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 2016

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 2016, together with the comparative figures for the ended 31 December 2015. 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 2016
(Expressed in Renminbi ("RMB"))

	Note	Year ended 31 December 2016 RMB'000	Year ended 31 December 2015 RMB'000
Revenue	3	**611,243**	602,438
Cost of goods sold		**(422,713)**	(435,150)
Gross profit		**188,530**	167,288
Other income		**11,657**	10,262
Other gains and losses	4(A)	**28,058**	63,504
Other expenses	4(B)	**(590)**	(4,751)
Distribution and selling expenses		**(97,396)**	(88,527)
Administrative expenses		**(107,583)**	(135,607)
Finance costs	5	**(3,873)**	(2,693)

	Note	**Year ended 31 December 2016** *RMB'000*	Year ended 31 December 2015 *RMB'000*
Profit before taxation	*6*	**18,803**	9,476
Income tax	*7*	**(7,061)**	(4,991)
Profit for the year		**11,742**	4,485
		RMB cents	*RMB cents*
Earnings per share	*8*		
– Basic and diluted		**0.61**	0.30
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
– translation differences arising from translation of financial statements, net of nil tax		**33,298**	19,373
Total comprehensive income for the year		**45,040**	23,858
Profit for the year attributable to			
– owners of the Company		**11,778**	5,817
– non-controlling interests		**(36)**	(1,332)
		11,742	4,485
Total comprehensive income for the year attributable to			
– owners of the Company		**44,951**	25,021
– non-controlling interests		**89**	(1,163)
		45,040	23,858

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016
(Expressed in RMB)

	Note	At 31 December 2016 RMB'000	At 31 December 2015 RMB'000
Non-current assets			
Investment properties		**14,700**	14,700
Property, plant and equipment		**149,832**	231,803
Prepaid lease payments		**31,863**	38,097
Goodwill		**8,663**	8,109
Intangible assets		**29,840**	23,853
Available-for-sale investments		**3,639**	3,653
Financial asset at fair value through profit or loss		**108,152**	105,380
Deposits made on acquisition of property, plant and equipment		**1,381**	1,341
Deferred tax assets		**7,063**	–
		355,133	426,936
Current assets			
Inventories		**184,316**	189,174
Trade and other receivables	9	**178,930**	210,922
Tax reserve certificates		**22,765**	11,943
Restricted bank deposits		**27,667**	20,353
Cash and cash equivalents		**647,356**	615,663
		1,061,034	1,048,055
Assets held for sale		**105,275**	–
		1,166,309	1,048,055
Current liabilities			
Trade and other payables	10	**163,546**	194,373
Taxation payable		**10,068**	4,094
Bank borrowings		**110,967**	95,129
		284,581	293,596
Liabilities held for sale		**11,195**	–
		295,776	293,596
Net current assets		**870,533**	754,459
Total assets less current liabilities		**1,225,666**	1,181,395

	Note	At **31 December 2016** *RMB'000*	At 31 December 2015 *RMB'000*
Non-current liabilities			
Government grants		**12,765**	13,914
Deferred tax liabilities		**2,950**	3,997
		15,715	17,911
Net assets		**1,209,951**	1,163,484
Capital and reserves			
Share capital	*11*	**171,808**	171,897
Reserves		**1,037,362**	990,713
Equity attributable to owners of the Company		**1,209,170**	1,162,610
Non-controlling interests		**781**	874
Total equity		**1,209,951**	1,163,484

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 and the Company. 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 2016 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 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 a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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:

LED decorative lighting	– manufacture and distribution of LED decorative lighting products and incandescent decorative lighting products
General illumination lighting	– manufacture and distribution of LED general illumination lighting products and entertainment lighting products
All others	– distribution of lighting product accessories

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

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2015 *RMB'000*
Segment revenue		
LED decorative lighting	**447,878**	415,681
General illumination lighting	**155,702**	183,845
All others	**7,663**	2,912
	611,243	602,438
Segment results		
LED decorative lighting	**72,028**	76,121
General illumination lighting	**23,553**	25,203
All others	**669**	716
	96,250	102,040
Unallocated expenses	**(20,362)**	(32,104)
Unallocated other gains, losses and expenses	**(53,212)**	(55,972)
Finance costs	**(3,873)**	(2,693)
Change in fair value of investment properties	**–**	(1,795)
Profit before taxation	**18,803**	9,476

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit incurred by each segment without allocation of unallocated expenses, certain other gains or losses and expenses, finance costs, change in fair value of investment properties. This is the measure reported to the board of directors of the Company for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	At 31 December 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Segment assets		
LED decorative lighting	**706,654**	627,675
General illumination lighting	**313,502**	316,324
All others	**6,563**	6,092
Total segment assets	**1,026,719**	950,091
Unallocated assets	**494,723**	524,900
Consolidated total assets	**1,521,442**	1,474,991
Segment liabilities		
LED decorative lighting	**135,986**	134,793
General illumination lighting	**46,427**	59,304
All others	**2,396**	4,370
Total segment liabilities	**184,809**	198,467
Unallocated liabilities	**126,682**	113,040
Consolidated total liabilities	**311,491**	311,507

For the purposes of assessing segment performances and allocating resources between segments:

- all assets are allocated to reportable and operating segments other than investment properties, goodwill, available-for-sale investments and deferred tax assets. Assets used jointly by reportable and operating segments are allocated on the basis of the revenues earned by individual reportable and operating segments; and

- all liabilities are allocated to reportable and operating segments other than bank borrowings, government grants and deferred tax liabilities. Liabilities for which operating segments are jointly liable are allocated in proportion to the revenues earned by individual reportable and operating segments.

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, goodwill, and deposits made on acquisition of property, plant and equipment ("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.

	Revenues from external customers		**Specified non-current assets**	
	Year ended 31 December 2016	Year ended 31 December 2015	**31 December 2016**	31 December 2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
North America	**456,201**	328,310	**32,978**	28,237
Europe	**64,109**	86,455	**9,729**	9,309
PRC	**24,885**	84,398	**138,476**	225,205
Asia (excluding PRC)	**53,764**	65,648	**55,096**	56,497
Other countries	**12,284**	37,627	**–**	–
	611,243	602,438	**236,279**	319,248

Information about major customers

There were no customers who individually contribute over 10% of the total sales of the Group for the year ended 31 December 2016 and 2015.

4(A) OTHER GAINS AND LOSSES

	Year ended 31 December 2016	Year ended 31 December 2015
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment and prepaid lease payments	**2,421**	27,436
Net reversal of allowance for bad and doubtful debts	**5,213**	13,934
Net exchange gain	**18,523**	22,771
Others	**1,901**	(637)
	28,058	63,504

4(B) OTHER EXPENSES

	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2015 *RMB'000*
Research and development costs, net	**590**	3,516
Compensation relating to litigation	**–**	1,235
	590	4,751

5 FINANCE COSTS

	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2015 *RMB'000*
Interest on bank borrowings	**3,873**	2,693

6 PROFIT BEFORE TAXATION

	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2015 *RMB'000*
Profit before taxation is arrived at after charging:		
Directors' remuneration	**1,793**	4,410
Equity-settled share based payment expenses	**2,718**	2,291
Salaries, wages and other benefits	**135,835**	152,143
	140,346	158,844
Depreciation	**30,321**	30,603
Amortisation		
– prepaid lease payment	**999**	1,196
– intangible assets	**3,556**	2,243
Auditor's remuneration		
– audit service	**3,627**	3,543
– non-audit services	**221**	236
	3,848	3,779

	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2015 *RMB'000*
Cost of inventories	**422,883**	435,167
Operating lease rentals in respect of rented premises	**7,387**	6,782
And after crediting:		
Interest income from bank deposits	**(2,140)**	(3,434)
Property rental income before deduction of negligible outgoings	**(2,179)**	(1,099)

7 TAXATION

	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2015 *RMB'000*
Taxation in the consolidated statement of comprehensive income represents:		
Provision for the year	**15,294**	5,483
Deferred taxation	**(8,233)**	(492)
	7,061	4,991

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 2016 *RMB'000*	Year ended 31 December 2015 *RMB'000*
Profit for year attributable to owners of the Company	**11,778**	5,817

Weighted average number of ordinary shares:

	Number of shares	
	2016 ***'000***	2015 *'000*
Issued ordinary shares at 1 January	**1,939,319**	1,939,319
Effect of shares repurchased	**(293)**	–
Weighted average number of ordinary shares at 31 December	**1,939,026**	1,939,319

The equity-settled share options were not included in the calculation of diluted earnings per share because they are antidilutive for the years ended 31 December 2016 and 2015.

9 TRADE AND OTHER RECEIVABLES

	At 31 December 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Trade receivables	**149,141**	151,777
Bills receivable	**11,815**	6,941
Less: allowance for bad and doubtful debts	**(47,450)**	(61,924)
	113,506	96,794
Deposits paid to suppliers	**21,079**	23,702
Value added tax recoverable	**33,656**	72,470
Value added tax refundable on export sales	**3,446**	4,221
Other receivables	**7,243**	13,735
	178,930	210,922

Payment terms with customers are mainly on credit together with deposits. 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 2016 *RMB'000*	At 31 December 2015 *RMB'000*
0 to 60 days	**72,292**	38,384
61 to 90 days	**12,828**	8,602
91 to 180 days	**10,473**	7,717
Over 180 days	**17,913**	42,091
	113,506	96,794

10 TRADE AND OTHER PAYABLES

	At 31 December 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Trade payables	**71,613**	72,822
Bills payable	**21,935**	33,321
Payroll and welfare payables	**9,808**	7,681
Other payables	**42,680**	59,578
Financial liabilities measured at amortised cost	**146,036**	173,402
Customers' deposits	**13,433**	13,825
Other taxes payable	**4,077**	7,146
	163,546	194,373

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 2016 RMB'000	At 31 December 2015 RMB'000
0 to 60 days	**58,926**	50,412
61 to 90 days	**4,236**	10,517
91 to 180 days	**873**	8,238
181 to 360 days	**2,094**	14,697
More than 360 days	**27,419**	22,279
	93,548	106,143

11 SHARE CAPITAL

(i) Issued share capital

	Authorised		Issued and fully paid	
	Number of shares	Amount HKD'000	Number of shares	Amount RMB'000
Ordinary shares of nominal value HK$0.10 each				
– at 31 December 2015	5,000,000,000	500,000	1,939,319,694	171,897
Share repurchased	–	–	(1,000,000)	(89)
– at 31 December 2016	**5,000,000,000**	**500,000**	**1,938,319,694**	**171,808**

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) Repurchase of own shares

During the year ended 31 December 2016, the Company repurchased its own share through the Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares of HK$0.1 each	Price per share Highest HKD	Price per share Lowest HKD	Aggregate consideration paid HKD
September 2016	1,000,000	1.10	1.04	1,069,000

The repurchased shares were cancelled in February 2017. The issued share capital of the Company was reduced by the nominal value of HKD100,000. Pursuant to section 37 of the Companies Law of the Cayman Islands, the nominal value of the shares cancelled of HKD100,000 (equivalent to RMB89,000) was transferred from the share premium to the capital redemption reserve. The premium paid on the repurchase of shares of HKD969,000 (equivalent to RMB822,000) was charged to share premium.

12. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

	31 December 2016		31 December 2015	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	**HK$1.31**	**33,000,000**	–	–
Forfeited during the period	**HK$1.31**	**(9,400,000)**	–	–
Granted during the period	**–**	**–**	HK$1.31	33,000,000
Outstanding at the end of the period	**HK$1.31**	**23,600,000**	HK$1.31	33,000,000
Exercisable at the end of the period	**HK$1.31**	**11,800,000**	–	–

The options outstanding at 31 December 2016 had an exercise price of HK$1.31(2015: HK$1.31) and a weighted average remaining contractual life of 3.88 years (2015: 4.88 years).

13 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with the controlling shareholder and its subsidiaries

	Year ended 31 December 2016	Year ended 31 December 2015
	RMB'000	*RMB'000*
Sales of products	**8,443**	27,411

(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

Revenue

The revenue for the year ended 31 December 2016 was approximately RMB611.2 million, as compared to approximately RMB602.4 million for the year ended 31 December 2015, which remained stable, mainly attributable to the selective acceptance of orders (during the year, the Group continued to take a prudent approaching in dealing with orders by selecting the orders with relatively higher gross profit margin).

Cost of goods sold

For the year ended 31 December 2016, the cost of goods sold was approximately RMB422.7 million, representing a decrease of approximately RMB12.5 million over approximately RMB435.2 million for the year ended 31 December 2015.

Gross profit and gross profit margin

For the year ended 31 December 2016, the Group recorded a gross profit of approximately RMB188.5 million, representing an improvement as compared with the gross profit of approximately RMB167.3 million for the year ended 31 December 2015.

The Group recorded a gross profit margin of approximately 30.8% for the year ended 31 December 2016, representing an increase of 3.0% over a gross profit margin of approximately 27.8% for the year ended 31 December 2015, primarily due to (1) the selective acceptance of orders (during the year, the Group continued to take a prudent approaching to sales by selecting the orders with relatively higher profit margin), and (2) a decrease in manufacturing expenses by approximately RMB9.3 million, mainly comprised of staff salaries, depreciation costs and utility charges.

Other gains, losses and expenses

For the year ended 31 December 2016, the Group recorded other gains of approximately RMB28.1 million, representing a decrease of approximately RMB35.4 million over other gains of RMB63.5 million for the year ended 31 December 2015, due to (1) the Group did not sales of work shops and land use right for the year ended 31 Deecember 2016, as compared to RMB27.4 million resulting from gains on disposal of workshops and land use right of Yinyu Semiconductor Photovoltaic (Guangdong) Limited (廣東銀雨芯片半導體有限公司) ("Yinyu Semiconductor"), a subsidiary of the Company, for the year ended 31 December 2015, (2) the net reversal of allowance for bad debt amounting to RMB5.2 million for the year, as compared to the net reversal of allowance for bad debt amounting to RMB13.9 million for the year ended 31 December 2015.

Impairment loss of property, plant and equipment

As at 31 December 2016, the amount of impairment losses recognised in respect of property, plant and equipment was nil (31 December 2015: nil).

Operating expenses

The distribution and selling expenses were 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 2016, the distribution and selling expenses of the Group were approximately RMB97.4 million, representing an increase of approximately RMB8.9 million or 10.1% over approximately RMB88.5 million for the year ended 31 December 2015, mainly due to the increase in staff costs for approximately RMB15.5 million.

The administrative expenses were mainly comprised of staff costs, directors remuneration, depreciation charges, professional and legal fee and share option related expenses. The administrative expenses for the year ended 31 December 2016 were approximately RMB107.6 million, representing a decrease of approximately RMB28.0 million or 20.6% over approximately RMB135.6 million for the year ended 31 December 2015, mainly due to (1) the decrease in other administrative expenses for approximately RMB12.4 million, (2) the decrease in staff costs for approximately RMB7.0 million, and (3) the decrease in professional fee for approximately RMB6.4 million.

Finance costs

The finance costs for the year ended 31 December 2016 were approximately RMB3.9 million, representing an increase of approximately RMB1.2 million over RMB2.7 million for the year ended 31 December 2015, mainly due to the bank borrowings of RMB111.0 million as at 31 December 2016, representing a increase of RMB15.9 million, as compared to that of RMB95.1 million as at 31 December 2015.

Taxation

For the year ended 31 December 2016, the Group's tax charge of RMB7.1 million (the year ended 31 December 2015: RMB5.0 million) mainly included taxation imposed in overseas jurisdictions of approximately RMB15.3 million and deferred taxation of approximately RMB8.2 million.

Profit attributable to owners of the Company

For year ended 31 December 2016, the Group recorded a profit attributable to owners of the Company of RMB11.8 million, as compared to a profit attributable to owners of the Company of RMB5.8 million for the year ended 31 December 2015. Such improvement was mainly attributable to an increase in gross profit of RMB21.2 million due to selective acceptance of orders with relatively higher gross profit margin.

Net profit

For year ended 31 December 2016, the Group recorded a net profit of RMB11.7 million, as compared to RMB4.5 million for the year ended 31 December 2015. Such improvement was mainly attributable to (1) the increase in gross profit margin mainly resulting from the Group's selective acceptance of orders with relatively higher profit margin, and (2) the decrease in operating expenses for the year ended 31 December 2016.

Financial Resources and Liquidity and Gearing Ratio

The Group maintained a stable financial position. As at 31 December 2016, the Group had cash and cash equivalents of RMB647.4 million and short-term bank loans of RMB111.0 million. The gearing ratio representing the ratio of short-term bank loans to total equity of the Group was 9.2% as at 31 December 2016 (31 December 2015: 8.2%). Such increase was mainly caused by the increase in bank borrowings of RMB15.9 million for the year against the year of 2015.

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 inflow from operating activities of approximately RMB4.9 million (the year ended 31 December 2015: cash outflow of approximately RMB44.7 million) for the year ended 31 December 2016, (2) cash outflow from investing activities of approximately RMB13.1 million (the year ended 31 December 2015: RMB25.4 million) for the year ended 31 December 2016, and (3) cash inflow from financing activities of approximately RMB4.6 million (the year ended 31 December 2015: cash outflow of approximately RMB24.9 million) for year ended 31 December 2016.

The above increase in cash inflow from operating activities was mainly attributable to the improvement of operating performance which contributed by the increased gross profit and the decrease in inventories of approximately RMB28.9 million.

The above decrease in cash outflow from investing activities was mainly attributable to release of restricted bank deposits of approximately RMB20.4 million.

The above increase in cash inflow from financing activities was mainly attributable to new bank loans of approximately RMB94.8 million and repayment of bank loans of approximately RMB85.0 million in the year of 2016.

Assets and liabilities

As at 31 December 2016, the Group recorded the total assets of approximately RMB1,521.4 million (31 December 2015: RMB1,475.0 million) and total liabilities of approximately RMB311.5 million (31 December 2015: RMB311.5 million).

As at 31 December 2016 the Group's current assets and non-current assets were approximately RMB1,166.3 million (31 December 2015: RMB1,048.1 million) and approximately RMB355.1 million (31 December 2015: RMB426.9 million) respectively. The decrease in non-current assets was mainly attributable to reclassify the non-current assets to assets held for sales.

As at 31 December 2016, the Group's current liabilities and non-current liabilities were approximately RMB295.8 million (31 December 2015: RMB293.6 million) and approximately RMB15.7 million (31 December 2015: RMB17.9 million) respectively. The decrease in current liabilities was mainly attributable to the decrease of bills payable which was well managed and monitored to ensure a sufficient credit facilities of the Group.

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 2016, the Group did not pledge any of its land and buildings (31 December 2015: RMB20.1 million). The Group pledged certain of its trade receivables and inventories with an aggregate carrying value of approximately RMB78.5 million (31 December 2015: RMB51.4 million), and also bank deposits of aggregate carrying value of RMB27.7 million (31 December 2015: RMB20.4 million) to secure bank credit facilities granted to the Group.

Capital Commitments

As at 31 December 2016, 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 RMB1.8 million (31 December 2015: RMB4.6 million).

Contingent Liabilities

During the year ended 31 December 2016, 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 2016, the issued share capital of the Company was RMB171,808,087 (equivalent to HK$193,831,969) (31 December 2015: RMB171,896,724 (equivalent to HK$193,931,969)), divided into 1,938,319,694 ordinary shares of HK$0.10 each.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

On 29 August 2016, the Company and Vast Stone Limited entered into a sales and purchase agreement (the "Agreement"), pursuant to which the Company (or its designated nominee) has conditionally agreed to acquire and Vast Stone Limited has conditionally agreed to sell the entire issued share capital of Buttonwood Finance Limited at the consideration of HK$179,000,000. The total consideration shall be settled by the Company by allotting and issuing an aggregate of 177,227,723 new ordinary Shares at the issue price of HK$1.01 per ordinary Share to Vast Stone Limited upon the completion.

Buttonwood Finance 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. As at 31 December 2016, Buttonwood Finance 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.

All the conditions precedent to the Agreement have been fulfilled and the completion of the acquisition took place on 20 January 2017 in accordance with the terms and conditions of the Agreement. An aggregate of 177,227,723 new ordinary Shares have been allotted and issued to Vast Stone Limited at the issue price of HK$1.01 per ordinary Share pursuant to the Agreement.

Following the completion, Buttonwood Finance Limited became a wholly-owned subsidiary of the Company. The acquisition constitutes a disclosable transaction for the Company under Chapter 14 of the Listing Rules. For further details, please refer to the announcements of the Company dated 29 August 2016 and 20 January 2017.

Save as disclosed above, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year, nor was there any plan authorized by the Board for other material investments or additions of capital assets at the date of this announcement.

Final Dividend

The Board resolved not to declare any dividend for the year ended 31 December 2016 (year ended 31 December 2015: nil).

BUSINESS REVIEW

Overview

During the year, the Group seized the opportunity to explore the overseas market without slack, vigorously developed sales channels in the PRC market, increased the gross margins, improved the management level, and revitalized idle assets, which lead to the improvement in operating performance.

During the year, the revenue of American Lighting Inc., an indirect wholly owned subsidiary of the Company, based in Denver, USA has outperformed the expectation. The primary fuels are its opportunity to drive strong revenue growth in large national retailers, its step-up presence in e-commerce, and that American Lighting Inc. has started harvesting success in newly developed products. Management believes the momentum will continue in the foreseeable future.

During the year, the Group focused on better after-sales services and improving customer satisfaction. In addition, to prevent controversial disputes and litigation, the Group strengthened its quality control over production and enhanced the effectiveness in management.

Sales and Distribution

During the year, 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.

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 2016, the Group's total number of employees was approximately 1,500 (31 December 2015: 2,800). 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 Buttonwood Finance 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 2016, 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 2016.

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 2016 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 2016.

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

During the year ended 31 December 2016, the Company repurchased its own shares on the Stock Exchange, details of which are as follows:

Month/Year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration paid
September 2016	1,000,000	HK$1.10	HK$1.04	HK$1,068,660

The repurchased shares were cancelled in February 2017.

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 2016.

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 2016 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, 13 March 2017

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.