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Neo-Neon Holdings Limited

同方友友控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01868)

**SUPPLEMENTAL ANNOUNCEMENT
EXCEEDED ANNUAL CAP OF
CONTINUING CONNECTED TRANSACTION
IN RELATION TO DEPOSIT SERVICE AGREEMENT**

Reference is made to the announcement of the Company dated 12 May 2026 in relation to the exceeding of the Annual Cap for the year ended 31 December 2025 during the period from 11 February 2025 to 2 March 2025 (the “**Announcement**”). Unless otherwise defined, capitalized used in this announcement shall have the same meaning as those defined in the Announcement.

The Board wishes to provide further information on (i) the detailed reasons for the Exceeding of Annual Cap, (ii) the reasons for the failure to comply with the Listing Rules to publish the relevant announcement for the Exceeding of Annual Cap timely, (iii) the Company’s internal control measures at the time of the Exceeding of Annual Cap (the “**Previous Internal Control Measures**”) and reasons why the Previous Internal Control Measures failed to prevent the same and (iv) details and expected effect of the strengthened and enhanced internal control measures (the “**Enhanced Internal Control Measures**”) for avoiding any recurrence of events similar to the Exceeding of Annual Cap.

REASONS FOR THE EXCEEDING OF ANNUAL CAP

The Qualified Group Members involved in the Exceeding of Annual Cap were Guangdong Tongfang Science Park Co., Ltd. (“**GTSP**”) and Guangdong Tongfang Lighting Co., Ltd. (“**GTL**”), both being subsidiaries of the Company. Deposits placed by GTSP and GTL with the Finance Company formed part of the deposit services contemplated under the Deposit Service Agreement and were therefore subject to the Annual Cap.

The chronology of the Exceeding of Annual Cap is as follows: –

Date	Event
31 December 2024	As of 31 December 2024, the total balance placed with the Finance Company by the Group was RMB36,999,022.97, comprising RMB36,341,022.97 placed by GTSP and RMB658,000.00 placed by GTL.
10 January 2025	In order to improve fund utilization efficiency and maximize the Group’s interests, GTSP converted part of its demand deposit, in the amount of RMB28,000,000.00, into a fixed-term deposit for the period from 10 January 2025 to 10 April 2025 (the “Deposit Arrangement”). Upon completion of the Deposit Arrangement:– (i) GTSP had a fixed-term deposit balance of RMB36,000,000.00 (including a then existing fixed-term deposit of RMB8,000,000.00); (ii) GTSP’s demand deposit balance was RMB341,022.97; (iii) GTSP’s total balance remained RMB36,341,022.97; (iv) GTL had a balance of RMB438,000.00; and (v) the Group’s total balance placed with the Finance Company was RMB36,779,022.97.
11 February 2025	GTL received payment for goods in the amount of RMB3,652,346.50. The relevant finance personnel of GTL, without taking into account the existing fixed-term deposit of RMB36,000,000.00 and without notifying the Group’s fund supervisor (the “ Fund Supervisor ”), directly deposited RMB3,000,000.00 with the Finance Company. As a result, the Group’s deposit balance with the Finance Company increased to RMB39,494,388.77 (comprising RMB36,341,022.97 from GTSP and RMB3,153,365.80 from GTL), thereby exceeding the prescribed annual cap of RMB37,000,000.00.

Date	Event
3 March 2025	During the Group's month-end account reconciliation process, the Fund Supervisor identified that the Group's total deposits with the Finance Company had exceeded the Annual Cap. By that time, as GTL had gradually transferred out funds for business operations after 11 February 2025, the total balance placed with the Finance Company by the Group was RMB38,358,388.77, comprising RMB36,341,022.97 placed by GTSP and RMB2,017,365.80 placed by GTL. Upon discovery of the exceedance, the Fund Supervisor immediately arranged for GTL to transfer the excess amount of RMB1,417,365.80 to another GTL bank account, thereby reducing the connected deposit balance back within the Annual Cap.

The Exceeding of Annual Cap was led up by insufficient coordination and communication among the members of the Qualified Group Members, in particular:

- (a) GTSP and GTL are two independent subsidiaries of the Group, each with its own finance team, and their accounting and fund management systems operate independently of each other;
- (b) The deposit placement of RMB3,000,000.00 on 11 February 2025, which led to the Annual Cap being exceeded, was made by GTL independently at the material time. Due to the insufficient communication between Group members, GTL's finance team was not aware of the existing fixed-term deposit of RMB36,000,000.00 placed by GTSP. Consequently, GTL was not prompted to communicate its intended deposit arrangement to the Fund Supervisor, causing the Group's aggregate deposit amount to exceed the Annual Cap; and

In the absence of immediate awareness and subsequent reporting by the relevant Qualified Group Members, the exceedance could only be discovered during the Group's month-end fund reconciliation, when the Fund Supervisor inspected the accounts and records of all Group members.

REASONS FOR THE FAILURE OF PUBLISHING ANNOUNCEMENT TIMELY

In light of (i) the short duration of the excess (20 days from 11 February 2025 to 02 March 2025); (ii) the relatively small amount of exceedance over the Annual Cap and (iii) the prompt rectification steps already taken to reduce the deposit balance back within the Annual Cap, the relevant personnel in charge of the Deposit Service and the Fund Supervisor were not aware of the seriousness of the non-compliance or the implications for further compliance procedures under the Listing Rules. Consequently, they did not report the matter to the management and the Board in a timely manner, which led to the Company's failure to publish an announcement timely.

The said issue re-surfaced in 2026. The Company's auditors issued the initial draft report in respect of the Group's continuing connected transactions for the year ended 31 December 2025 on 29 January 2026, and the finance department completed its data verification by mid-February 2026, prior to the Chinese New Year holidays from 17 February 2026 to 24 February 2026. Following receipt of the draft audit report on 24 February 2026, both drafts were presented on 13 March 2026 to the chief financial officer of the Company, Mr. Ai Min (艾民) (the "CFO"), who ordered an investigation and an explanatory report on the Exceeding of Annual Cap. These investigation results and the report of the incident were submitted to the CFO on 18 March 2026, who then immediately circulated them the findings to all Directors on 20 March 2026.

The Board, upon being informed, held a board meeting on 23 March 2026, where the Board instructed the Company to disclose the exceedance as soon as practicable. Immediately thereafter, the Directors arranged for the CFO and the responsible finance personnel to prepare the relevant disclosures required under the Listing Rules, and to finalize the contents to be disclosed in the Annual Report of the Company for the year ended 2025 (the "**Annual Report**").

During the period from 24 March 2026 to 23 April 2026, the CFO, who was in charge of the rectification actions at the time, was fully engaged in compiling and finalizing the Annual Report. During this time, the CFO's primary focus was ensuring that the disclosures regarding the exceedance within the Annual Report were accurate and complete. During this critical window, the CFO's attention was also momentarily diverted to various other corporate matters, including the implementation of the Company's new enterprise resource planning system, fund supervision and compliance matters concerning a U.S. subsidiary, and the finalization of the ESG reporting metrics within the Annual Report.

The Company received the requisitions raised by the Hong Kong Stock Exchange shortly after the publication of the Annual Report, after which the Announcement was immediately published accordingly. The Board fully recognizes the requirement for publication of the announcement under the Listing Rules and sincerely apologizes for the further processing time taken by its staff on the preparation and publications on the Announcement.

PREVIOUS INTERNAL CONTROL MEASURES

The following Previous Internal Control Measures have been in place at the time of the Exceeding of Annual Cap: –

1. Each Qualified Group Member maintains separate fund management and accounting records, and the placement of daily deposits was handled independently by the respective teams within the relevant Qualified Group Member;

2. Each deposit relating to the Group's connected transactions is initiated by the cashier of the relevant Qualified Group Member and approved by the Fund Supervisor in that relevant Qualified Group Member; and
3. At the end of each month, the Fund Supervisor collects the monthly deposit statements obtained by each subsidiary from the Finance Company, and then consolidates and reconciles with the Group's deposit balances and movements to maintain ongoing supervision over the Annual Cap and fund balances.

The failure of the above Previous Internal Control Measures to prevent the Exceeding of Annual Cap is attributable to the following factors:

- (a) As each Qualified Group Member maintains separate fund management and accounting records, the responsible finance personnel were unable to automatically view or access to the financial activities of other Group members. Such lack of communication resulted in poor coordination among those fund supervisors for the Qualified Group Members at different levels; and
- (b) The practice of the Fund Supervisor to conduct monthly verifications of the deposit statements obtained by each subsidiary from the Finance Company was found to be ineffective and untimely for real-time monitoring in terms of overall fund utilization efficiency of the Group as well as prevention or warning of possible exceedances of the Annual Cap. Consequently, the Fund Supervisor was unable to intervene effectively or take appropriate measures in a timely and proactive manner to prevent potential exceedances of the Annual Cap.

ENHANCED INTERNAL CONTROL MEASURES

The Company has implemented/will implement the following Enhanced Internal Control Measures for the purpose of preventing any recurrence of similar events: –

(i) Training sessions

The Company has organized its first internal training session on 23 April 2026 for relevant personnel. 11 members from the finance department, comprehensive management department and operation management department of the Company attended the training session.

The leading department of the training was the finance department. A representative from the legal department was the instructor of the session. The general manager of the finance department also assisted in the training session and was responsible for the overall design and planning of the training session but did not personally deliver the training. The training session mainly covered the reflection on the current breach of the Annual Cap, the regulatory requirement relating to the Listing Rules, and the proposed enhanced measures to be implemented moving forward.

Moving forward, the Company intends to engage external legal advisers or external auditors at least once a year to provide ongoing training. External legal advisers will be able to provide training on the Listing Rules, such as compliance requirements under Chapter 14A, and the external auditors (as appropriate) will be able to provide training on various financial control mechanisms to ensure proper execution of the internal financial system (e.g., approval processes, supervisory practices, etc.) in compliance with the said Listing Rules. The Company has scheduled the next training in October 2026 (after the issuance and circulation of the updated internal control policies on 30 September 2026 as described below), to be conducted by external legal advisers on, *inter alia*, updates of Company's enhanced internal procedures and policies, as well as regulatory compliance requirements under the Listing Rules including but not limited to the regulatory requirements on connected transactions.

All Directors, the president of the Company, the CFO, the secretary of the Company, middle-level managers of all departments of the Company and all core personnel involved in connected transactions, which is in addition to the staff who participated in the abovementioned first internal training, would be asked to join the said upcoming scheduled training.

(ii) Staff reminders and reporting to the Directors

The Company has implemented enhanced internal procedures in relation to control for continuing connected transactions of the Group and the applicable annual caps, and has communicated the Enhanced Internal Control Measures and procedural requirements to the finance personnel responsible for monitoring the daily deposit balances of the Group's accounts maintained with the Finance Company. Updated internal control measures and procedural requirements will be promptly provided to those newly employed finance personnel.

In terms of implementation status and timeline, the Company has already increased the frequency of staff reporting and reminders in the following manner:

- (a) Since April 2026, the Fund Supervisor has been reporting the ledger of deposit balances of each subsidiary and of the Group on monthly basis via email to the general manager of the finance department and the CFO;
- (b) Since April 2026, the Fund Supervisor has been consolidating the implementation status of the relevant internal control measures for the period on monthly basis, reporting the same via email to the general manager of the Company's finance department, the CFO and the secretary of the Company. The secretary of the Company then forwards such information to all Directors for their review and information; and

- (c) Since April 2026, a risk assessment report on the deposit arrangement between the Company and the Finance Company has been prepared on a semi-annual basis to monitor internal controls. The content of this compliance report includes a risk assessment, internal control measures, and evaluation of the effectiveness of the enhanced Internal Control Measures implemented.

For the avoidance of doubt, once the company's updated internal control policy is issued on 30 September 2026 (see, section (iv) *Senior management's review of deposit balances* below), further reminders would be sent to all relevant staff summarizing the new measures and the practical points they need to be aware of.

(iii) Monitoring and forecasting of deposit balances

Since April 2026, the Group has strengthened fund management and improved its approval procedures. In terms of monitoring the deposit balances, the task is jointly handled by the cashiers of the Qualified Group Members and the Fund Supervisor. At the end of each business day, the relevant responsible personnel complete the verification process of the Group's balances and assess whether there is any risk of exceeding the Annual Cap. If any risk of exceeding the Annual Cap is identified, it will be reported to the senior management immediately for handling.

In terms of forecasting the deposit balances, for each connected transaction and each fund deposit business of a Qualified Group Member, the approval mechanism has been further enhanced to require verification of the feasibility of fund receipts and payments for all such transactions.

Specifically, each deposit which is a connected transaction and subject to the Annual Cap must follow the following mandatory steps:

- (1) A Qualified Group Members must make an application to the Fund Supervisor for every deposit that is subject to the Annual Cap.
- (2) Upon receiving an application, the Fund Supervisor should consider the then deposit balance of the Company, and assess whether such deposit would lead to an exceedance of 80% of the Annual Cap.
- (3) Should the Fund Supervisor confirm that such deposit would not exceed 80% of the Annual Cap, then the application would be approved, and the intended deposit can proceed. However, should the Fund Supervisor confirm that such deposit would result in reaching or exceeding 80% the Annual Cap limit, such deposit application would be declined, and the review by the CFO as described in the section "(iv) *Senior management's review of deposit balances*" below would be triggered.

With the above mandatory process in place, no deposit which subject to the Annual Cap can proceed without the prior assessment and approval by the Fund Supervisor, thereby preventing the possibility of an exceedance of the Annual Cap.

Additionally, for each transaction in an amount exceeding RMB100,000 (regardless of whether it is subject to the Annual Cap), mandatory approval by an executive Director would be required. This establishes a strict control requirement to prevent the recurrence of similar incidents of exceeding the Annual Cap.

(iv) Senior management's review of deposit balances

Since April 2026, the Fund Supervisor has been submitting on monthly basis and in a timely manner following the completion of monthly reconciliation work, the dynamic monitoring ledger of deposit balances of each Qualified Group Member and of the Group as a whole via email to the general manager of the finance department and the CFO for their review and record. This ensures that the supervision procedures are conducted in a standardized and orderly manner.

To safeguard the deposit balance from exceeding the Annual Cap, when it is foreseen that an intended application will reach or exceed 80% of the maximum Annual Cap limit, the matter must be reported to the CFO by the Fund Supervisor as stated above. Such an event triggers an immediate suspension of the acceptance of the new connected deposits, pending the decision of the CFO, who must decide the appropriate response action by organizing finance personnel to conduct a comprehensive analysis based on the anticipated receipts and payments for the following 30 days. If there is a stable and long-term business need for connected deposits and the scale of such deposit business is expected to expand on an ongoing basis, the CFO may recommend revising the Annual Cap. Alternatively, the CFO may recommend the Company to continue to suspend the acceptance of any connected deposits into the relevant account, allow existing deposits to mature and be settled in the ordinary course, and progressively reduce the balance through natural runoff until accepting the proposed deposit no longer causes the balance to reach or exceed the 80% threshold.

The Board will review the CFO's proposal and determine the appropriate course of action after considering pricing fairness, business necessity and risk controllability. If revision of the Annual Cap is approved, the Company will carry out the necessary supplementary approval and disclosure procedures under the Listing Rules and update the system limit parameters accordingly. If suspension of new connected deposits is approved, a formal control notice will be issued to the relevant fund review and settlement posts so that the account can no longer receive new connected deposits and may only be used for withdrawals and maturity redemptions until further notice from the Board.

The implementation status of each of the Internal Control Measure is as follows:

Internal Control Measure	Date implemented	Remarks/reasons if not yet completed
Strengthened fund management and approval procedures for connected transactions	April 2026	N/A
Daily monitoring of deposit balance and Annual Cap utilisation by the relevant finance personnel and Fund Supervisor	April 2026	Daily monitoring mechanism has been put in place since April 2026
Monthly reporting of deposit balance and utilisation status to the general manager of the finance department and the CFO by email	April 2026	Monthly reporting by email has been carried out since April 2026, with monthly analysis also being synchronised to the Board.
Monthly reporting of connected transaction internal control status by the Fund Supervisor to the company secretary and the Directors via email.	April 2026	The report includes the deposit balances of each Qualified Group Member and of the Group at the end of the relevant month, records of the deposits made during the relevant month and the interest rates adopted.
Submission of half-yearly risk assessment report on the deposit arrangements between the Company and the Finance Company	April 2026	N/A
Mandatory approval by the executive Director for each transaction exceeding RMB100,000	April 2026	N/A

Although the Internal Control Measures above were already adopted, implemented, and covered with the Company's staff during the first internal training session on 23 April 2026, they have yet to be formally incorporated into the Company's written internal control policies as of the date of this Announcement.

Accordingly, the Company's internal control policies are currently being supplemented, consolidated, and revised to include the Internal Control Measures implemented in April 2026 (as set out in the table above), together with the additional Internal Control Measures to be implemented (as set out in the table below). The expected date of issuance and circulation for the updated and consolidated internal control policies is 30 September 2026.

The following are the Internal Control Measures that are expected to be completed in the near future:

Internal Control Measure	Expected Completion Date	Remarks/Reasons if not yet completed
Reporting to the Board at least twice a year on connected transaction implementation and compliance matters	August 2026	Under the normal schedule, the Board meets semi-annually. It is expected that the CFO will report to the Board on the implementation status of connected transactions at the Board meeting to be held in August 2026.
Quarterly performance assessment of the CFO in relation to connected transaction management, and half-yearly/annual inspection reports to be submitted to the Board	July 2026 for commencement of performance assessment, and August 2026 for Board reporting.	Performance assessment will be conducted in July 2026, and the inspection report will be prepared and submitted to the Board in August 2026.
Half-yearly internal audit special review on connected deposits and implementation of internal control measures	August 2026	The Company expects to commence the review for the first half of the year in July 2026 and report to the Board in August 2026.

Internal Control Measure	Expected Completion Date	Remarks/Reasons if not yet completed
		The review will summarize the details of the connected deposits, examine the compliance of the connected deposits with the Listing Rules (including whether the relevant disclosure requirements have been fulfilled), evaluate the effectiveness of the internal control measures and identify any existing issues that requires rectifications. This ensures that the Board is well-informed about the compliance status relating to connected transactions, allowing them to oversee the risks involved and improve internal controls measures as appropriate.
Inclusion of compliance-related KPIs and a “zero major breach record” requirement in the CFO’s annual performance assessment	March 2027	The Company proposes to complete the assessment of the CFO’s compliance performance for 2026 in the first quarter of 2027.
Training provided by professional legal advisers for Directors, senior management and key personnel involved in connected transactions	October 2026	The Company plans to conduct the relevant training in October 2026. Participants will include all Directors, senior management, department managers and relevant personnel involved in connected transactions.

The Directors consider that the Enhanced Internal Control Measures will further strengthen the Company's oversight on regulatory compliance and effectively prevent the recurrence of similar incidents in the future. In particular:

- (a) Regular training and reminders will ensure compliance awareness among the finance staff, senior management, and the Directors. Before entering into any deposit transaction with a connected person, the relevant personnel are expected to be fully aware of the compliance implications and understand their advance reporting obligations to the senior management and the Board. This enables proactive assessment before any potential connected transaction to take place, thereby avoiding post-event monitoring or rectification;
- (b) Through the enhanced approval procedures within the fund management system, funds cannot be transferred without sequential approvals from multiple designated personnel within the Group. This mechanism will enhance proactive communication among responsible staff at different levels, thereby strengthening the control of fund flows within the Group in order to ensure compliance with the Listing Rules;
- (c) Requiring the Group's finance department to monitor connected transaction balance data more frequently via a ledger will prevent any failure to identify or prevent a breach of exceedance of the Annual Cap in a timely manner. Furthermore, senior management and the Board will be able to become more actively involved in supervising the works of finance staff under the enhanced reporting and response procedures; and
- (d) The Enhanced Internal Control Measures have been fully incorporated into the current procedures and policies governing all ongoing connected transactions of the Group, and the relevant personnel at different levels have been well informed of the revised workflows.

In light of the new training session, change of the existing Fund Supervisor is not necessary, considering that the current incident was attributable to delayed performance of duties and a misunderstanding of the requirements relating to connected transaction rules, rather than any concealment of fraud or deliberate cover-up of non-compliance. The Fund Supervisor did not engage in any fraud, transfer of benefits, or intentional acts of exceeding authority for personal gain. The Fund Supervisor also possesses relatively strong professional competence and understanding of the Group's operations.

Having considered the underlying causes of the incident of the Exceeding of Annual Cap, and the manner in which the Enhanced Internal Control Measures address those causes and reinforce the Company's existing internal control framework, the Board is of the view that the Enhanced Internal Control Measures are sufficient and effective to prevent the recurrence of similar incidents in the future.

By order of the Board
Neo-Neon Holdings Limited
Zhang Xiaoming
Chairperson

Hong Kong, 18 August 2026

As at the date of this announcement, the executive Directors are Mr. Zhang Xiaoming and Mr. Lian Chenwei; the non-executive Directors are Mr. Kong Lingqi and Ms. Liu Wenjing; the independent non-executive Directors are Dr. Li Xuejin, Ms. Li Ming Qi and Ms. Yang Juan.