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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)

**CONTINUING CONNECTED TRANSACTIONS
AND
MAJOR TRANSACTION
DEPOSIT SERVICE AGREEMENT**

Deposit Service Agreement

On 25 November 2021 (after trading hours), the Company and the Finance Company entered into the Deposit Service Agreement, pursuant to which the Finance Company shall provide the Deposit Service to the Qualified Group Members during the term of the Deposit Service Agreement commencing from the Effective Date to 31 December 2024.

Listing Rules Implication

As at the date of this announcement, Tongfang is a controlling shareholder of the Company by virtue of its direct 100% interest in Resuccess Investments Limited and indirect 100% interest in THTF Energy-Saving Holdings Limited, which, together, in turn hold approximately 64.8% of the total issued share capital of the Company, and is therefore a connected person of the Company. CNCC, a wholly-owned subsidiary of CNNC, is interested in approximately 30.11% of the shares of Tongfang, whereas the Finance Company is an indirect non-wholly owned subsidiary of CNNC. Therefore, the Finance Company is a connected person of the Company.

Accordingly, the provision of Deposit Service by the Finance Company to the Qualified Group Members pursuant to the Deposit Service Agreement constitutes continuing connected transactions of the Company under Chapter 14A of Listing Rules. As one or more of the applicable percentage ratios (other than the profits ratio) of the Annual Cap exceed 5%, the Deposit Service is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in relation to the Deposit Service under the Deposit Service Agreement exceed 25%, the Deposit Service constitutes major transaction of the Company and is subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 25 November 2021 (after trading hours), the Company and the Finance Company entered into the Deposit Service Agreement, pursuant to which the Finance Company shall provide the Deposit Service to the Qualified Group Members during the term of the Deposit Service Agreement commencing from the Effective Date to 31 December 2024.

DEPOSIT SERVICE AGREEMENT

The principal terms of the Deposit Service Agreement are set out below:

- Date: 25 November 2021
- Parties: (1) the Company; and
(2) the Finance Company.
- Term: From the Effective Date (i.e. 1 January 2022 or the date of fulfillment of all the Conditions Precedent, whichever is later) to 31 December 2024
- Deposit Service: The Finance Company shall provide the Deposit Service to the Qualified Group Members.
- Pricing Policy: (i) The interest rates in respect of the onshore PRC deposits placed by the Group with the Finance Company shall not be lower than (i) the benchmark interest rates promulgated by the PBOC, (ii) the interest rates by major commercial banks of the PRC and (iii) the interest rates offered by the Finance Company to any other members of the CNNC Group, for the same type of deposits.
- (ii) The interest rates in respect of the onshore foreign currency deposits placed by the Group with the Finance Company shall not be lower than (i) the benchmark interest rates promulgated by the PBOC (if any), (ii) the interest rates by major commercial banks of the PRC and (iii) the interest rates offered by the Finance Company to any other members of the CNNC Group, for the same type of deposits.

- (iii) If foreign currency exchanges are involved, the exchange rates shall be at the same level as the exchange rates quoted by major commercial banks of the PRC and the exchange rate offered by the Finance Company to other members of the CNNC Group.

Separate Agreement: The Finance Company and the Qualified Group Members will execute separate agreement(s) to effect the Deposit Service. Other terms and conditions of the Deposit Service as a whole shall also not be less favourable than those offered by (i) major commercial banks of the PRC and (ii) the Finance Company to any other members of the CNNC Group, and shall be on normal commercial terms.

- Conditions Precedent:**
1. The legal representative or authorized representative signed and stamped the Deposit Service Agreement.
 2. Finance Company has performed its internal procedure approving the Deposit Service Agreement.
 3. The Company has obtained the Independent Shareholders' Approval.

HISTORICAL TRANSACTION AMOUNTS

Before entering into the Deposit Service Agreement, no members of the Group have placed deposits with the Finance Company.

ANNUAL CAP AND BASIS OF DETERMINATION

It is stipulated in the Deposit Service Agreement that the maximum daily deposit balance of the deposits placed with the Finance Company by the Group for each of the three years ending 31 December 2024 will be as follows:

For the year ending 31 December	Maximum Daily Deposit Balance (RMB)
2022	500,000,000
2023	500,000,000
2024	500,000,000

The Annual Cap has been determined with reference to, among others, the following factors:

- (1) As at 30 June 2021, the cash and cash equivalent of the Group was RMB680,674,000; and

- (2) The Group has continuously recorded net cash generated from operating activities for the two years ended 31 December 2020 and the six months ended 30 June 2021. Net cash generated from operating activities will affect the deposit balance of the Group to be placed. The table below illustrates the net cash generated from operating activities of the Group for the following periods:

	For the year ended 31 December		For the six months ended 30 June
	2019	2020	2021
	(RMB)	(RMB)	(RMB)
Net cash generated from operating activities of the Group	56,897,000	114,093,000	274,835,000

REASONS FOR AND BENEFITS OF ENTERING INTO THE DEPOSIT SERVICE AGREEMENT

The Finance Company is a licensed non-banking financial institution regulated by the PBOC and the CBIRC and is allowable to undertake a variety of financial services to the member of the CNNC Group, without limitation to deposit taking services. CNCC, a wholly-owned subsidiary of CNNC, owns approximately 30.11% of the shares of Tongfang, which in turn hold an aggregate of approximately 64.8% of the total issued share capital of the Company. As a result, the Qualified Group Members are entitled to the services offered by the Finance Company.

The Finance Company, being the financing platform for the entire CNNC Group, could take advantage of the economies of scale and therefore provide the Qualified Group Members with deposit interest rates more favourable or at least no less favourable than other commercial banks in the PRC. In this regard, the Finance Company may obtain better financing options from the financial institutions outside by making use of its advantage in scale of the capital, and in turn the Finance Company would be able to offer favourable deposit interest rates to the Qualified Group Members.

There is no restriction under the Deposit Service Agreement on the Group's use of deposit service from other commercial banks or independent financial institutions. The Group has sole discretion to make its selection according to the relevant conditions and quality of services being delivered by other commercial banks or independent financial institutions. The Group will consider, among others, the terms, quality of services offered by and the choices of deposit service available from other commercial banks or independent financial institutions, their credit ratings and market reputation, their understanding of the Group's operation before adopting the deposit services from the Finance Company or other commercial banks or independent financial institutions.

In view of the above reasons and benefits, given the transactions contemplated under the Deposit Service Agreement are in the ordinary and usual course of business of the Company and are on normal commercial terms or better, the Board (excluding the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee) are of the view that the terms of the Deposit Service Agreement and the Annual Cap are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interests in the transactions contemplated under the Deposit Service Agreement and no Director is required to abstain from voting on the Board resolution approving the Deposit Service Agreement.

INTERNAL CONTROL MEASURES

- (1) The Group has adopted a sound and independent audit system and a comprehensive financial management system. The Group also maintains bank accounts with independent banks. CNNC Group does not share any bank account with the Group.
- (2) The management of the Group will regularly assess the risk of the funds deposited with the Finance Company. The management of the Group will also report to the Board every year with respect to the Deposit Service under the Deposit Service Agreement including utilisation rate of Annual Cap.
- (3) In particular, the Company's audit committee will scrutinise the implementation and enforcement of the transactions under the Deposit Service Agreement. If the Company's audit committee is of the view and decides that it would be in the Company's interests to reduce the level of deposits with the Finance Company, the Group will take appropriate steps to implement its decision, and in such case, any material findings in the risk assessment reports, the views of the Company's audit committee on the deposits under the Deposit Service Agreement (including its views on how the terms of the Deposit Service Agreement have been complied with) and its decisions on matters in relation thereto will be disclosed in the Company's annual reports.
- (4) The Company will regularly obtain benchmarks during the term of the Deposit Service Agreement. All the benchmarks obtained by the Company will be kept in a database maintained by the Company, which will be used internally for, in addition to determining the interest rates and/or exchange rates under the Deposit Service Agreement, monitoring the market trend and allowing the Group to better formulate its funds management strategy. With all the benchmarks mentioned above collected, the Group will negotiate with Finance Company on the best interest rates/exchange rates most favourable to the relevant member of the Group that can be obtained. The benchmarks will set the bottom line for members of the Group in the negotiation process.

- (5) To enable the Group to monitor and ensure that the relevant Annual Cap under the Deposit Service Agreement has not been exceeded, the Group will obtain a monthly report from the Finance Company on the status of the Group's deposits. The Group will also monitor the maximum daily balance of the deposits on a daily basis to ensure that the aggregate deposits do not exceed the applicable Annual Cap.
- (6) The Company will, from time to time and at its sole discretion, request for the deposits with the Finance Company to be withdrawn (either in full or in part) to assess and ensure the liquidity and safety of the Group's deposits.

FINANCIAL SERVICES PROVIDED UNDER THE FINANCIAL SERVICES AGREEMENT

In addition to the Deposit Service Agreement, the Company and the Finance Company entered into the Financial Services Agreement, pursuant to which the Finance Company would provide the Miscellaneous Financial Services to the Qualified Group Members for a term commencing from 1 January 2022 to 31 December 2024.

Among the Miscellaneous Financial Services, the following services would be provided by the Finance Company to the Qualified Group Members free of charge: financial advisory and financing consultation; receipt and making of transaction payments, internal transfer and settlement within the PRC.

For other services, the fees charged by the Finance Company shall not be higher than the fees charged by major commercial banks of the PRC and the Finance Company to any other members of the CNNC Group for the same type of services.

The Board has determined that the fee paid by the Qualified Group Members shall be less than HK\$3,000,000 or its equivalent for each of the three year ending 31 December 2022, 2023 and 2024. The aforesaid annual cap is determined with reference to, among others, the expected usage of such Miscellaneous Financial Services.

The provision of Miscellaneous Financial Services by the Finance Company to the Qualified Group Members pursuant to the Financial Services Agreement constitutes continuing connected transactions of the Company under Chapter 14A of Listing Rules. As the applicable percentage ratios in respect of the annual cap under the Financial Services Agreement are all less than 5% and the annual cap is less than HK\$3,000,000, the Financial Services Agreement and the transactions contemplated thereunder are exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Information about the Financial Services Agreement and the transactions contemplated thereunder are provided voluntarily.

IMPLICATION UNDER THE LISTING RULES

As at the date of this announcement, Tongfang is a controlling shareholder of the Company by virtue of its direct 100% interest in Resuccess Investments Limited and indirect 100% interest in THTF Energy-Saving Holdings Limited, which, together, in turn hold approximately 64.8% of the total issued share capital of the Company, and is therefore a connected person of the Company. CNCC, a wholly-owned subsidiary of CNNC, is interested in approximately 30.11% of the shares of Tongfang, whereas the Finance Company is a non-wholly owned subsidiary of CNNC, which is directly and indirectly interested in 84.31% of the equity interest in the Finance Company. Therefore, the Finance Company is a connected person of the Company.

Accordingly, the provision of Deposit Service by the Finance Company to the Qualified Group Members pursuant to the Deposit Service Agreement constitutes continuing connected transactions of the Company under Chapter 14A of Listing Rules. As one or more of the applicable percentage ratios (other than the profits ratio) of the Annual Cap exceed 5%, the Deposit Service is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in relation to the Deposit Service under the Deposit Service Agreement exceed 25%, the Deposit Service constitutes major transaction of the Company and is subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders on the terms and the proposed Annual Cap of the Deposit Service Agreement and the transactions contemplated thereunder. The Company has appointed Messis Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. A circular containing, among other things, further details of the Deposit Service Agreement, letters from Independent Board Committee and the Independent Financial Adviser, a notice convening the EGM and other information as required under the Listing Rules, will be despatched to the Shareholders on or before 31 December 2021 as additional time is required for the preparation of the circular.

In accordance with the Listing Rules, any Shareholder with a material interest in the Deposit Service Agreement and its close associate(s) must abstain from voting on the relevant resolution(s) at the EGM. Accordingly, CNNC and its associates (including Tongfang) will abstain from voting on the resolution in respect of the Deposit Service Agreement to be put forward at the EGM.

Save as the aforesaid, as at the date of this announcement, the Directors are not aware of any other Shareholders who are required to abstain from voting on the resolution(s) in respect of the Deposit Service Agreement to be put forward at the EGM.

GENERAL INFORMATION

1. Information of the Company

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 depository receipts of which are listed on the Taiwan Stock Exchange. The Group is principally engaged in the businesses of manufacture and trading of lighting products, provision of lighting solution, provision of asset management services, provision of investment advisory services and provision of securities trading services.

2. Information of the Finance Company

The Finance Company is a non-banking financial institution regulated by the CBIRC. Its scope of business covers: Financial and financing advisory, credit certification and related consulting and agency services to member units; assisting member units in the collection and payment of transactions; providing guarantees to member units; handling entrusted loans and entrusted investments among member units; accepting and discounting bills to member units; handling internal transfer settlement between member units and the corresponding settlement and liquidation plan design; absorbing deposits from member units; handling loans and financial leasing to member units; interbank lending; issuance of finance company bonds on approval; underwriting corporate bonds of member units; equity investment in financial institutions; and portfolio investment.

As at the date of this announcement, the Finance Company is a non-wholly owned subsidiary of CNNC, which is directly and indirectly interested in 84.31% of the equity interest in the Finance Company. CNNC is principally engaged in research and development, construction, production and operation in the fields of nuclear power, nuclear fuel cycle, nuclear applications, environmental protection and nuclear engineering, as well as international cooperation, imports and exports. CNNC is ultimately and beneficially owned by the State-owned Assets Supervision and Administration Commission of the State Council* (國務院國有資產監督管理委員會).

DEFINITIONS

“Annual Cap”	the annual cap of the Deposit Service, being RMB500,000,000 for each of the three years ended 31 December 2024
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CNCC”	China Nuclear Corporation Capital Co., Ltd.* (中國核工業集團資本控股有限公司), a company established under the laws of the PRC
“CNNC”	China National Nuclear Corporation* (中國核工業集團有限公司), a company established under the laws of the PRC
“CNNC Group”	CNNC, its subsidiaries and other companies falling within the scope of section 3 of the Measures for the Administration of Finance Companies of Enterprise Groups* (《企業集團財務公司管理辦法》)
“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)
“Conditions Precedent”	the conditions precedent of the Deposit Service Agreement as set out in the section headed “Deposit Service Agreement” of this announcement
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“continuing connected transaction”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules

“Deposit Service”	the deposit service provided to the Group by the Finance Company pursuant to the Deposit Service Agreement
“Deposit Service Agreement”	the deposit service agreement dated 25 November 2021 entered into between the Company and the Finance Company, pursuant to which the Finance Company shall provide the Deposit Service to the Qualified Group Members during the term of the Deposit Service Agreement
“Director(s)”	the director(s) of the Company
“Effective Date”	1 January 2022 or the date of fulfillment of all the Conditions Precedent, whichever is later
“EGM”	extraordinary general meeting of the Company
“Finance Company”	China Nuclear Finance Company Limited (中核財務有限責任公司), a limited liability company established in the PRC, which is a non-wholly owned subsidiary of CNNC
“Financial Services Agreement”	the financial services agreement dated 25 November 2021 entered into between the Company and the Finance Company, pursuant to which the Finance Company would provide the Miscellaneous Financial Services to the Qualified Group Members
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee established by the Company, comprising all of the independent non-executive Directors, namely Mr. FAN, Ren Da Anthony, Mr. LIU Tian Min and Ms. LI Ming Qi, for the purpose of advising the Independent Shareholders in respect of the terms of the Deposit Service and the Annual Cap

“Independent Financial Adviser”	Messis Capital Limited, a licensed corporation permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Deposit Service Agreement and the Annual Cap
“Independent Shareholders’ Approval”	the approval of the Deposit Service Agreement, the transactions contemplated thereon and the Annual Cap by the Independent Shareholders to be obtained at the EGM
“Independent Shareholders”	Shareholders other than CNCC and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Miscellaneous Financial Services”	the miscellaneous financial services provided to the Group by the Finance Company pursuant to the Financial Services Agreement, including financial advisory, financing consultation, credit authentication, management consulting and related agency business; receipt and making of transaction payments, internal transfer and settlement; entrusted loans; acceptance and discounting of bills; foreign exchange settlement and sale; foreign exchange market related products and other services
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Qualified Group Members”	the wholly-owned PRC subsidiaries of the Company and other companies which the Company owns the controlling shareholding and other PRC companies which will be consolidated into the financial statements of the Company which meet the requirement under section 3 of the Measures for the Administration of Finance Companies of Enterprise Groups* (《企業集團財務公司管理辦法》)

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	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 same meaning ascribed to it under the Listing Rules
“Tongfang”	Tongfang Co., Ltd (同方股份有限公司), a company established under the laws of the PRC
“%”	per cent.

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

Hong Kong, 25 November 2021

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

* *For identification purpose only*