAL**

The proceeds from the Disposal shall be applied towards the Group's working capital.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSFER AGREEMENT**

The Convertible Bonds were due on 27 September 2019 and Burwill has defaulted on payment of the principal and interest. As announced by Burwill on 13 September 2019, a winding-up petition was made against Burwill and the trading of the shares of Burwill has been suspended since 19 August 2019. In view of the uncertainty in Burwill's financial position, the Directors are of the view that the Disposal will allow the Group to mitigate the loss and recover the principal amount.

Taking into account of the above factors, the Directors consider that the terms of the Disposal including the consideration, are fair and reasonable, on normal commercial terms, and the Disposal is in the interests of the Shareholders and the Company as a whole.

## **INFORMATION OF THE GROUP**

The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange and the Taiwan depositary receipts of which are listed on the Taiwan Stock Exchange. The Group is principally engaged in the businesses of research & development, sales and manufacturing of LED decorative lighting, LED general lighting, LED professional lighting and engineering projects, provision of asset management services, investment advisory services and securities trading.

## **INFORMATION OF THE PARTIES**

The Seller is a company incorporated in Hong Kong with limited liability and is a direct wholly owned subsidiary of the Company. It is licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and is principally engaged in the provision of asset management services, investment advisory services and securities trading.

The Purchaser is an investment holding company which is wholly owned by Mr. Sun Jian, an independent third party. The Purchaser, its ultimate beneficial owner and its respective associates are independent third parties to the Group and its connected persons to the best of the Directors' knowledge.

## **LISTING RULES IMPLICATIONS**

As one or more than one of the applicable percentage ratios in respect of the Disposal is more than 5% and below 25% under the Listing Rules, the Disposal constitutes a discloseable transaction for the Company, and is therefore subject to the notification and announcement requirements but exempt from Shareholders' requirement pursuant to Chapter 14 of the Listing Rules.

Pursuant to Rule 14.34 of the Listing Rules, as soon as possible after the terms of a discloseable transaction have been finalised, the Company must publish an announcement as soon as possible. As such, the failure by the Company to comply with the aforesaid requirement constituted breach of Rule 14.34 of the Listing Rules.

At the time of entering into the Transfer Agreement, the Directors of the Company were not aware that the Disposal would constitute notifiable transactions under the Listing Rules due to inadvertent mistakes. The Directors, on behalf of the Company, hereby apologize for the mistake and the delay in making this announcement.

The Directors will put in place appropriate monitoring and consultation procedures to prevent the occurrence of similar incident in future:

- (1) the Company will discuss and review its internal control and compliance system to identify any weakness;
- (2) based on the review results, the Company will consider engaging professionals in internal control for advisory services on compliance with the Listing Rules; and
- (3) all the relevant directors and the staff involved in the Disposal and the staff responsible for compliance will attend training sessions focusing on compliance and corporate governance matters.

Save for the above, the Directors confirm that there has been no other incidence of notifiable transactions that the Company has failed to comply with the Listing Rules.

**Shareholders and potential investors of the Company should note that the Transfer Agreement is subject to certain conditions precedent. As such, the Disposal may or may not proceed. Accordingly, Shareholders and potential investors of the Company shall exercise caution when dealing in the shares of the Company.**

## **DEFINITIONS**

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

“2018 Annual Report”	the annual report of the Company for the financial year ended 31 December 2018 published on 25 April 2019
“2019 Interim Report”	the interim report of the Company for the six months ended 30 June 2019 published on 29 August 2019
“Board”	the board of Directors of the Company
“Burwill”	Burwill Holdings Limited, an investment holding company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0024)
“Company”	Neo-Neon Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1868)
“Completion”	the completion of the Disposal as detailed above under “The Disposal and Transfer Agreement – Completion”

“Convertible Bonds”	7% redeemable fixed coupon guaranteed and unsubordinated convertible bonds of a principal amount of US\$9 million issued by Burwill
“Director(s)”	director(s) of the Company
“Disposal”	The disposal of the Convertible Bonds as contemplated under the Transfer Agreement
“Group”	the Company together with its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“PRC”	the People’s Republic of China
“Purchaser”	Crowd Wisdoms Investments Limited, a limited liability company incorporated in Samoa
“Reports”	the 2018 Annual Report and the 2019 Interim Report
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Tongfang Securities Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company as at the date of this announcement
“Shares”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Transfer Agreement”	the transfer agreement dated 31 December 2019 entered into among the Seller and the Purchaser relating to the sale and purchase of the Convertible Bonds



“U.S. Dollars” or “US\$” the lawful currency of the United States of America

“%” per cent

By order of the Board  
**Neo-Neon Holdings Limited**  
**Gao Zhi**  
*Executive Director*

Hong Kong, 10 March 2020

*As at the date of this announcement, the executive Director of the Company are Mr. GAO Zhi and Mr. Daniel P.W.LI; non-executive Directors are Mr. SEAH Han Leong 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.*