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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)

MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF TWO SUBSIDIARIES

DISPOSAL OF TWO SUBSIDIARIES

The Board is pleased to announce that on 29 October 2020 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, the Purchaser, an Independent Third Party, and the Target Companies entered into the Equity Interest Transfer Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire equity interests in the Target Companies at the consideration of RMB392,961,124.51.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 14.20 of the Listing Rules, the Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to the Company disregarding the “profits ratio” under Rule 14.07(2) of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal, exceed 25% but are all less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement, circular and shareholders’ approval requirements under the Listing Rules.

Since (i) no Shareholder is required to abstain from voting on the resolution at an EGM if it were convened to approve the Equity Interest Transfer Agreement and the Disposal; and (ii) in lieu of holding an EGM, the Company, on 29 October 2020, received the Written Shareholders’ Approval in respect of the Equity Interest Transfer Agreement and the Disposal from THTF ES and Resuccess that together hold an aggregate of 1,357,442,690 Shares (representing approximately 64.81% of the issued capital of the Company as at the date of the Written Shareholders’ Approval), no EGM is required to be convened for the approval of Equity Interest Transfer Agreement, the Disposal and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

A circular in relation to the Disposal will be despatched to the Shareholders on or before 20 November 2020.

BACKGROUND

The Board is pleased to announce that on 29 October 2020 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser, an Independent Third Party, and the Target Companies entered into the Equity Interest Transfer Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire equity interests in the Target Companies at the consideration of RMB392,961,124.51. After the completion of the Disposal, the Target Companies will no longer be subsidiaries of the Company.

EQUITY INTEREST TRANSFER AGREEMENT

The principal terms of the Equity Interest Transfer Agreement are summarized as follows:

- Date : 29 October 2020 (after trading hours)
- Parties : (1) Guangdong Tongfang Science Park Company Limited* (廣東同方科技園有限公司), as the Vendor
- (2) Zhonghe Real Estate Development Company* (中核興業控股有限公司), as the Purchaser
- (3) Jiangmen Tonghe, as one of the Target Companies
- (4) Jiangmen Tongxin, as one of the Target Companies
- To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.
- Subject of Disposal : The entire equity interests of the Target Companies
- Consideration : RMB392,961,124.51, of which:
- (1) 30%, i.e. RMB117,888,337.35, shall be paid within five (5) Business Days after the Equity Interest Transfer Agreement becomes effective (the "**First Instalment**"); and
- (2) 70%, i.e. RMB275,072,787.16, shall be paid within one (1) year after the Equity Interest Transfer Agreement becomes effective (the "**Remaining Instalment**"), subject to compliance with the Equity Interest Transfer Agreement by the Vendor.

- Conditions precedent : The Equity Interest Transfer Agreement shall become effective upon the satisfaction of the following conditions precedent:
- (1) The parties having signed and stamped the Equity Interest Transfer Agreement;
 - (2) CNNC having agreed the Disposal by way of non-public agreement and having completed the filing and announcement of the assessment report in respect of the Disposal;
 - (3) The Company having obtained its directors' and shareholders' approval of the Disposal according to the Listing Rules;
 - (4) The board of directors and shareholders (if needed) of Tongfang having approved the Disposal according to the requirement and listing rules of the Shanghai Stock Exchange and China Securities Regulatory Commission;
 - (5) The Purchaser and the Vendor having completed and obtained the internal approval, state-owned assets assessment and approval in respect of the Disposal.
- Completion : Within ten (10) Business Days after the payment of the First Instalment, the Vendor transfers the entire equity interest of the Target Companies to the Purchaser.
- Within ten (10) Business Days after the completion of the change in industrial and commercial registration in respect of the Disposal, the Vendor shall handover to the Purchaser stamps, certificates, books and records etc., and upon receipt of which the Purchaser and the Vendor shall sign a completion confirmation (the "**Completion Confirmation**").
- Completion Date shall be the date of the Completion Confirmation.
- Repayment of loans by the Target Companies : The Purchaser shall procure the Target Companies to repay the Vendor the debt of RMB391,492,419 which the Target Companies owe the Vendor (the "**Debt**") together with the interests accrued on the principal within thirty (30) Business Days after the completion of the change in industrial and commercial registration in respect of the Disposal.

Pledge of equity interest : Within thirty (30) Business Days after the completion of the change in industrial and commercial registration in respect of the Disposal, the Purchaser shall pledge 70% of the equity interest of each of the Target Companies to the Vendor (the “Pledge”).

The parties agrees that within five (5) Business Days after the full payment of the Remaining Instalment, the Vendor shall cooperate with the Purchaser in releasing the Pledge.

Termination : The Purchaser may terminate the Equity Interest Transfer Agreement if its right to receive the transfer of, legally own or deal with the equity interest of the Target Companies are obstructed, or the Target Companies loses the right to use the Lands or need to pay any amount of money which the Vendor does not bear, or the development and construction on the Lands is substantially affected as a result of the abovementioned matters:

- (i) in respect of material matters related to the Target Companies and the Lands, if before the Completion Date:
 - (i) the Vendor or the Target Companies have not carried out management, made decisions and made filings in accordance with the relevant rules on supervision and administration of state-owned assets, or (ii) the Vendor or the Target Companies have not completed all necessary decision making procedure or there are defects or deficiencies in such decision making procedure;
- (ii) if the government requires completion of any administrative approval procedures in respect of the Lands and the Vendor fails to comply in time;
- (iii) if there are defects in the historical sale, transfer, allocation or merger by absorption of the Lands to the Vendor; or
- (iv) the expiry of the deadline for the planning and design of the Lands,

The Purchaser will also have the right to terminate the Equity Interest Transfer Agreement in the following circumstances:

- (i) if the Vendor (for its own reasons other than reasons due to policy, laws and regulations) is unable to cooperate with the Purchaser to register the change in ownership of equity interest or complete handover for over 30 days after the deadline for transfer of equity interests or handover;
- (ii) if the Vendor deals with the credit and debt of the Target Companies other than in accordance with the Equity Interest Transfer Agreement;
- (iii) if the Vendor transfers all or part of its creditor's rights over the Target Companies or its rights and obligations under the Equity Interest Transfer Agreement to a third party without the Purchaser's written consent;
- (iv) if judicial enforcement measures are imposed on the equity interest in the Target Companies or the Lands due to debt, guarantee, litigation or other encumbrance and restriction to rights not disclosed by the Vendor or the Target Companies to the Purchaser and the Vendor is unable to resolve it within 30 days after such judicial enforcement measures are imposed; or
- (v) if the Vendor commits a repudiatory breach of the Equity Interest Transfer Agreement.

Grant of rights of entrusted management to the Purchaser : After the Equity Interest Transfer Agreement becomes effective, the rights of entrusted management of the Target Companies shall be granted to the Purchaser.

The Purchaser shall be entitled to the profits and bear the losses of the Target Companies from 30 June 2020 to the Completion Date.

BASIS OF DETERMINATION OF THE CONSIDERATION

The consideration for the Disposal was determined after arm's length negotiation between the Vendor and the Purchaser with reference to, among others, the valuation of the Lands made by an independent qualified valuer and the amount of the Debt.

INFORMATION OF THE TARGET COMPANIES

The Target Companies were established on 22 October 2018 and are special purpose vehicles which hold the Lands.

Set forth below is certain financial information of the Target Companies for (i) the period from 22 October 2018 (date of establishment) to 31 December 2018, (ii) the year ended 31 December 2019, and (iii) the six months ended 30 June 2020:

	From 22 October 2018 (date of establishment) to 31 December 2018 (unaudited)		The year ended 31 December 2019 (unaudited)		The six months ended 30 June 2020 (unaudited)	
	Jiangmen Tonghe (approx. RMB'000)	Jiangmen Tongxin (approx. RMB'000)	Jiangmen Tonghe (approx. RMB'000)	Jiangmen Tongxin (approx. RMB'000)	Jiangmen Tonghe (approx. RMB'000)	Jiangmen Tongxin (approx. RMB'000)
Net profit/(loss) before taxation	(17,033)	(6,931)	46,126	(448)	(33,098)	(4,283)
Net profit/(loss) after taxation	(14,843)	(6,790)	30,772	(905)	(26,932)	(3,565)

As at 30 June 2020, the unaudited total assets and net assets of the Target Companies were as follows:

	Jiangmen Tonghe (approx. RMB'000)	Jiangmen Tongxin (approx. RMB'000)
Total assets	696,496	100,088
Net assets	358,476	41,617

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

The estimated indicative net gain arising from the Disposal is expected to be approximately RMB2.84 million, and such gain has been determined with reference to the difference between the consideration for the Disposal and the unaudited adjusted net assets value of the Target Companies of RMB390,124,774. The unaudited adjusted net assets value of the Target Companies is calculated by adjusting the unaudited net assets value of the Target Companies as at 30 June 2020 of RMB400,093,431 with a reduction of RMB9,968,657, which represented the revaluation deficit arising from the valuation of the Lands as at 31 August 2020 (i.e. RMB784,500,000) as assessed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, and the book value of the Lands as at 30 June 2020 (i.e. RMB794,468,657). Such net gain is expected to be recognized in the Group's consolidated statement of profit or loss upon completion of the Disposal.

Shareholders should note that the financial impact set out above is for illustrative purpose only, which will have to be ascertained with reference to the carrying value of the entire equity interests of the Target Companies and the actual costs and expenses associated with the Disposal.

It is intended that the proceeds from the Disposal will be used as general working capital of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY INTEREST TRANSFER AGREEMENT

Since 2017, the Group has been working with the Management Committee of Heshan Municipal Industry City* (鶴山市工業城管委會) in relation to the development and expansion of electronic information industry and LED lighting industry in Heshan Industry City* (鶴山市工業城) by transforming the manufacturing base of the Group in the PRC into Tongfang Science and Technology City* (同方科技城) (“**Tongfang Science and Technology City**”), a science and technology zone.

As part of the transformation, it was planned that certain residential properties (“**Residential Properties**”) will be constructed on the Lands to complement the development of the Tongfang Science and Technology City, and with a view to achieving this, the Target Companies entered into contracts with Heshan Municipal Land Bureau, pursuant to which the land usage of the Lands was changed to urban residential usage and commercial service usage from industrial usage. For details, please refer to the announcement and the circular of the Company dated 6 December 2018 and 25 February 2019 respectively.

However, the Group does not intend to pursue the development of the Residential Properties itself as its ordinary course of business is not in property development. Therefore, it proposes to realise the value of the Lands by disposing the Target Companies to an independent third party developer.

The Board considers that the terms of the Equity Interest Transfer Agreement, including the Consideration, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 14.20 of the Listing Rules, the Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to the Company disregarding the “profits ratio” under Rule 14.07(2) of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal, exceed 25% but are all less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement, circular and shareholders’ approval requirements under the Listing Rules.

Since (i) no Shareholder is required to abstain from voting on the resolution at an EGM if it were convened to approve the Equity Interest Transfer Agreement and the Disposal; and (ii) in lieu of holding an EGM, the Company, on 29 October 2020, received the Written Shareholders’ Approval in respect of the Equity Interest Transfer Agreement and the Disposal from THTF ES and Resuccess that together hold an aggregate of 1,357,442,690 Shares, representing approximately 64.81% of the issued capital of the Company as at the date of the Written Shareholders’ Approval), no EGM is required to be convened for the approval of Equity Interest Transfer Agreement, the Disposal and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

A circular in relation to the Disposal will be despatched to the Shareholders on or before 20 November 2020.

GENERAL

Information on the Group

The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange and the Taiwan depositary receipts of which are listed on the Taiwan Stock Exchange. The Group is principally engaged in the businesses of 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.

Information on the Vendor

The Vendor is a company established under the laws of the PRC with limited liability, which is principally engaged in the business of manufacture and sale of lighting products.

Information on the Purchaser

The Purchaser is a company established under the laws of the PRC with limited liability, which is principally engaged in the business of property development. It is wholly-owned subsidiary of CNNC (as to 51% directly and 49% through a wholly-owned subsidiary). CNNC owns the entire equity interest of CNCC which in turns hold 21% of the equity interest of Tongfang. THTF ES is wholly owned by Resuccess which in turn is wholly owned by Tongfang. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser, CNNC and their ultimate beneficial owners are Independent Third Parties.

DEFINITIONS

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

“Board”	the board of Directors
“Business Days”	a calendar day excluding Saturday, Sunday or all statutory holidays in the PRC
“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
“Company”	Neo-Neon Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1868)

“Completion Date”	the date on which the Completion Confirmation is signed
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Disposal”	the transfer of the entire equity interests of the Target Companies from the Vendor to the Purchaser
“EGM”	extraordinary general meeting of the Company
“Equity Interest Transfer Agreement”	the Equity Interest Transfer Agreement dated 29 October 2020 entered into by the Vendor, the Purchaser and the Target Companies in respect of the Disposal
“Group”	the Company and its subsidiaries
“Heshan Municipal Land Bureau”	Heshan Municipal Land Bureau* (鶴山市國土資源局), a PRC governmental authority and the grantor of the Lands
“Heshan Tongfang”	Heshan Tongfang Lighting Technology Co., Ltd.* (鶴山同方照明科技有限公司), an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) which is/are independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company
“Jiangmen Tonghe”	Jiangmen Tonghe Guangyuan Technology Limited* (江門市同鶴光源科技有限公司), an indirect wholly-owned subsidiary of the Company
“Jiangmen Tongxin”	Jiangmen Tongxin Guangyuan Technology Limited* (江門市同欣光源科技有限公司), an indirect wholly-owned subsidiary of the Company
“Lands”	pieces of land held by the Target Companies, which are located in Heshan City, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC” or “China”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
“Purchaser”	Zhonghe Real Estate Development Company* (中核興業控股有限公司), a company established under the laws of the PRC and is ultimately beneficial owned by CNNC
“Resuccess”	Resuccess Investments Limited, a substantial shareholder of the Company directly holding 9,082,000 Shares (representing approximately 0.43% of the Company’s issued share capital) and the entire issued share capital of THTF ES and therefore deemed to be interested in all 1,348,360,690 Shares (representing approximately 64.38% of the Company’s issued share capital) held by THTF ES as at the date of the Written Shareholders’ Approval
“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 meaning ascribed to it under the Listing Rules
“Target Companies”	Jiangmen Tonghe and Jiangmen Tongxin
“THTF ES”	THTF Energy Saving Holdings Limited, a wholly-owned subsidiary of Resuccess, and a substantial shareholder of the Company holding 1,348,360,690 Shares (representing approximately 64.38% of the Company’s issued share capital) as at the date of the Written Shareholders’ Approval
“Tongfang”	Tongfang Co., Ltd (同方股份有限公司), a company established under the laws of the PRC, the ultimate holding company of the Company
“Vendor”	Guangdong Tongfang Science Park Company Limited* (廣東同方科技園有限公司), a company established under the laws of the PRC, an indirect wholly-owned subsidiary of the Company

“Written Shareholders’ Approval” the written shareholders’ approval dated 29 October 2020 in respect of the Equity Interest Transfer Agreement given by THTF ES and Resuccess

“%” per cent.

* *for identification purpose only*

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

Hong Kong, 30 October 2020

As at the date of this announcement, the executive Director of the Company is Mr. GAO Zhi; the non-executive Directors are Mr. SEAH Han Leong and Mr. ZHOU Hai Ying; the independent non-executive Directors are Mr. FAN, Ren Da Anthony, Mr. LIU Tian Min and Ms. LI Ming Qi.