

The Directors is pleased to present their annual report and the audited financial statements for the year ended 31 December 2006.

The shares of the Company were listed on the Stock Exchange since 15 December 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 34 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 42. The Directors do not recommend the payment of any final dividend for the year ended 31 December 2006.

PROPERTY, PLANT AND EQUIPMENT

Movements during the year in the Group's property, plant and equipment are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Ben FAN (<i>Chairman</i>)	(appointed on 11 August 2006)
Ms. Michelle WONG	(appointed on 14 September 2006)
Mr. FAN Pong Yang	(appointed on 17 October 2006)
Mr. JANG Jann Huan	(appointed on 25 January 2007)

Non-executive Director

Dr. LEONG Ka Cheong Christopher	(appointed on 17 October 2006)
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Independent non-executive Directors

Mr. WU Tak Lung	(appointed on 20 November 2006)
Ms. FUNG Siu Wan Stella	(appointed on 20 November 2006)
Mr. LAM Yin Ming	(appointed on 20 November 2006)

In accordance with the Company's articles of association, Mr. Ben FAN, Ms. Michelle WONG, Mr. FAN Pong Yang, Mr. JANG Jann Huan, Dr. LEONG Ka Cheong Christopher, Mr. WU Tak Lung, Ms. FUNG Siu Wan Stella and Mr. LAM Yin Ming will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the date on which dealings in Shares commences on HKSE (the "**Commencement Date**"), which will continue thereafter provided that either the Company or the executive Director may, after one year of the Commencement Date, terminate the appointment of the executive Director by giving to the other party not less than three months' written notice of termination or by payment in lieu of such notice.

The non-executive Director has entered into a letter of appointment with the Company for an initial term of three years commencing from the Commencement Date during which the agreement is subject to renewal at the end of each service year. Either party may terminate the agreement by giving one month's written notice.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing on the Commencement Date and may be terminated by either party by giving two months' written notice.

Save as disclosed above, none of the Directors has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

The remuneration of senior management of the Company is aimed at attracting, motivating and retaining high-calibre individuals in a competitive market. The emoluments of the Directors are determined in accordance with this policy.

Before listing, the Company received from each of the independent non-executive Directors a confirmation of his independence and the Company considers all of them to be independent.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the heading "Connected Transactions", there were no contract of significance in relation to the Group's business to which the Company or any of subsidiaries and fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors hold any interests in any competing business against the Company or any of its jointly controlled entities and subsidiaries for the year ended 31 December 2006.

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2006, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "HKSE") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(a) Long positions in shares of the Company

Name of Director	Class of Shares	Personal Interests	Number of Shares held			Other Interests	Percentage of Total Issued Share Capital of the Company	
			Family Interests	Corporate Interests	Total			
Mr. Ben FAN ⁽¹⁾	Ordinary	-	60,000,000	351,000,000	-	411,000,000	54.1%	
Ms. Michelle WONG ⁽¹⁾	Ordinary	-	351,000,000	60,000,000	-	411,000,000	54.1%	
Mr. FAN Pong Yang ⁽²⁾	Ordinary	-	-	60,000,000	-	60,000,000	7.9%	
Dr. LEONG Ka Cheong Christopher ⁽³⁾	Ordinary	-	-	80,460,000	-	80,460,000	10.6%	

(b) Short positions in shares of the Company

Name of Director	Class of Shares	Personal Interests	Number of Shares			Other Interests	Percentage of Total Issued Share Capital of the Company	
			Family Interests	Corporate Interests	Total			
Dr. LEONG Ka Cheong Christopher ⁽³⁾	Ordinary	-	-	16,200,000	-	16,200,000	2.13%	

Note:

- (1) Each of Mr. Ben FAN and Ms. Michelle WONG is taken to be interested in an aggregate of 411,000,000 Shares held by Rightmass Agents Limited (“**Rightmass**”) and Charm Light International Limited (“**Charm Light**”) respectively as follows:
- (a) 351,000,000 Shares are held by Rightmass which is wholly-owned by Mr. Ben FAN. Mr. Ben FAN is taken to be interested in 351,000,000 Shares that Rightmass is interested;
 - (b) 60,000,000 Shares are held by Charm Light which is owned as to 35% by Ms. Michelle WONG. Ms. Michelle WONG is taken to be interested in 60,000,000 Shares that Charm Light is interested;
 - (c) Ms. Michelle WONG is the spouse of Mr. Ben FAN. Ms. Michelle WONG is deemed to be interested in 411,000,000 Shares in which Mr. Ben FAN is interested by virtue of the SFO; and.
 - (d) Mr. Ben FAN is the spouse of Ms. Michelle WONG. Mr. Ben FAN is deemed to be interested in 411,000,000 Shares in which Ms. Michelle WONG is interested by virtue of the SFO.
- (2) 60,000,000 Shares are held by Charm Light which is owned as to 35% by Mr. FAN Pong Yang. Mr. FAN Pong Yang is taken to be interested in 60,000,000 Shares that Charm Light is interested.
- (3) Since Dr. LEONG owns more than one-third of the beneficial interest in Bastion Associates Limited, Dr. LEONG is deemed to be interested in the 80,460,000 Shares and has a short position of 16,200,000 Shares under the SFO.

Save as mentioned above, as at 31 December 2006, none of the Directors and chief executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been entered in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2006, the interests and short positions of those persons (other than the Directors) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in shares of the Company

Name	Capacity in which Shares were Held	Number of Ordinary Shares Held	Percentage of Total Issued Share Capital of the Company
Rightmass	Beneficial owner	351,000,000	46.2%
Charm Light	Beneficial owner	60,000,000	7.9%
Valewater Holdings Limited ("Valewater")	Beneficial owner	80,460,000	10.6%
Transpac Capital Pte Ltd ("Transpac Capital") ⁽¹⁾	Interest of a controlled corporation	80,460,000	10.6%
Bastion Associates Limited ⁽²⁾	Interest of controlled corporations	80,460,000	10.6%
Maclare Holdings Limited ("Maclare")	Beneficial owner	68,540,000	9.0%
Transpac Industrial Holdings Limited ("Transpac Industrial") ⁽³⁾	Interest of a controlled corporation	68,540,000	9.0%
ASM Asia Recovery (Master) Fund ("ASM Fund") ⁽⁴⁾	Investment Manager	68,540,000	9.0%
Argyle Street Management Limited ("Argyle Management") ⁽⁵⁾	Investment Manager	68,540,000	9.0%
Argyle Street Management Holdings Limited ("Argyle Holdings") ⁽⁶⁾	Interest of controlled corporations	68,540,000	9.0%
CHAN Kin ⁽⁷⁾	Interest of controlled corporations	68,540,000	9.0%
Deutsche Bank Aktiengesellschaft ("Deutsche Bank")	Beneficial owner	35,000	5.6%
	Investment Manager	2,761,000	
	Person having a security interest in shares	9,800,000	
	Interest held jointly with another person	30,000,000	

Short positions in shares of the Company

Name	Capacity in which Shares were Held	Number of Ordinary Shares	Percentage of Total Issued Share Capital of the Company
Valewater	Beneficial owner	16,200,000	2.13%
Transpac Capital ⁽¹⁾	Interest of a controlled corporation	16,200,000	2.13%
Bastion Associates Limited ⁽²⁾	Interest of controlled corporations	16,200,000	2.13%
Maclare	Beneficial owner	13,800,000	1.82%
Transpac Industrial ⁽³⁾	Interest of a controlled corporation	13,800,000	1.82%
ASM Fund ⁽⁴⁾	Investment Manager	13,800,000	1.82%
Argyle Management ⁽⁵⁾	Investment Manager	13,800,000	1.82%
Argyle Holdings ⁽⁶⁾	Interest of controlled corporations	13,800,000	1.82%
CHAN Kin ⁽⁷⁾	Interest of controlled corporations	13,800,000	1.82%
Deutsche Bank	Beneficial owner	350,000	3.99%
	Interest held jointly with another person	30,000,000	

Note:

- (1) Valewater is a wholly-owned subsidiary of Transpac Capital. Accordingly, Transpac Capital is deemed to be interested in the 80,460,000 Shares and has a short position of 16,200,000 Shares under the SFO.
- (2) Bastion Associates Limited holds 71% shareholding interests in Transpac Capital. Accordingly, Bastion Associates Limited is deemed to be interested in 80,460,000 Shares and has a short position of 16,200,000 Shares under the SFO.
- (3) Maclare is a wholly-owned subsidiary of Transpac Industrial. Accordingly, Transpac Industrial is deemed to be interested in the 68,540,000 Shares and has a short position of 13,800,000 Shares under the SFO.
- (4) ASM Fund controlled more than one-third of interest in Transpac Industrial. ASM Fund is deemed to be interested in the 68,540,000 Shares and has a short position of 13,800,000 Shares under the SFO.

- (5) Argyle Management wholly owned ASM Fund. Accordingly, Argyle Management is deemed to be interested in 68,540,000 Shares and has a short position of 13,800,000 Shares under the SFO.
- (6) Argyle Holdings wholly owned Argyle Management. Accordingly, Argyle Holdings is deemed to be interested in 68,540,000 Shares and has a short position of 13,800,000 Shares under the SFO.
- (7) CHAN Kin controlled more than one-third of interest in Argyle Holdings. Accordingly, CHAN Kin is deemed to be interested in 68,540,000 Shares and has a short position of 13,800,000 Shares under the SFO.

Save as mentioned above, as at 31 December 2006, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been entered in the register required to be kept under Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year, the following continuing connected transactions have been entered into by the Group to which the Stock Exchange has granted waiver to the Company from strict compliance with the announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. *Heshan Mingji's purchase of entertainment lighting components from the Group*

Neo-Neon China Limited ("Neo-Neon China"), an indirect wholly-owned subsidiary of the Company, and Heshan Mingji Lighting Co., Ltd ("Heshan Mingji") entered into an agreement on 22 November 2006 (the "Heshan Mingji Purchase Agreement"). The Heshan Mingji Purchase Agreement is for a term commencing from 15 December 2006 (the "Listing Date") until 31 December 2008. Pursuant to the Heshan Mingji Purchase Agreement, Heshan Mingji agreed to purchase the entertainment lighting components, comprising mainly wire, sockets, light bulbs, electrical controller and transformer, manufactured by subsidiaries of Neo-Neon China from time to time. The terms of the Heshan Mingji Purchase Agreement were negotiated on an arm's length basis and on normal commercial terms in the ordinary course of business of each party. The sale prices of the entertainment lighting components will be determined after arm's length negotiations between the parties and based on cost plus a percentage of not more than 8%. The terms to be offered by the Group under the Heshan Mingji Purchase Agreement to Heshan Mingji will be no more favorable than those to be offered (if any) to an Independent Third Party.

During the year, the aggregate purchases of the entertainment lighting components by Heshan Mingji from the Group amounted to HK\$11.9 million.

2. *Heshan Laser's purchase of entertainment lighting components from the Group*

Heshan Neo-Neon Laser Technology Co., Ltd ("Heshan Laser"), an indirect non wholly-owned subsidiary of the Company which is owned as to 70% by Neo-Neon China, an indirect wholly-owned subsidiary of the Company, and 30% by Shenzhen Yuguo Technology and Development Co., Ltd. ("Shenzhen Yuguo") which is an Independent Third Party. As Shenzhen Yuguo is a substantial shareholder of a subsidiary of the Company, Shenzhen Yuguo is a Connected Person and Heshan Laser is an associate (as defined in the Listing Rules) of Shenzhen Yuguo. Since Shenzhen Yuguo has a right nominate a director to the board of Heshan Laser, Shenzhen Yuguo is considered to have other relationship with Heshan Laser. Accordingly, pursuant to Rule 14A.11(4) of the Listing Rules, Heshan Laser is regarded as a connected person of the Company. Heshan Laser is principally engaged in manufacture and sales of lighting products.

Neo-Neon China, an indirect wholly-owned subsidiary of the Company, and Heshan Laser entered into an agreement on 22 November 2006 (the "Heshan Laser Purchase Agreement"). The Heshan Laser Purchase Agreement is for a term commencing from the Listing Date until 31 December 2008. Pursuant to the Heshan Laser Purchase Agreement, Heshan Laser agreed to purchase the entertainment lighting components, comprising mainly wire, sockets, light bulbs, electrical controller and transformer, manufactured by the subsidiaries of Neo-Neon China from time to time. The terms of the Heshan Laser Purchase Agreement were negotiated on an arm's length basis and on normal commercial terms in the ordinary course of business of each party. The sale prices of the entertainment lighting components will be determined after arm's length negotiations between the parties and based on cost plus a percentage of not more than 8%. The terms to be offered by the Group under the Heshan Laser Purchase Agreement to Heshan Laser will be no more favorable than those to be offered (if any) to an Independent Third Party.

During the year, the aggregate purchases of the entertainment lighting components by Heshan Laser from the Group amounted to HK\$0.5 million.

3. *Supply of entertainment lighting products to the Group from Heshan Laser*

Neo-Neon China, an indirect wholly-owned subsidiary of the Company, and Heshan Laser entered into an agreement on 22 November 2006 (the "Heshan Laser Supply Agreement"). The Heshan Laser Supply Agreement is for a term commencing from the Listing Date until 31 December 2008. Pursuant to the Heshan Laser Supply Agreement, Heshan Laser agreed to supply the entertainment lighting products, comprising mainly laser dancer series and laser beam series, to the subsidiaries of Neo-Neon China as requested by them from time to time. The terms of the Heshan Laser Supply Agreement were negotiated on an arm's length basis and on normal commercial terms in the ordinary course of business of each party. The sale prices of the lighting products supplied by Heshan Laser will be determined after arm's length negotiations between the parties and based on cost plus a percentage of not more than 8%. The terms to be offered by Heshan Laser under the Heshan Laser Supply Agreement to the Group will be no less favorable than those to be offered by Heshan Laser (if any) to an Independent Third Party.

During the year, the aggregate sales of the entertainment lighting products supplied by Heshan Laser to the Group amounted to HK\$7.1 million.

Pursuant to Rule 14A.38 of the Listing Rules the board of directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group to assist the Directors to evaluate whether the transactions:

1. have received the approval from the Board;
2. were in accordance with the pricing policies of the Company where the transactions involve provision of goods and services by the Company;
3. have been entered into in accordance with the relevant agreements governing the transactions; and
4. have not exceeded the caps disclosed in the Company's prospectus dated 4 December 2006 and relevant announcement.

The auditor has reported its factual findings on these procedures to the board of directors. In the opinion of the independent non-executive directors, the continuing connected transactions entered into by the Group were:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either (a) on normal commercial terms; or (b) where there is no available comparison, on terms that are no less favorable to the Group than terms to or from independent third parties; and
- (iii) in accordance with the agreements governing the transactions on terms that are fair and reasonable so far as the shareholders of the Company.

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules during the year ended 31 December 2006.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 27 to the financial statements.

A share option scheme was adopted by the Company pursuant to a board resolution passed on 20 November 2006 (the "Scheme") for the primary purpose of providing incentives to Directors and eligible employees. The Scheme became effective on 15 December 2006 and the options issued pursuant to the Scheme will expire no later than 10 years from the date of grant of the option. Under the Scheme, the Board may grant options to any employees of the Company or any of its subsidiaries to subscribe shares of the Company.

For any options granted to directors, chief executives or substantial shareholders of the Company, options to be granted shall be approved by the independent non-executive Directors of the Company (excluding any independent non-executive Director who is the proposed grantee of options).

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company on 15 December 2006 (representing 76,000,000 shares of the Company) without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the total shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The amount payable on acceptance of an option is HK\$1.00. In relation to any options granted under the Scheme, the exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

During the year ended 31 December 2006, no share options were granted to eligible Directors and employees of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2006, other than the issue of 160,000,000 new Shares by the Company during Company's listing of the Shares on the HKSE, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since listing.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the listing rules of the HKSE.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the largest supplier accounted for 4% of the Group's purchases and the five largest suppliers accounted for 14% of the Group's total purchases. The largest customer accounted for 4% of the Group's turnover and the five largest customers accounted for 15% of the Group's total turnover.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has an interest in the Group's five largest suppliers and customers.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive directors a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

EMPLOYEES

The total number of employees of the Group is approximately 10,216. The remuneration of each employee of the Group is determined on the basis of his or her performance and responsibility. The Group provides education allowances to all the employees.

POST BALANCE SHEET EVENTS

Details of post balance sheet events are set out in note 33 of the financial statements.

AUDITOR

Deloitte Touche Tohmatsu will retire and will seek for re-election at the forthcoming annual general meeting.

On behalf of the Board

Ben FAN

Chairman

Hong Kong, 30 March 2007