Annual Report 2007

We grow and glow around the world

NEO-NEON HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1868

www.neo-neon.com

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ben FAN *(Chairman)*
Mr. JANG Jann Huan *(CEO)*
Ms. Michelle WONG
Mr. FAN Pong Yang
Mr. TONG Yee Ming *(CFO)*

Independent non-executive Directors

Mr. WU Tak Lung
Ms. FUNG Siu Wan Stella
Mr. LAM Yin Ming
Mr. ZHAO Shan Xiang

Qualified accountant and company secretary

Mr. TONG Yee Ming, ACMA, CGA, CPA

AUTHORIZED REPRESENTATIVES

Ms. Michelle WONG
Mr. TONG Yee Ming

AUDIT COMMITTEE

Mr. WU Tak Lung *(Chairman)*
Ms. FUNG Siu Wan Stella
Mr. LAM Yin Ming

REMUNERATION COMMITTEE

Ms. FUNG Siu Wan Stella *(Chairman)*
Ms. Michelle WONG
Mr. WU Tak Lung
Mr. LAM Yin Ming

NOMINATION COMMITTEE

Mr. LAM Yin Ming *(Chairman)*
Ms. Michelle WONG
Mr. WU Tak Lung
Ms. FUNG Siu Wan Stella

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

COMPLIANCE ADVISOR

ICEA Capital Limited

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited (Mongkok Branch)
Bank of China

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

13/F, Tower A
New Mandarin Plaza
14 Science Museum Road
Kowloon
Hong Kong

COMPANY WEBSITE ADDRESS

www.neo-neon.com

STOCK CODE

1868

Dear Shareholders

I am pleased to report that our various business operations performed in line with our expectations in 2007.

Our core decorative business continues to do well. The LED decorative lighting business recorded a 37.5% growth in revenue, while the incandescent decorative lighting business saw a 13.1% revenue expansion during the year. For the new LED general lighting business, a growth engine of the Group, I am pleased to report revenues of HKD33.5 million for the year under review. This is certainly a promising start.

We will continue to place strong emphasis on research and development, and register relevant patents whenever necessary. During the year, we registered 293 new patents, 10 of which relate to chips manufacturing.

The Group's revenue increased from HKD1.26 billion in 2006 to HKD1.57 billion in 2007. This growth is being driven primarily by the accelerating application of LED technology in decorative lighting and general lighting products. Overall our net profit increased from HKD260.7 million in 2006 to HKD331.7 million in 2007.

TECHNOLOGY ADVANCEMENT

Thanks to the efforts of our R & D department in the development of advanced packaging technology, our new high power LEDs now achieve 100 lumens per watt. We are also seeing continuous technology breakthroughs in controlling heat emitted from LED chips, which results in improved light output performance.

With improvements in our LED light intensity, we now plan to replace existing HID and halogen light bulbs with LEDs in all our entertainment lighting products. In this respect, we will emerge as the forerunner in the application of LED technology in the entertainment lighting business.

RECENT DEVELOPMENTS IN THE LIGHTING PRODUCTS INDUSTRY

While the Australian and EU Governments announced plans in the first quarter of 2007 to ban the use of incandescent light bulbs, additional countries as well are heading towards more efficient lighting regulations through the passage of laws phasing out incandescent lighting during the second half of 2007. The Governments of the United States, Japan, and China as well have announced plans to pass laws mandating the replacement of incandescent lights with other energy-saving lighting technologies. Given this scenario, I believe that incandescent light bulbs will have a viable shelf life in hardware stores for perhaps another 10 years but will become obsolete in 20 years time.

GENERAL (ILLUMINATION) LIGHTING MARKET

For the LED general lighting market, we received orders for street lighting from several municipal governments in China including Zhaoqing, Harbin, Guangzhou, Changsha, Foshan, Taiyuan, Zhengzhou and Tianjin. As at the end of March 2008, we have confirmed orders for street lights, tunnel lights and other outdoor LED general lighting totalling more than HKD100 million. Adding the orders we have on hand for decorative lighting, entertainment lighting, LED decorative lighting and orders for the 2008 Olympic Games in Beijing to that, our orders on hand amounted to more than HKD400 million.

These current firm product orders are indeed encouraging to our management team. This is a record number as in the past 30 years, due to the extremely seasonal nature of our products and markets, we have never had so many orders on hand at this time of the year.

CAPACITY EXPANSION

A new LED factory in our existing plant with a floor area of approximately 80,000 square metres will become operational in July this year. This new facility will be used primarily for the production of LED application products.

CHIP MANUFACTURING

Our new chip manufacturing plant with an area of approximately 40,000 square metres will become operational in the fourth quarter of this year, enabling us to further integrate our LED business while reducing our production costs and decrease our reliance on outside suppliers.

NEW SHOWROOMS AND THE NEW VIETNAM PLANT

China and other emerging markets are important to us because they showed significant growth in 2007. For this reason, in 2008 we plan to establish showrooms in three Chinese cities – Chengdu, Tianjin and Shanghai to better serve our customers. In 2007, we also opened a liaison office in Dubai and Mumbai in India. We are also planning to set up a showroom in India during the fourth quarter of this year.

In order to reduce labour costs and further develop our business in Vietnam, we opened a new plant in Vietnam in 2007. A pilot run of operations there will begin in the second quarter with full production starting in the third quarter of 2008.

THE OUTLOOK FOR CHINA

In 2007, the Group's domestic sales in China increased by HKD38.1 million. Overall sales in China as a percentage of total turnover increased from 11.5% to 11.6%. Going forward, we will allocate more resources to expanding our presence in the mainland China market. The current energy-saving consciousness of the Chinese Government will provide ample opportunities for our business expansion in domestic sales.

New labour laws and a recent surge in labour costs in China have become a major concern to many manufacturers operating there. In order to mitigate this trend, our R&D as well as production engineering departments are devising a number of methods to automate our manufacturing processes as much as possible. I believe this will result in significant savings in 2008.

THE US MARKET

Many fund managers and analysts have asked me about the impact to our operations vis a vis the gloomy property market conditions now spreading across the US. Approximately 70% of our customers are commercial businesses and past experience has taught us that they tend to invest more resources in commercial advertising during economic downturns. Therefore, I am confident about our business growth in the US market in 2008.

APPRECIATION

I am very pleased with our 2007 results and wish to conclude by extending my personal appreciation and thanks to my fellow directors.

I also want to express sincere gratitude to our customers and friends who have provided valuable comments and suggestion for us. These have all been most helpful, although for a variety of reasons I may not be able to incorporate all of the suggested ideas. I am also particularly indebted to all the employees of Neo-Neon, for their continuous support and hard work during the year.

In closing, I look forward to once again delivering positive business results in the coming years.

Ben Fan
Chairman

1 April 2008, Hong Kong

EXECUTIVE DIRECTORS

Mr. Ben FAN (樊邦弘)

Mr. Fan, aged 54, is the founder and Chairman of the Group. He commenced decorative lighting business in 1981. Mr. Fan is responsible for overall management, strategic planning and major decision-making of the Group, including sales and marketing, research and development as well as customer relationships. Mr. Fan has over 25 years of experience in the decorative lighting industry. In 1977, Mr. Fan graduated from Shih Hsin College in Taiwan where he studied journalism. During the course of his career in the decorative lighting industry, Mr. Fan received many awards such as "1998 Hong Kong Youth Industrialist Awards" which was granted to Mr. Fan in recognition of his success and contribution to the industrial sector. Mr. Fan was appointed as an executive Director in August 2006.

Mr. JANG Jann Huan (張震寰)

Mr. Jang, aged 53, joined the Group in 2000 and is currently the chief executive officer of the Group. Mr. Jang oversees the Group's global sales and marketing activities and is responsible for the strategic planning and development of the sales and marketing activities of the Group. Mr. Jang graduated from the Department of Business of the Texas Tech University where he obtained a Doctor of Philosophy degree in Business Administration. Mr. Jang was appointed as an executive Director in January 2007.

Ms. Michelle WONG (翁翠端)

Ms. Wong, aged 44, is the wife of Mr. Ben Fan and the younger sister of Mr. Weng Hsin Chuan, the chief operating officer of the Group. Ms. Wong has been with the Group since 1986. She is responsible for general administration, human resources management and procurement of the Group. Ms. Wong has over 20 years of experience in corporate management and business administration. Ms. Wong graduated from Yu Da High School of Commerce Home Economics in 1982 where she studied integrated commerce. Ms. Wong was appointed as an executive Director in September 2006.

Mr. FAN Pong Yang (樊邦揚)

Mr. Fan Pong Yang, aged 52, our Executive Director, is the younger brother of Mr. Ben Fan. He is responsible for liaison with relevant government authorities involving land use rights application, incorporation of wholly foreign-owned enterprises and factory building constructions. He has been managing our legal department for seven years and has been in charge of all legal matters in relation to the Group, including patent applications, litigations, environmental protection with the support and legal advice of a team of internal legal counsel. Mr. Fan Pong Yang has been representing our Company for liaising with government authorities in respect of various legal matters. If and when necessary, Mr. Fan Pong Yang will represent our Company to engage external legal advisors for more complex legal matters. Mr. Fan Pong Yang was appointed as an executive Director in October 2006.

Mr. TONG Yee Ming (湯以銘)

Mr. Tong, aged 55, is the chief financial officer of the Group. He is an associate member of the Hong Kong Institute of Certified Public Accountants, Certified General Accountant in Canada and the Institute of Cost and Management Accountants of the United Kingdom. Mr. Tong graduated from the University of Washington in 1979 where he obtained a Bachelor of Arts degree in Accounting. In 1980, Mr. Tong obtained a Master of Business Administration degree from Oregon State University. Mr. Tong is also the qualified accountant and company secretary of the Company. Mr. Tong was appointed as an executive Director in September 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WU Tak Lung (吳德龍)

Mr. WU Tak Lung, aged 42, an independent non-executive director, is currently a director of the corporate finance department of Wallbanck Brothers Securities (Hong Kong) Limited, an investment bank licensed by SFC in Hong Kong. Mr. WU is also an independent non-executive director of China Water Industry Group Limited, Finet Group Limited and Glory Future Group Limited, all of which are listed on the Stock Exchange and an independent director of Sinobest Technology Holdings Limited, a Singapore-listed company. Mr. WU had worked in an international audit firm, Deloitte Touche Tohmatsu, for five years, and was then employed by several listed and private companies in Hong Kong as head of corporate finance, chief financial officer and executive director. Mr. WU obtained a master degree in Business Administration jointly awarded by the University of Manchester and the University of Wales in 2001. Mr. WU is a fellow member of the Association of Chartered Certified Accountants (ACCA), Hong Kong Institute of Chartered Secretaries (HKICS) and the Taxation Institute of Hong Kong (TIHK). He is also a full member of the Hong Kong Securities Institute (HKSI) and an associate member of the Hong Kong Institute of Certified Public Accountants (HKICPA). Mr. WU was appointed as an independent non-executive Director in November 2006.

Ms. FUNG Siu Wan Stella (馮少雲)

Ms. Fung, aged 53, is currently the managing director of Fook Ming Tong Chinese Medical Center. She has extensive experience in the fields of both commercial and investment banking for over 20 years. She was a former regional manager of Overseas Trust Bank Limited and a former executive director and general manager of Dao Heng Securities Limited and Dao Heng Commodities Limited. She is also an independent non-executive director of Yardway Group Limited, a company whose securities are listed on the Main Board of the Stock Exchange. Ms. Fung was appointed as an independent non-executive Director in November 2006.

Mr. LAM Yin Ming (林彥明)

Mr. Lam, aged 57, is a practising solicitor of Hong Kong. He is currently a consultant of a law firm in Hong Kong. Mr. Lam is a supervisory committee member of the Hong Kong Housing Society. He was previously the deputy chairman of the Council and is at present a Court Member of the Hong Kong Polytechnic University. Mr. Lam is an honorary assistant commissioner of the Hong Kong Auxiliary Police Force. He is also the chairman of the Building Appeal Tribunal, the chairman of Chung Ying Theatre Company and the director of the Executive Committee of The Boys and Girls Association. Mr. Lam was appointed as an independent non-executive Director in November 2006.

Mr. ZHAO Shan Xiang (趙善祥)

Mr. Zhao, aged 63, is currently the chairman of Jiangmen Education Promotion Association. Mr. Zhao was formerly a representative of Guangdong Provincial Party Representative Congress, a member of Guangdong Provincial People's Political Consultative Congress and a member of Guangdong Provincial Commission for Discipline Inspection of the Communist Party of China. Between 1985 to 2007, he was the secretary of Discipline Committee of Jiangmen City Party, the vice secretary of Jiangmen City Party Committee and the chairman of Jiangmen People's Political Consultative Congress. Mr. Zhao was also a member of the Standing Committee and the secretary of the Discipline Committee of Xinhui County Party from 1976 to 1985. Mr. Zhao graduated from the Renmin University of China, Beijing in 1968 where he obtained a Graduate Certificate in Statistics. Mr. Zhao was appointed as an independent non-executive Director in August 2007.

SENIOR MANAGEMENT

Mr. WENG Hsin Chuan (翁新川)

Mr. Weng, aged 48, is the elder brother of Ms. Michelle Wong. Mr. Weng joined the Group in 2002. Since then Mr. Weng has been the chief operating officer of the Group. Mr. Weng graduated from Tam Kang University in Taiwan and obtained a Bachelor of International Trade degree in 1988.

Mr. LAM Hei Che (林起治)

Mr. Lam, aged 47, joined the Group in 1999 and is currently our head of the sales and marketing department, US division. Mr. Lam graduated from the University of Windsor in Canada in 1985 where he obtained a Bachelor of Commerce degree and subsequently obtained a Master degree in Business Administration.

Mr. JANG Shuh Jou (張述周)

Mr. Jang, aged 43, joined the Group in 1994 as the branch manager of our Guangzhou office. Mr. Jang is currently our head of the sales and marketing department, Europe Division. Mr. Jang graduated from Tam Kang University in Taiwan where he obtained a Bachelor degree in French Language Studies in 1988.

Mr. LAM Chung Tak (林宗德)

Mr. Lam, aged 36, joined the Group in 1997 and is currently our head of the sales and marketing department, Asia Division. Mr. Lam graduated from Monash University in Melbourne, Australia in 1997 where he obtained a Bachelor degree with honors in Digital Technology.

Mr. CHIEN Tang Hao (錢塘豪)

Mr. Chien, aged 43, is the operating head of our entertainment lighting factory. He joined the Group in 1992. Since 2002, he has been the head of our entertainment lighting factory.

Mr. WU Ming Hung (吳明鴻)

Mr. Wu, aged 49, joined the Group in February 2008 and is currently the head of the Group's chip packaging factory. Mr. Wu graduated from the Department of Electronic Engineer of the United University in Taiwan. He had more than 10 years of management experience in the manufacture of LED. Before joining the Group, he was the head of a LCD display factory in China.

Mr. WANG Chuan Han (王傳漢)

Mr. Wang, aged 39, is the head of our research and development department. Mr. Wang has extensive knowledge in information technology application. Mr. Wang obtained a Doctor of Philosophy degree from the University of Cambridge in 2004; a Master of Science degree in Combustion and Energy from the University of Leeds in 1994; a Bachelor of Science degree in Engineering from the Taiwan Tamsui Industrial & Commercial Polytechnic in 1992.

Mr. CHENG Yun (程雲)

Mr. Cheng, aged 41, is the deputy head of our manufacturing division. Mr. Cheng joined the Group in 1997 and has been with our research and development department since 1998. Mr. Cheng has over 9 years of experience in the lighting industry. Mr. Cheng graduated from the South China Agricultural University in 1990.

Mr. James Madison HARDAWAY

Mr. Hardaway, aged 41, is the executive head of our entertainment lighting division and joined the Group in 2004.

Mr. Almon Wu (伍開賢)

Mr. Wu, aged 53, joined the Group in 2007 and is currently the head of the Group's chip packaging factory. Mr. Wu graduated from the Department of Electronic Engineer of the Union Institute of Technology in Taiwan. Before joining the Company, he was the senior management of several multinational electronic and semiconductor companies in Thailand, Taiwan and China.

Mr. HUANG Yi Hsun (黃怡勛)

Mr. Huang, aged 30, is the deputy manager of our LED-based lighting factory. He joined the Group in 2005 as the manager of our LED encapsulation factory.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. TONG Yee Ming (湯以銘)

Mr. Tong, aged 55, is the qualified accountant, company secretary and chief financial officer of the Group. Mr. Tong is an associate member of the Hong Kong Institute of Certified Public Accountants, Certified General Accountant in Canada and the Institute of Cost and Management Accountants of the United Kingdom. Mr. Tong graduated from the University of Washington in 1979 where he obtained a Bachelor of Arts degree in Accounting. In 1980, Mr. Tong obtained a Master of Business Administration degree from Oregon State University. Mr. Tong joined the Group as financial controller in March 2006. Mr. Tong was appointed as an executive Director in September 2007.

FINANCIAL REVIEW

The Group reported good results for the 2007 financial year. Both turnover and net profit grew moderately. For the year ended 31 December 2007, the turnover of the Group reached HK$1.572 billion, an increase of 24.9%. Net profit increased by 27.2% to a record HK$331.7 million. Basic earnings per share was HK$0.439, representing an increase of 2.6% as compared with HK$0.428 in 2006.

These encouraging results in 2007 were mainly attributable to continued favourable sales of the Group's LED decorative lighting products, LED general lighting products and incandescent lighting products. Effective cost and operational expense control also contributed to the rise in profit.

TURNOVER

Incandescent-based decorative lighting products

The sales revenue of incandescent-based decorative lighting products increased from HK$482.8 million to HK$545.9 million. Although the replacement of incandescent-based decorative lighting products by LED-based decorative lighting products continued to take place in the market, we expect the incandescent lighting market will continue to grow moderately in the next few years.

LED-based decorative lighting products

The sales revenue of LED-based decorative lighting products grew significantly from HK$497.0 million in 2006 to HK$683.6 million in 2007, an increase of 37.5%. The revenue of one of our patented products, the LEDNEON-FLEX, increased by 38.6% from 2006 to 2007. Recently, we have launched a new generation of LEDNEON-FLEX, the light intensity of which matches traditional glass neon lights but the light efficiency is a few times better. We believe we continue to be the market leaders in the LED-based decorative lighting industry.

LED-based general lighting products

In 2007, we launched the LED-based general lighting products to the market. This is the first time in our history that we entered this market. The sales revenue was HK$33.5 million which was above our expectation.

Entertainment lighting products

The sales revenue of entertainment lighting products increased from HK$232.2 million in 2006 to HK$262.4 million, an increase of 13.0%. The growth of the entertainment lighting business is below our expectation.

COST OF GOODS SOLD

The Group's total cost of goods sold increased from HK$758.7 million in 2006 to HK$966.9 million in 2007. The increase was in line with the increase in sales revenue. Cost of goods sold represented 61.5% of the Group's total turnover in 2007, compared to 60.3% in 2006.

Due to increase in oil and commodity prices in 2007, the cost of copper and PVC increased moderately which to certain extent affected our gross margin. The cost of LED chips declined moderately in 2007 which was a general phenomenon in the industry. We expect this cost decreasing trend for the LED chips will ease off in the next few years.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit increased by 21.0% from HK$500.1 million in 2006 to HK$605.2 million in 2007 as a result of the increase in sales during the year. The Group's overall gross profit margin decreased slightly from 39.7% in 2006 to 38.5% in 2007. This was mainly due to the product mix change and the increase in price of direct materials. However, we are confident that we are able to maintain the current gross profit margin in 2008.

OTHER INCOME

Other income is mainly contributed by bank interest income, investment income from marketable securities and gold contracts and exchange gain due to appreciation of monetary items which are denominated in renminbi.

OPERATING EXPENSES

Operating expenses include distribution expenses and administrative expenses. For the year ended 31 December 2007, the Group's operating expenses were HK$356.0 million, an increase of 22.6 %, compared to HK$290.4 million in 2006. The main reasons for the increase in operating expenses were due to the incurring of apportioned share-based payments of HK$18.7 million of employee share option related expenses and a performance bonus of HK$10.4 million paid to a director in 2007. Leaving aside these expenses, the increase was in tandem with sales and production volumes. Operating expenses accounted for 22.6% of the Group's turnover for the year, down as compared with 23.1% in 2006.

NET FINANCING COST

For the year ended 31 December 2007, the Group's net financing cost was HK$1.5 million, a decrease of 83.1% compared with HK$8.9 million in 2006, which was mainly attributable to repayment of all the bank loans in 2007.

NET PROFIT

For the year ended 31 December 2007, the Group's net profit amounted to HK$331.7 million, an increase of 27.2% compared with HK$260.7 million in 2006. The increase was mainly attributable to the increase in sales and the Group's success in controlling costs and overhead expenses. The net profit margin was 21.1%, an increase of 1.9% compared with 20.7% in 2006.

FINANCIAL RESOURCES AND LIQUIDITY

The Group's major liquidity and capital resources are the cash inflow from operating activities. Net cash from operating activities during the year was HK$89.9 million, an increase of HK$63.4 million compared with HK$26.5 million in 2006. Cash and cash equivalents as of 31 December 2007 was HK$609.8 million.

ASSETS AND LIABILITIES

As of 31 December 2007, the Group's total assets were HK$2,716.8 million, an increase of HK$273.5 million compared with HK$2,443.3 million as of 31 December 2006. The main reason for the increase was due to increase in net profit. The Group's total liabilities as of 31 December 2007 were HK$335.1 million, a decrease of HK$84.3 million compared to HK$419.4 million as of 31 December 2006. The main reason for the decrease in total liabilities was due to repayment of bank borrowings in 2007. The Group's total equity as of 31 December 2007 was HK$2,381.7 million, an increase of HK$357.7 million compared with HK$2,024.0 million as of 31 December 2006. The increase was mainly due to the net profit for the year. As of 31 December 2007, the Group's cash and cash equivalents amounted to HK$609.8 million, a decrease of HK$548.4 million compared with HK$1,158.2 million as of 31 December 2006. The decrease was mainly due to investing activities during the year. The Group's gearing ratio decreased substantially to 0.0% as of 31 December 2007 compared with 8.8% as of 31 December 2006 as a result of repayment of bank borrowings.

TAXATION

Taxation of the Group for the year ended 31 December 2007 was HK$14.8 million. The effective tax rate was 4.3% in 2007, which was higher than 1.9% in 2006. Our LED-based decorative and entertainment lighting products required the input and contribution from research and development as well as distribution and marketing functions. The Group's (i) research and development and (ii) distribution and marketing functions, among other things, have contributed to our success. To enhance the efficiency of these functions and to preserve the value and contribution of these functions to the Group, it was desirable that they together with the related risks and uncertainties of the markets be undertaken by companies in the Group, which are separated from the manufacturing operations. As it is not mandatory for relevant companies in the Group undertaking such activities to be incorporated in the PRC or Hong Kong, they were legally set up in overseas jurisdictions. While operating in the PRC/ Macau as non-resident enterprises, they have been taxed/reported where appropriate in these jurisdictions. The relevant intra-group transactions were carried out on the above-mentioned basis.

FOREIGN EXCHANGE RISK

Several subsidiaries of the Company have sales and purchases denominated in currencies other than the functional currency of respective entity, which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

At the balance sheet date, the pledged bank deposits are carrying at the prevailing market interest rate.

Pledged bank deposits represent deposits pledged to banks to secure credit facilities granted to the Group.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. At 31 December 2007, the bank deposits carry at the prevailing market interest rate of approximately 2.28% (2006: 3.82%) per annum.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as of 31st December, 2007.

BUSINESS REVIEW

Production Facilities and Production Capacity

In 2007, the Group's LED light bulbs capacity expansion progressed smoothly: Monthly capacity reached 250 million LED light bulbs at the end of the year compared with 100 million LED light bulbs at the end of 2006.

The production capacity of our incandescent light bulb will continue to maintain a moderate utilization rate. The Group will not invest new resources in the incandescent lighting products business in the near future.

The new LED production plant with a gross floor area of 60,000 sq.m. has commenced production in early April 2007. We expect that as a result of our expansion plan, by the end of 2007, our production capacity of LED-based light bulbs will increase to 400 million per month.

In 2007, the Group continued to expand the LED-based decorative lighting products market and the LED-based general lighting market of which impressive results were achieved during the year.

Quality Control

Product quality has always been the most important objective for the Group since its establishment. The Group implemented strict quality controls throughout the entire processes of procurement, production, sales and logistics. Our standards and compliance department is responsible for obtaining certifications for our products with certification agencies, some of which are country specific. Our products have to comply with the standards of the country in which our customers conduct business. We ensure full compliance with the required standards in the manufacturing and sales process for our products.

Sales and Distribution

As of 31 December 2007, the Group had a sales team of 519 staff. We believe that the demand for LED-based decorative lighting products will continue to increase and that the LED-based decorative lighting market has already accelerated to replace the incandescent-based decorative lighting products in 2007. Our sales effort in 2007 was aimed to enter the LED-based general lighting market in order to capture the huge growth opportunities.

RESEARCH & DEVELOPMENT

Our research and development capabilities are important in maintaining our position as one of the world's leading manufacturers in the decorative lighting industry. Our research and development efforts focus on product design, new product development and improving production efficiency of our products to reduce overall manufacturing costs. In 2007, we launched several new products allocated significant resources in the research and development of LED-based illumination lighting application technology and products. We believe there is a huge market potential in the LED-based illumination lighting market and that LED-based lighting will replace traditional lighting such as incandescent lighting and fluorescent lighting in the future.

HUMAN RESOURCES

The basic remunerations of the employees are determined with reference to the industry remuneration benchmark, the employees' experience and their performance. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each director. Apart from the basic remuneration and statutory benefits required by laws, the Group also provides discretionary bonuses based upon the Group's results and the individual performance of the staff.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees. Most members of senior management have been working for the Group for more than 10 years. The Group also adopts an employee share option scheme.

FUTURE PLANS AND PROSPECTS

The recent surge in oil prices and rising concerns globally about energy savings will create more business opportunities for the Group. Today's "Green Movement" as well will propel the use of environmentally clean lighting sources, which will, in turn, also benefit our business over the long run.

Our growth drivers in the coming years will emerge from the following sectors:

1. **LED-based general lighting** – 2007 was the first year we entered this market and the results were promising. We can offer superior prices to top performance products on the market as our technological expertise is at the cutting-edge of the lighting industry. With this in mind, we expect business growth in this sector in 2008 to at least triple from the amount in 2007.

2. **LED-decorative lighting** – The general replacement of incandescent lighting products with LED lights will accelerate over the next few years. Therefore, we are confident that the market will continue to grow at a fast pace over the mid- to long-term.

3. **LED-entertainment lighting** – Since we are able to produce light bulbs with luminosity intensities that match those of HIDs and halogen light bulbs, these new super bright high tech bulbs can be easily applied to the entertainment lighting industry. These revolutionary light bulbs are indeed poised to completely transform the landscape of the entertainment lighting industry.

Concerning our patented products, the Group will optimise product structure, focusing on product innovation as well as the sale of high-margin products to maximise economies of scale and lower production costs, which will further raise the Group's profitability.

Given promising sales prospects and growing market demand, we plan to rapidly expand our production capacity, especially for LED light bulbs, in order to satisfy market demand. We also made a strategic decision in 2007 to produce chips, and this will help mitigate against overdependence on external suppliers. We estimate that in-house production will reduce our LED chip manufacturing costs by at least 25%.

Attracting and retaining top management and executive talent is the key for sustaining Neo-Neon's future growth. The Group's existing performance-based incentive scheme and employee share-option scheme are helping to achieve this goal. These schemes will also improve overall management quality and business professionalism through on-the-job as well as formal training programmes. This will help develop team spirit and reinforce a sense of unity and belonging between management and staff.

Neo-Neon will continue to pursue new business opportunities in the lighting industry. We will carefully look for acquisition opportunities to enhance our technological prowess in order to maintain our leadership role in the industry and maximise returns to our shareholders.

The Directors are pleased to present their annual report and the audited financial statements for the year ended 31 December 2007.

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 consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 37. The Directors recommend the payment of a final dividend of HK$0.083 per ordinary share of the Company for the year ended 31 December 2007, payable to holders of the ordinary shares on the register of members on 26 May 2008. The final dividend will be paid approximately in mid July 2008.

The Directors have declared an interim dividend of HK$0.027 per ordinary share for the year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 22 May 2008, Thursday to 26 May 2008, Monday, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 21 May 2008, Wednesday.

PROPERTY, PLANT AND EQUIPMENT

Movements during the year in the Group's property, plant and equipment are set out in note 15 to the consolidated financial statements.

Movements during the year in the Group's investment properties are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 28 to the consolidated 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 *(Chairman)*	
Mr. JANG Jann Huan *(CEO)*	(appointed on 25 January 2007)
Ms. Michelle WONG	
Mr. FAN Pong Yang	
Mr. TONG Yee Ming *(CFO)*	(appointed on 14 September 2007)

Non-executive Director

Dr. LEONG Ka Cheong Christopher	(resigned on 14 September 2007)

Independent non-executive Directors

Mr. WU Tak Lung	
Ms. FUNG Siu Wan Stella	
Mr. LAM Yin Ming	
Mr. ZHAO Shan Xiang	(appointed on 21 August 2007)

In accordance with Article 87(1) of the Company's articles of association (the "Articles"), Ms. Michelle WONG, Mr. FAN Pong Yang and Mr. LAM Yin Ming will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with Article 86(3) of the Articles, Mr. TONG Yee Ming and ZHAO Shan Xiang will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are set out in the circular of the Company, sent to Shareholders together with the 2007 Annual Report relating to, inter alia, re-election of Directors.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ben FAN, Ms. Michelle WONG and Mr. FAN Pong Yang has entered into a service contract with the Company for an initial term of three years commencing from the date on which dealings in the shares of the Company (the "Shares") commences on The Stock Exchange of Hong Kong Limited (the "HKSE") (the "Commencement Date") which will continue thereafter provided that either the Company or the relevant executive Director may, after one year of the Commencement Date, terminate the appointment of the relevant 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.

Each of Mr. JANG Jann Huan and Mr. TONG Yee Ming has entered into a service contract with the Company for a term from the date of appointment until the next following annual general meeting, which will be renewed for a term of three years upon each election/re-election. Under the service contract, either party may, after the expiry of the relevant first year of service of the relevant executive Director, terminate the service contract by giving to the other not less than three months' prior written 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 be giving one month's written notice.

Each of Mr. WU Tak Lung, Ms. FUNG Siu Wan Stella and Mr. LAM Yin Ming 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.

Mr. ZHAO Shan Xiang has entered into a letter of appointment with the Company. Under the appointment letter with the Company, Mr. ZHAO's appointment will automatically terminate when he reaches his 65th birthday.

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.

Every year, 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

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' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement whose object are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than under the share option scheme of the Company. As at 31 December 2007, the number of outstanding option shares granted by the Company under the share option scheme to Directors to subscribe for shares of the Company, as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), is set out in the section headed "Share Option Scheme" of this report.

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 2007.

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

As at 31 December 2007, 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 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 HKSE pursuant to the Model Code were as follows:

(a) Long positions in Shares and underlying Shares of the Company

Name of Director	Class of Shares	Number of Shares held Personal Interests *(Note 1)*	Number of Shares held Family Interests	Number of Shares held Corporate Interests	Other Interests	Number of underlying Shares held under equity derivatives	Total	Percentage of Total Issued Share Capital of the Company as at 31 December 2007
Mr. Ben FAN(2)	Ordinary	–	41,636,500	351,000,000	–	–	392,636,500	51.58%
Ms. Michelle WONG(2)	Ordinary	4,713,000	351,000,000	36,923,500	–	–	392,636,500	51.58%
Mr. FAN Pong Yang(3)	Ordinary	283,000	–	36,923,500	–	–	37,206,500	4.89%
Mr. JANG Jann Huan(4)	Ordinary	236,500	–	36,923,500	–	–	37,160,000	4.88%
Mr. TONG Yee Ming	Ordinary	130,000	–	–	–	412,000(5)	542,000	0.07%

Notes:

(1) This represents interests held by the relevant Director as beneficial owner.

(2) Each of Mr. Ben FAN and Ms. Michelle WONG was taken to be interested in an aggregate of 392,636,500 Shares of the Company held by Ms. Michelle WONG (4,713,000 Shares), Rightmass Agents Limited ("Rightmass") (351,000,000 Shares) and Charm Light International Limited ("Charm Light") (36,923,500 Shares), respectively as follows:

(a) 351,000,000 Shares of the Company were held by Rightmass which was wholly-owned by Mr. Ben FAN. Mr. Ben FAN was taken to be interested in 351,000,000 Shares of the Company that Rightmass was interested;

(b) 36,923,500 Shares of the Company were held by Charm Light which was owned as to 35% by Ms. Michelle WONG. Ms. Michelle WONG was taken to be interested in 36,923,500 Shares of the Company that Charm Light was interested;

(c) Ms. Michelle WONG was the spouse of Mr. Ben FAN. Ms. Michelle WONG was deemed to be interested in 392,636,500 Shares of the Company in which Mr. Ben FAN was interested by virtue of the SFO; and

(d) Mr. Ben FAN was the spouse of Ms. Michelle WONG. Mr. Ben FAN was deemed to be interested in 392,636,500 Shares of the Company in which Ms. Michelle WONG was interested by virtue of the SFO.

(3) 36,923,500 Shares of the Company were held by Charm Light which was owned as to 35% by Mr. FAN Pong Yang. Mr. FAN Pong Yang was taken to be interested in 36,923,500 Shares of the Company that Charm Light was interested.

(4) 36,923,500 Shares of the Company were held by Charm Light which was owned as to 10% by Mr. Jang Jann Huan. Mr. Jang was taken to be interested in 36,923,500 Shares of the Company that Charm Light was interested.

(5) This represents interests in options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying Shares in respect of the option shares granted by the Company under the share option scheme, details of which are set out in the section headed "Share Options Scheme" in this report.

Save as mentioned above, as at 31 December 2007, 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 2007, 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 as at 31 December 2007
Rightmass[1]	Beneficial owner	351,000,000	46.11%
FMR LLC.	Investment Manager	61,852,000	8.13%

Notes:

(1) The interests in ordinary shares held by Rightmass were included in the interests of Mr. Ben FAN and Ms. Michelle WONG in the Company as disclosed under the section headed "Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".

Save as mentioned above, as at 31 December 2007, 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.

CONNECTED TRANSACTIONS

During the year, no connected or continuing connected transactions subsisted or have been entered into by the Group.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 29 to the financial statements.

A share option scheme was adopted by the Company pursuant to the Shareholders' resolutions 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 2007, 15,110,000 options were granted to eligible employees of the Group on 15 February 2007. However, no options were granted to Directors during the year except 515,000 options were granted to Mr. TONG Yee Ming on 15 February 2007 before he was elected as executive director on 14 September 2007. During the year, Mr. TONG exercised 103,000 options.

The option period is 8 years whereas the vesting period is 5 years in which only 3,022,000 shares can be exercised by the employees each year. Details of movement of these options are described in the table below:

Type of participants	Date of grant	Vesting period (Note)	Exercisable period (Note)	Exercise price per share HK$	Number of share options: Outstanding at 1.1.2007	Granted during the year	Reclassified during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2007
Mr. Tong Yee Ming (as director with effect from 14 September 2007)	15.2.2007	15.2.2007 – 14.2.2008	15.2.2008 – 15.2.2015	8.72	–	–	103,000	–	–	103,000
	15.2.2007	15.2.2008 – 14.2.2009	15.2.2009 – 15.2.2015	8.72	–	–	103,000	–	–	103,000
	15.2.2007	15.2.2009 – 14.2.2010	15.2.2010 – 15.2.2015	8.72	–	–	103,000	–	–	103,000
	15.2.2007	15.2.2010 – 14.2.2011	15.2.2011 – 15.2.2015	8.72	–	–	103,000	–	–	103,000
Mr. Tong Yee Ming (as employee up to 13 September 2007)	15.2.2007	Nil	15.2.2007 – 15.2.2015	8.72	–	103,000	–	(103,000)	–	–
Employees (not including Mr. Tong Yee Ming)	15.2.2007	Nil	15.2.2007 – 15.2.2015	8.72	–	2,919,000	–	(1,094,500)	(132,000)	1,692,500 Note
	15.2.2007	15.2.2007 – 14.2.2008	15.2.2008 – 15.2.2015	8.72	–	3,022,000	(103,000)	–	(314,000)	2,605,000
	15.2.2007	15.2.2008 – 14.2.2009	15.2.2009 – 15.2.2015	8.72	–	3,022,000	(103,000)	–	(314,000)	2,605,000
	15.2.2007	15.2.2009 – 14.2.2010	15.2.2010 – 15.2.2015	8.72	–	3,022,000	(103,000)	–	(314,000)	2,605,000
	15.2.2007	15.2.2010 – 14.2.2011	15.2.2011 – 15.2.2015	8.72	–	3,022,000	(103,000)	–	(314,000)	2,605,000
					–	15,110,000	–	(1,197,500)	(1,388,000)	12,524,500

The closing price of shares immediately before the date on which options were granted was HK$8.55.

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$14.57.

Note: Each of the option holder has to remain employed throughout each of the vesting period before the relevant options granted to each of them can be exercised during the relevant exercisable period.

Save as disclosed above and in note 29 to the consolidated financial statements, during the year, no right has been granted to, or exercised by, the following persons, to subscribe for shares in or debentures of the Company under the Scheme and no option granted to such persons under the Scheme has been cancelled or lapsed:

(i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;

(ii) any participant under the Scheme with options granted in excess of the individual limit;

(iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;

(iv) any supplier of goods or services; and

(v) any other participants under the Scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 5.6% of the Group's purchases and the five largest suppliers accounted for 17.0% of the Group's total purchases. The largest customer accounted for 4.2% of the Group's turnover and the five largest customers accounted for 16.0% 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 an annual 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 was approximately 11,850 as at 31 December 2007. 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

In the afternoon of Monday, 7 January, 2008, there was a minor fire in our production plant in Heshan, Guangdong, the PRC. The fire broke out in a packaging material storage area located on the first floor of the LED plant premises. While a small portion of the Company's inventory of expanded polystyrene, metal components and paper packaging materials were destroyed, the fire inflicted no material damage to the production facilities. The Company considers that disruption to production and delivery of its products was minimal and that the loss to the Group would have no material adverse effect to our financial position in 2008.

The Group has reviewed and adopted further measures in improving its emergency procedures and fire prevention policies in light of this incident.

Details of other post balance sheet events are set out in note 33 of the consolidated 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, 1 April 2008

CORPORATE GOVERNANCE PRACTICES

Good corporate governance is important to safeguard the interests of the shareholders and enhance the performance of the Group. The directors of the Company (the "Directors") are committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31 December 2007.

The Directors will continuously review and enhance the corporate governance practices and standards of the Company throughout the Group and to ensure that business activities and decision making processes are conducted in a proper and prudent manner.

APPOINTMENT OF INDEPENDENT NON EXECUTIVE DIRECTORS

With a view to improve the Company's corporate governance practices and in compliance with the Listing Rules, on 20 November 2006, the Company appointed three independent non-executive Directors to further broaden the collective knowledge, perspective and skill of the board of the Directors of the Company (the "Board"). On 21 August 2007, a new independent non-executive Director was appointed. A comprehensive, formal and tailored orientation package to newly appointed Directors was provided before his appointment. The Company Secretary is responsible for keeping all Directors updated on the Listing Rules and other regulatory and reporting requirements.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by Directors of the Company. The Model Code also applies to other specified senior management of the Group. All the members of the Board and the specified senior management of the Group have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2007.

BOARD OF DIRECTORS

As at 31 December 2007, the Board of Directors of the Company comprises:

Executive Directors:

Mr. Ben FAN *(Chairman)*	
Mr. JANG Jann Huan *(CEO)*	(appointed on 25 January 2007)
Ms. Michelle WONG	
Mr. FAN Pong Yang	
Mr. TONG Yee Ming *(CFO)*	(appointed on 14 September 2007)

Independent non-executive Directors:

Mr. WU Tak Lung	
Ms. FUNG Siu Wan Stella	
Mr. LAM Yin Ming	
Mr. ZHAO Shan Xiang	(appointed on 21 August 2007)

In view of the extensive sales and marketing experiences as well as the ability to broaden the perspective and contribute to the effectiveness of the Board, the Board had identified and invited Mr. Jang Jann Huan to join the Board in January 2007. Mr. Jang was appointed as an executive Director at the Board meeting held on 25 January 2007. Mr. Zhao Shan Xiang was appointed as an independent non-executive Director on 21 August 2007. The Board also invited Mr. Tong Yee Ming to join the Board in September 2007 who have extensive experience in the finance and accounting area.

As at 31 December 2007, the Board comprises five executive Directors (Mr. Ben Fan is the Chairman) and four independent non-executive Directors. They represent more than 40% of the members of Board. In addition, one of the independent non-executive Directors possesses appropriate professional accounting qualifications, one of them is a lawyer and one is an experienced banker with many years of financial management expertise. Biographies of the Directors of the Company are shown on pages 6 to 8 of this annual report.

The principal focus of the Board is on the overall strategic development of the Group. The Board also monitors the financial performance and the internal controls of the Group's business operations. With a wide range of expertise and a balance of skills, the non-executive Directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and committee work.

To the best knowledge of the Directors, there is no financial, business and family relationship among members of the Board except that Ms. Michelle WONG is the spouse of Mr. Ben FAN and Mr. FAN Pong Yang is the younger brother of Mr. Ben FAN.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Ben FAN is the Chairman and Mr. JANG Jann Huan serves as the Chief Executive Officer. The role of the Chairman is separate from that of the Chief Executive Officer so as to delineate their respective areas of responsibility.

The board, led by the Chairman, sets the overall direction, strategy and policies of the Company. Under the leadership of the Chief Executive Officer, management is responsible for executing the Board's strategy and implementing its policies through the day-to-day management and operations of the Company.

The Board delegates appropriate aspects of its management and administration functions to management. It also gives clear directions as to the powers of management, in particular, with respect to the matters that management must report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board determines which functions are reserved to the Board and which are delegated to management. These arrangements are reviewed on a periodic basis to ensure they remain appropriate to the needs of the Company.

The Chairman provides leadership to the Board to ensure that the Board acts in the best interests of the Company. He is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures. The Chairman seeks to ensure that all directors are properly briefed on issues arising at board meetings. He also encourages the directors to make full and active contributions to the Board's affairs.

Important matters are reserved for the Board's decision, including:

- long-term objectives and strategies
- extension of the Group's activities into new business areas
- appointments to the Board and the board committees
- annual internal controls assessment
- material acquisitions and disposals
- material connected transactions
- announcements of interim and final results
- payment of dividends

The independent non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each independent non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. Every year, the Company has received from each independent non-executive Director a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such directors to be independent. The independent non-executive Directors are explicitly identified in all corporate communications.

All directors are regularly updated on governance and regulatory matters. There is an established procedure for Directors to obtain independent professional advice at the expense of the Company in the furtherance of their duties. The Company has also arranged appropriate director and officer liability insurance cover in respect of any potential legal actions that might be taken against its Directors.

The Board meets regularly throughout the year to review the overall strategy and to monitor the operation as well as the financial performance of the Group. The Chairman focuses on Group strategy and is responsible for chairing and managing the efficient operation of the Board and ensuring that all key issues are considered by the Board in a timely manner. Notice of at least 14 days has been given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda whenever they consider appropriate and necessary. Agenda and accompanying Board papers in respect of regular Board meetings are dispatched in full to all Directors within a reasonable time before the meeting. Directors have to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at board meetings and abstain from voting as appropriate. Draft minutes of all board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

Minutes of board meetings and meetings of board committees are kept by the Company Secretary; all Directors have access to board papers and related materials, and are provided with adequate information in a timely manner; this enables the Board to make informed decision on matters placed before it. During the year eight board meetings were held before the year end and the attendance of each Director is set out as follows:

Directors	Attendance Record
Mr. Ben Fan	8/8
Ms. Michelle Wong	8/8
Mr. Fan Pong Yang	8/8
Mr. Jang Jann Huan (appointed on 25 January 2007)	5/8
Mr. Tong Yee Ming (appointed on 14 September 2007)	3/3
Ms. Fung Siu Wan, Stella	7/8
Mr. Wu Tak Lung	6/8
Mr. Lam Yin Ming	7/8
Mr. Zhao Shan Xiang (appointed on 21 August 2007)	3/3
Mr. Leong Ka Cheong, Christopher (resigned on 14 September 2007)	2/7

Re-election of Directors

Each of the non-executive Directors of the Company has entered into a letter of appointment with the Company for a term of three years. However, such term is subject to his/her re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Articles of Association of the Company. In accordance with the relevant provisions in the Articles of Association of the Company, the appointment of Directors is considered by the Board and the newly appointed Directors are required to stand for election by shareholders at the first annual general meeting following their appointments and shall retire and stand for re-election by shareholders at least once every three years.

BOARD COMMITTEES

The Board has established three committees, each of them having specific terms of reference to consider matters relating to specific areas and to advise the Board on such matters. Details of these committees and their principal terms of reference are as follows:

AUDIT COMMITTEE

The Audit Committee was established on 20 November 2006 and its current members include:

Mr. WU Tak Lung *(Chairman)*
Ms. FUNG Siu Wan Stella
Mr. LAM Yin Ming

All Audit Committee members are independent non-executive Directors. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, legal, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee satisfies the requirements under Rule 3.21 of the Listing Rules which requires a minimum of three members and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee meets not less than twice a year to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's external auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the external auditors.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the financial statements for the year ended 31 December 2007. During the year, two Audit Committee meetings were held, with 100% attendance by all committee members. At the meeting held on 28 March 2008, the Audit Committee reviewed the financial statements for the year ended 31 December 2007 together with the annual results announcement, with a recommendation to the Board for approval.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 20 November 2006 and the current members include:

Ms. FUNG Siu Wan Stella *(Chairman)*
Ms. Michelle WONG
Mr. WU Tak Lung
Mr. LAM Yin Ming

The majority of the Remuneration Committee members are independent non-executive Directors. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of Directors and senior management. The Remuneration Committee ensures that no Director or any of his associate is involved in deciding his/her own remuneration.

In determining the remuneration for Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and the desirability of performance-based remuneration.

The Remuneration Committee meets to determine the policy for the remuneration of Directors and assess the performance of executive Directors and members of senior management. During the year, three Remuneration Committee meetings were held, with 100% attendance by all committee members.

Compensation Policy of the Group

The compensation package for each employee is structured in a way to attract and retain the best talents available, and will contain a combination or modification of some or all of the following three main components:

I. *Basic salary*

Basic salary and wage rate ranges are established for each position by evaluating the responsibilities and the duties required to be performed. The actual salary or wage rate for the person filling the position is determined based on the experience and ability of the individual selected for the position.

The basic salary and wage rate ranges are reviewed periodically with reference to the prevailing market level and similar positions of competitors in the relevant industry. The actual salaries and wage rates of employees are reviewed annually and may be adjusted from time to time based on the cost of living and financial performance of the Company.

Salaries and wages are basic compensation and not intended to reward performance, either individually or corporately. Performance is rewarded through the other components of the compensation plan.

II. *Incentive bonus*

Incentive bonus is linked to individual and corporate performance. Every year, profitability and other corporate performance targets are set and incentive bonuses will only be paid for that year if the targets are achieved.

The incentive bonus for each employee is determined with reference to his/her position and his/her individual performance during the year.

III. *Employee Share Option Scheme*

Prior to listing, the Company has set up an Employee Share Option Scheme. Granting of the options to employees from time to time will be at the discretion of the Board. The Employee Share Option Scheme allows the Company to retain valuable human resources and to motivate future performance of the employees.

Options granted to individual employees are determined with reference to their positions, length of service with the Company, their performance and ability to contribute to the overall corporate success.

IV. *Other benefits*

In addition to the above three main components, the Group offers other customary and/or mandatory benefits to employees, such as retirement fund scheme, medical benefits, insurance and paid holiday, with reference to prevailing industry practices in the relevant jurisdictions.

NOMINATION COMMITTEE

The Nomination Committee was established on 20 November 2006. Its current members include:

Mr. LAM Yin Ming *(Chairman)*
Ms. FUNG Siu Wan Stella
Ms. Michelle WONG
Mr. WU Tak Lung

The majority of the Nomination Committee members are independent non-executive Directors. The Nomination Committee is mainly responsible for reviewing the candidates' qualification and competence, and making recommendations to the Board on appointment of Directors, so as to ensure that all nominations are fair and reasonable.

The Nomination Committee meets to discuss the procedures and criteria which should be adopted by them in nominating candidates for directorship and agreed that such criteria should include the candidates' professional background, their experiences and their past track record with other listed companies (if any). During the year, three Nomination Committee meetings were held, with 100% attendance by all committee members.

AUDITOR'S REMUNERATION

For the year ended 31 December 2007, the auditor of the Company provided audit and tax advisory services to the Company. The existing auditor of the Company is Deloitte Touche Tohmatsu. During the year, Deloitte Touche Tohmatsu provided the following audit and non-audit services to the Group:

Audit services	HK$2,800,000
Non-audit services	HK$4,189,000

INTERNAL CONTROLS

The Board has overall responsibility for maintaining an adequate system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of shareholders and the Company's assets. The Board has employed an external auditor, Baker Tilly, to conduct a review of the system of internal controls which covered all relevant financial, operational, compliance controls and risk management functions within an established framework.

A report by Baker Tilly was tabled before the members of the Audit Committee during the Audit Committee meeting held on 28 March 2008.

The Group's internal control system is designed in consideration of the nature of business as well as the organization structure. The system is designed to manage rather than eliminate the risk of failure in operational systems and to provide reasonable, but not absolute, assurance against material misstatement or loss. The system is designed further to safeguard the Group's assets, maintain appropriate accounting records and financial reporting, maintain efficiency of operations and ensure compliance with applicable laws and regulations.

The principal purpose of the review report by Baker Tilly was to obtain sufficient knowledge of the control environment to understand the attitude of management and the governing body, awareness and actions concerning the factors of the control environment.

The Company will continue to engage external independent professionals to review its system of internal controls annually and further enhance its internal controls as appropriate.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the Group as the need arises. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2007, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable; and have prepared the financial statements on the going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the auditors report on pages 35 to 36 of this annual report.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to continue maintaining a high level of transparency in communicating with shareholders and the investment community at large. Briefings and meetings with institutional investors and analysts are conducted regularly. The Company is committed to continue to maintain an open and effective investor communication policy and to update investors on relevant information on its business on a timely manner, subject to relevant regulatory requirements.

The Company is aware of its obligations under the Listing Rules that information which is expected to be price-sensitive should be announced immediately. The Company takes extreme precautionary measures in the handling of price-sensitive information and has in place a Memorandum on Disclosure of Price Sensitive Information (which includes the Guide on Disclosure of Price-sensitive Information issued by the Stock Exchange in 2002) for its senior management and other staff member who is in a position to have access to price-sensitive information. Members of the Board and other relevant senior management who have access to price-sensitive information are bound by the Model Code for securities transaction of the Company's securities and that of any related companies.

In order to ensure effective, clear and accurate communications with the investors and analysts, all corporate communications are arranged and handled by the Chief Financial Officer of the Company.

The Company has also maintained a website at http://www.neo-neon.com which enables shareholders, investors and the general public to have access to the information of the Company on a timely basis.

Financial information and all shareholder corporate communications of the Company are made available on the Company's website and updated regularly.

SHAREHOLDERS' RIGHTS

The Board and management shall ensure shareholders' right and all shareholders are treated equitably and fairly. The Company has announced its annual results in a timely manner which is well before the time limits set out in the Listing Rules. Separate resolutions will be proposed at the general meetings on each substantially separate issue, including the re-election of individual directors. In addition, procedures for demanding a poll will be included in the circular to shareholders dispatched together with the annual report.

The annual general meeting may provide an opportunity for communication between the Board and the shareholders of the Company. The Company regards the annual general meeting as an important event in which the Chairman and all directors will make an effort to attend. External auditors shall also be invited to attend the Company's annual general meting and are also available to assist the Directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of their auditor report.

FAMILY MEMBERS AND CLOSE PERSONAL RELATIONSHIPS

The Board recognises that talents, relevant experience and skills are the most important considerations in executive officers and staff selection. It is the Group's policy that job positions are filled by suitably qualified candidates selected through internal promotions or from the open market on the merits of qualification, experience, skills and achievements. No employee is hired on account of family or close personal connection to any Board member.

Deloitte.
德勤

TO THE SHAREHOLDERS OF NEO-NEON HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Neo-Neon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 88, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Group's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2007 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

1 April 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover		**1,572,126**	1,258,825
Cost of goods sold		**(966,914)**	(758,718)
Gross profit		**605,212**	500,107
Other income		**78,271**	58,819
Distribution and selling expenses		**(76,342)**	(70,829)
Administrative expenses		**(279,629)**	(219,572)
Finance costs	8	**(1,473)**	(8,912)
Increase in fair value of investment properties		**21,083**	–
Share of profits of associates		**285**	2,004
Share of results of a jointly controlled entity		**(882)**	4,118
Profit before taxation	9	**346,525**	265,735
Taxation	11	**(14,844)**	(5,026)
Profit for the year		**331,681**	260,709
Attributable to			
– equity holders of the Company		**334,029**	259,965
– minority interests		**(2,348)**	744
		331,681	260,709
Dividends	12	**20,550**	120,000
Earnings per share			
– Basic	13	**HK$0.439**	HK$0.428
– Diluted		**HK$0.437**	N/A

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Investment properties	14	**50,193**	17,381
Property, plant and equipment	15	**714,694**	459,234
Land use rights	16	**27,244**	12,871
Intangible assets	17	**11,781**	12,583
Interests in associates	18	**–**	16,803
Interest in a jointly controlled entity	19	**21,938**	22,782
Deposits made on acquisition of property, plant and equipment		**118,529**	4,152
Deferred tax assets	20	**11,974**	15,247
		956,353	561,053
Current assets			
Inventories	21	**720,457**	495,729
Trade and other receivables	22	**362,641**	226,435
Investments held-for-trading	23	**47,336**	–
Pledged bank deposits	24	**2,105**	1,985
Bank balances and cash	24	**609,828**	1,158,158
		1,742,367	1,882,307
Asset held for sale	25	**18,068**	–
		1,760,435	1,882,307
Current liabilities			
Trade and other payables	26	**296,046**	219,518
Amount due to a director	27	**10,396**	2,126
Taxation		**28,617**	19,854
Mortgage loan due within one year		**–**	5,747
Current portion of long-term bank loans		**–**	18,000
Secured short-term bank loans		**–**	52,635
		335,059	317,880
Net current assets		**1,425,376**	1,564,427
Total assets less current liabilities		**2,381,729**	2,125,480
Non-current liabilities			
Mortgage loan due after one year		**–**	45,999
Long-term bank loans due after one year		**–**	55,500
		–	101,499
Net assets		**2,381,729**	2,023,981

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	28	**76,120**	76,000
Reserves		**2,297,821**	1,937,845
Equity attributable to equity holders of the Company		**2,373,941**	2,013,845
Minority interests		**7,788**	10,136
Total equity		**2,381,729**	2,023,981

The consolidated financial statements on pages 44 to 88 were approved and authorised for issue by the Board of Directors on 1 April 2008 and are signed on its behalf by:

BEN FAN
Chairman

TONG YEE MING
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Share compensation reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Attributable to equity holders of the Company HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2006	7,740	70,225	5,891	48,100	–	966	678,296	811,218	603	811,821
Exchange differences arising on translation of foreign operation	–	–	–	–	–	2,858	–	2,858	–	2,858
Share of reserve of associates	–	–	–	–	–	1,040	–	1,040	–	1,040
Net gain recognised directly in equity	–	–	–	–	–	3,898	–	3,898	–	3,898
Profit for the year	–	–	–	–	–	–	259,965	259,965	744	260,709
Total recognised income for the year	–	–	–	–	–	3,898	259,965	263,863	744	264,607
Issue of shares	1	–	–	–	–	–	–	1	–	1
Arising on acquisition of subsidiaries	30,000	(70,225)	40,225	–	–	–	–	–	–	–
Arising on group reorganisation	(7,740)	–	7,740	–	–	–	–	–	–	–
Capitalisation issue	29,999	(29,999)	–	–	–	–	–	–	–	–
Issue of shares under public offer	16,000	1,088,000	–	–	–	–	–	1,104,000	–	1,104,000
Expenses incurred in connection with the issue of shares	–	(44,014)	–	–	–	–	–	(44,014)	–	(44,014)
Capital contributions by minority owners of subsidiaries	–	–	–	–	–	–	–	–	8,789	8,789
Release of reserve upon disposal of a subsidiary	–	–	–	–	–	(1,223)	–	(1,223)	–	(1,223)
Dividends paid	–	–	–	–	–	–	(120,000)	(120,000)	–	(120,000)
	68,260	943,762	47,965	–	–	(1,223)	(120,000)	938,764	8,789	947,553
At 31 December 2006	76,000	1,013,987	53,856	48,100	–	3,641	818,261	2,013,845	10,136	2,023,981
Exchange differences arising on translation of foreign operation	–	–	–	–	–	18,742	–	18,742	–	18,742
Share of reserve of associates	–	–	–	–	–	2,379	–	2,379	–	2,379
Net gain recognised directly in equity	–	–	–	–	–	21,121	–	21,121	–	21,121
Profit for the year	–	–	–	–	–	–	334,029	334,029	(2,348)	331,681
Total recognised income (expense) for the year	–	–	–	–	–	21,121	334,029	355,150	(2,348)	352,802
Expenses incurred in connection with the issue of shares	–	(3,632)	–	–	–	–	–	(3,632)	–	(3,632)
Recognition of equity-settled share based payments	–	–	–	–	18,686	–	–	18,686	–	18,686
Exercise of share options	120	13,208	–	–	(2,886)	–	–	10,442	–	10,442
Dividends paid	–	–	–	–	–	–	(20,550)	(20,550)	–	(20,550)
	120	9,576	–	–	15,800	–	(20,550)	4,946	–	4,946
At 31 December 2007	76,120	1,023,563	53,856	48,100	15,800	24,762	1,131,740	2,373,941	7,788	2,381,729

The special reserve represents the differences between the nominal amount of the shares issued by the Company and the Group's former holding company, Neo-Neon Holdings (BVI) Limited ("NNH"), and the aggregate amount of share capital and share premium of the subsidiaries acquired pursuant to a corporate reorganisation in 1996 and a group reorganisation in preparation for the listing of the Company's shares in 2006.

Share compensation reserve represents the difference of fair value of certain NNH's shares (the "Shares") transferred to the Group's certain senior management by the Company's shareholders and the consideration paid by the senior management in obtaining the Shares in 2004.

As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue. Since the date of establishment, there was no appropriation to the statutory surplus reserve fund as no dividends have been distributed by any of the PRC subsidiaries.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
Operating activities		
Profit before taxation	**346,525**	265,735
Adjustments for:		
Interest income	**(30,272)**	(9,082)
Interest expenses	**1,473**	8,912
Dividend income from investments held-for-trading	**(272)**	(866)
Share of profits of associates	**(285)**	(2,004)
Share of results of a jointly controlled entity	**882**	(4,118)
Equity-settled share based payments	**18,686**	–
Depreciation and amortisation	**89,812**	70,050
Increase in fair value of investment properties	**(21,083)**	–
Loss on disposal of property, plant and equipment	**1,277**	958
Gain on disposal of a subsidiary	**–**	(3,340)
Impairment loss recognised for interest in an associate	**462**	–
Gain on disposal of associates	**–**	(754)
Operating lease rentals in respect of land use rights	**308**	277
Impairment loss recognised for goodwill of an associate	**–**	6,274
Allowance for (write-back of) inventories	**3,942**	(17,587)
Net (write-back of) allowance for bad and doubtful debts	**(15,031)**	8,616
Increase in fair value of investments held-for-trading	**(2,469)**	–
Research and development costs	**28,346**	10,804
Effect of foreign exchange rate changes on inter-company balances	**(25,769)**	(10,211)
Operating cash flows before movements in working capital	**396,532**	323,664
Increase in inventories	**(206,351)**	(251,900)
Increase in trade and other receivables	**(131,346)**	(71,997)
(Increase) decrease in investments held-for-trading	**(44,867)**	5,123
Increase in trade and other payables	**67,439**	22,887
Increase in amount due to a director	**10,396**	–
Cash from operations	**91,803**	27,777
Tax paid	**(1,947)**	(1,272)
Net cash from operating activities	**89,856**	26,505

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
Investing activities		
Interest received	**30,272**	9,082
Dividend received from an associate	**937**	388
Dividend received from investments held-for-trading	**272**	866
Research and development costs paid	**(28,346)**	(10,804)
Purchase of investment properties	**–**	(345)
Purchase of property, plant and equipment	**(208,607)**	(149,494)
Proceeds from disposal of property, plant and equipment	**–**	24,504
Purchase of land use rights	**(6,826)**	(527)
Purchase of intangible assets	**–**	(14,680)
Disposal of a subsidiary	**–**	(6)
Proceeds from disposal of associates	**–**	3,120
Deposits paid on acquisition of property, plant and equipment	**(234,679)**	(32,815)
Decrease in pledged bank deposits	**–**	14,144
Net cash used in investing activities	**(446,977)**	(156,567)
Financing activities		
Interest paid	**(1,473)**	(8,912)
Dividends paid	**(20,550)**	(120,000)
Proceeds from issue of shares	**10,442**	1,104,000
Expenses incurred in connection with the issue of shares	**(3,632)**	(44,014)
Repayment to a director	**(2,126)**	(873)
Repayment of mortgage loans	**(51,746)**	(5,747)
Bank loans raised	**–**	88,635
Repayment of bank loans	**(126,135)**	(29,212)
Capital contributed by minority owners of subsidiaries	**–**	8,789
Net cash (used in) from financing activities	**(195,220)**	992,666
Net (decrease) increase in cash and cash equivalents	**(552,341)**	862,604
Cash and cash equivalents at 1 January	**1,158,158**	293,774
Effect of foreign exchange rate changes	**4,011**	1,780
Cash and cash equivalents at 31 December	**609,828**	1,158,158
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**609,828**	1,158,158

1. GENERAL AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company was incorporated and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands and acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 34. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report. Its ultimate holding company is Rightmass Agents Limited, a company which is incorporated in the British Virgin Islands.

Through a group reorganisation to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares (the "Group Reorganisation"), the Company became the holding company of the Group on 20 November 2006. Details of the Group Reorganisation are more fully explained in Appendix VII to the prospectus of the Company dated 4 December 2006. The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements for the year ended 31 December 2006 have been prepared in accordance with the accounting policies as stated in note 4.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s)

In the current year, the Group has applied, for the first time, the following new Standard, Amendment on Hong Kong Accounting Standard ("HKAS") and Interpretations ("INT"s) (collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"S) – CONTINUED

The Group has not early applied the following new and revised Standards or INTs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [3]
HKFRS 3 (Revised)	Business combinations [2]
HKFRS 8	Operating segments [1]
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions [4]
HK(IFRIC) – INT 12	Service concession arrangements [5]
HK(IFRIC) – INT 13	Customer loyalty programmes [6]
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction [5]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 January 2009.
4 Effective for annual periods beginning on or after 1 March 2007.
5 Effective for annual periods beginning on or after 1 January 2008.
6 Effective for annual periods beginning on or after 1 July 2008.

The directors of the Company anticipate that the application of these Standards or INTs will have no material impact on the results and the financial position of the Group.

3. CHANGE IN ACCOUNTING POLICY

Investment properties

In previous years, the Group's investment properties were carried at cost less accumulated depreciation and accumulated impairment loss, if any. Commencing from the current year, investment properties are carried at their fair values using the fair value model (the "fair value model"). Under the fair value model, gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

In the opinion of the directors, accounting for the Group's investment properties using the fair value model would result in the provision of more relevant information about the Group's financial position and performance on the consolidated financial statements. The change in accounting policy had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historic cost convention except for investment properties and investments held-for-trading which are carried at fair values, as explained in the accounting policies set out below. In addition, the consolidated financial statements have been prepared in accordance with HKFRSs and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All significant inter-company transactions, balances, income and expenses within the Group are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combination involving entities under common control

The consolidated financial statements incorporate the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Business combination involving entities under common control – continued

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Investment in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5 "Non-current assets held for sale and discontinued operations"). Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are not recognised.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Joint ventures

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Non-current asset held for sale

Non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current asset classified as held for sale is measured at the lower of the asset's previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods, or for administrative purposes, other than construction in progress, are stated at cost less depreciation and any identified impairment loss at the balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the assets. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost which includes all development expenditure and other direct costs, attributable to such projects. They are not depreciated until completion of construction and the asset is put into use. Cost of completed construction works is transferred to the appropriate category of property, plant and equipment.

For the leasehold land and buildings in Hong Kong where the cost of leasehold land cannot be reliably separated from the cost of leasehold land and buildings, the cost of leasehold land and buildings is depreciated over 50 years on a straight line basis.

The cost of buildings in Mainland China (the "PRC") is depreciated over 10 years using the straight line method.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Furniture, fixtures and equipment	15% – 20%
Leasehold improvements	20%
Motor vehicles	20%
Moulds	20%
Plant and machinery	10% – 20%
Yacht	15%

Land use rights

Payment for obtaining land use right is considered as operating lease payment and charged to the income statement over the period of the right using the straight line method.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Intangible assets

On initial recognition, intangible assets acquired separately are recognised at cost. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit and loss in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables (including trade and other receivables and bank balances and bank deposits) are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL represent financial assets held-for-trading. A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Investments held-for-trading are measured at initial recognition and at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Impairment of financial assets

Financial assets, other than investments held-for-trading, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Impairment of financial assets – continued

All financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days to 90 days, observable changes in National or local economic conditions that correlate with default on receivables.

For loans and receivables, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial liabilities and equity – continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities, including trade and other payables, are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Share-based payment transactions

Share options granted to employees and non-executive directors

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share options reserve).

For options with non-market performance vesting conditions, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to share options reserve.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Share-based payment transactions – continued

Share options granted to employees and non-executive directors – continued

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong Dollar ("HK$"), which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in HK$ using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

At 31 December 2007, the capital structure of the Group consisted of equity attributable to equity holders of the Company, comprising share capital, reserves and retained profits.

At 31 December 2007, no external debts were raised by the Group.

At 31 December 2006, the capital structure of the Group consisted of debts and equity attributable to the equity holders of the Company, comprising share capital, reserves and retained profits.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new shares issued and the raising of loans.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2007 **HK$'000**	2006 HK$'000
Financial assets		
Investments held-for-trading	**47,336**	–
Loans and receivables (including cash and cash equivalents)	**920,597**	1,368,138
Financial liabilities		
Amortised cost	**257,767**	335,927

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, investments held-for-trading, bank balances and cash and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk, liquidity risk and other price risk) and credit risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS – CONTINUED

b. Financial risk management objectives and policies – continued

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 37.5% of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 49.7% of costs are denominated in the group entity's functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, which include inter-company loans and receivables, at the reporting date are as follows:

	Assets		**Liabilities**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Australian dollar	**38,986**	2	**–**	–
HK$	**1,246,910**	3,076,070	**3,246,053**	3,706,150
Renminbi ("RMB")	**1,643,008**	1,288,362	**972,829**	1,317,641
United States dollar ("US$")	**72,769**	34,165	**7,134**	2,790
Euro	**24,899**	172	**–**	–
Others	**151**	245	**2,419**	–

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

6. FINANCIAL INSTRUMENTS – CONTINUED

b. Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

Sensitivity analysis

The Group is mainly exposed to currency of RMB and currency of US$.

The following table details the Group's sensitivity to a 5% increase and decrease in HK$, RMB and USD against the relevant functional currencies of the group entities. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the borrower. A positive number below indicates an increase in profit for the year where HK$, RMB and USD strengthen 5% against the functional currency of the respective group entities. For a 5% weakening of HK$, RMB and USD against the functional currency of the respective group entities, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	HK$ Impact			RMB Impact			US$ Impact		
	2007	2006		**2007**	2006		**2007**	2006	
	HK$'000	HK$'000		**HK$'000**	HK$'000		**HK$'000**	HK$'000	
(Decerease) increase	**(78,961)**	(28,561)	(i)	**10,838**	1,805	(ii)	**3,365**	1,569	(iii)

(i) This is mainly attributable to the exposure outstanding on HK$ receivables and payables at year end in the Group.

(ii) This is mainly attributable to the exposure outstanding on RMB receivables and payables at year end in the Group.

(iii) This is mainly attributable to the exposure to outstanding US$ receivables at the year end.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. US$ denominated sales are seasonal with higher sales volumes in the last quarter of the financial year, which results in a rise in US$ receivables at year end.

6. FINANCIAL INSTRUMENTS – CONTINUED

b. Financial risk management objectives and policies – continued

Market risk – continued

(ii) Interest rate risk

In 2006 and 2007, the Group was exposed to cash flows interest rate risk through the impact of the rate changes on floating interest rate bank loans and mortgage loans respectively.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk was mainly concentrated on the fluctuation of Hong Kong Inter-bank Offer Rate arising from the Group's HK$ and RMB denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. At 31 December 2007, for variable-rate bank deposits, the analysis is prepared assuming the amount of asset at the balance sheet date was in deposit accounts for the whole year. At 31 December 2006, for variable-rate bank deposits and bank borrowings, the analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was in deposit accounts or outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the potential effect on profit for the year is as follows:

	2007	2006
	HK$'000	HK$'000
Increase in profit for the year	**3,049**	4,901

(iii) Liquidity risk management

The directors of the Company have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. In the past, the Group relied on the funding generated from its operation.

6. FINANCIAL INSTRUMENTS – CONTINUED

b. Financial risk management objectives and policies – continued

Market risk – continued

(iii) Liquidity risk management – continued

The following table details the Group's remaining contractual maturity for its financial liabilities as at 31 December 2007 and 31 December 2006. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Effective interest rate	Less than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2007					
Non-derivative financial assets					
Trade and other receivables	–	308,664	–	308,664	308,664
Investments held-for-trading	–	47,336	–	47,336	47,336
Pledged bank deposits	–	2,105	–	2,105	2,105
Bank balances and cash	5.0	609,828	–	609,828	609,828
		967,933	–	967,933	967,933
Non-derivative financial liabilities					
Trade and other payables	–	247,371	–	247,371	247,371
Amount due to a director	–	10,396	–	10,396	10,396
		257,767	–	257,767	257,767
At 31 December 2006					
Non-derivative financial assets					
Trade and other receivables	–	207,995	–	207,995	207,995
Pledged bank deposits	–	1,985	–	1,985	1,985
Bank balances and cash	0.8	1,158,158	–	1,158,158	1,158,158
		1,368,138	–	1,368,138	1,368,138
Non-derivative financial liabilities					
Trade and other payables	–	155,920	–	155,920	155,920
Amount due to a director	–	2,126	–	2,126	2,126
Mortgage loan	5.3	8,495	57,534	66,029	51,746
Bank loans	4.9	74,879	56,743	131,622	126,135
		241,420	114,277	355,697	335,927

6. FINANCIAL INSTRUMENTS – CONTINUED

b. Financial risk management objectives and policies – continued

Market risk – continued

(iv) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities and commodities. The management manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower, profit for the year ended 31 December 2007 would be increased/decreased by HK$2,367,000 (2006: Nil) as a result of the changes in fair value of investments held-for-trading.

Credit risk

The Group's principal financial assets are trade and other receivables and bank balances and cash, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, if any, estimated by the Group's management based on prior experience and their assessment of the current lighting industry environment.

In order to minimise the credit risk in relation to trade receivables, the management of the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

6. FINANCIAL INSTRUMENTS – CONTINUED

b. Financial risk management objectives and policies – continued

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

7. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

The geographical market is considered by the directors as the Group's primary reporting segment.

Business segments

The Group's operation is regarded as a single business segment, being an enterprise engaged in the research and development, manufacture and distribution of lighting products including incandescent-based decorative lighting products, light emitting diode ("LED") – based decorative lighting products and entertainment lighting products.

7. TURNOVER AND SEGMENT INFORMATION – CONTINUED

Geographical segments

The following table provides an analysis of the Group's geographical market segment information.

	Turnover		Results	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
America	**468,832**	357,599	**100,800**	86,522
Europe	**516,258**	428,868	**105,903**	109,808
PRC	**182,308**	144,166	**41,928**	35,690
Asia Pacific, Middle East and Russia (excluding PRC)	**395,068**	322,043	**118,434**	82,457
Others	**9,660**	6,149	**1,752**	1,574
	1,572,126	1,258,825	**368,817**	316,051
Unallocated other income			**78,271**	58,819
Unallocated expenses			**(119,576)**	(106,345)
Finance costs			**(1,473)**	(8,912)
Increase in fair value of investment properties			**21,083**	–
Share of profits of associates			**285**	2,004
Share of result of a jointly controlled entity			**(882)**	4,118
Profit before taxation			**346,525**	265,735
Taxation			**(14,844)**	(5,026)
Profit for the year			**331,681**	260,709
Net (write-back of) allowance for bad and doubtful debts				
– America			**(1,153)**	2,593
– Europe			**(835)**	2,789
– PRC			**(9,799)**	862
– Asia Pacific, Middle East and Russia (excluding PRC)			**(3,244)**	2,372
			(15,031)	8,616

7. TURNOVER AND SEGMENT INFORMATION – CONTINUED

	Total assets	
	2007	2006
	HK$'000	HK$'000
Trade and bills receivables		
– America	**26,058**	48,384
– Europe	**85,746**	61,188
– PRC	**95,477**	18,946
– Asia Pacific, Middle East and Russia (excluding PRC)	**61,338**	42,200
Trade and bills receivables	**268,619**	170,718
Unallocated assets*	**2,448,169**	2,272,642
Total assets	**2,716,788**	2,443,360

* The directors consider that it is not practical to prepare further segment analysis on the assets and liabilities of the Group in accordance with its geographical market.

The following is an analysis of the carrying amount of the Group's assets, liabilities, capital additions and depreciation and amortisation analysed by the geographic area in which they are located.

	Segment assets		Segment liabilities	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**1,599,383**	1,072,563	**185,851**	142,502
Hong Kong	**200,098**	101,006	**75,349**	70,880
Macau	**207,721**	47,037	**27,508**	3,430
Other locations	**19,483**	7,779	**6,181**	2,706
Unallocated	**690,103**	1,214,975	**40,170**	199,861
	2,716,788	2,443,360	**335,059**	419,379

7. TURNOVER AND SEGMENT INFORMATION – CONTINUED

	Capital additions		Depreciation and amortisation	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Macau	**30**	345	**32**	366
Hong Kong	**15,267**	1,616	**14,489**	2,825
PRC	**326,195**	202,698	**74,812**	66,859
Other locations	**11,467**	–	**479**	–
	352,959	204,659	**89,812**	70,050

8. FINANCE COSTS

	2007	2006
	HK$'000	HK$'000
Interest on bank borrowings		
– wholly repayable within five years	**(1,277)**	(6,164)
– not wholly repayable within five years	**(196)**	(2,748)
	(1,473)	(8,912)

9. PROFIT BEFORE TAXATION

	2007 HK$'000	2006 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(note 10)*	**19,981**	15,489
Other staff's retirement benefits scheme contributions	**6,397**	4,444
Other staff's share-based payments	**18,686**	–
Other staff costs	**243,624**	165,404
	288,688	185,337
Less: Staff costs included in research and development costs	**(11,165)**	(7,886)
Staff costs incurred in connection with the issue of shares	**(3,632)**	–
	273,891	177,451
Depreciation of property, plant and equipment	**87,440**	67,591
Less: Depreciation included in research and development costs	**(1,233)**	(665)
	86,207	66,926
Allowance for bad and doubtful debts	**–**	8,616
Allowance for inventories	**3,942**	–
Amortisation of intangible assets included in administrative expenses	**2,372**	2,097
Auditor's remuneration	**2,800**	2,500
Cost of inventories recognised as an expense	**967,699**	776,305
Depreciation of investment properties	**–**	362
Impairment loss recognised for goodwill of an associate included in administrative expenses	**–**	6,274
Impairment loss recognised for investment in an associate	**462**	–
Loss on disposal of property, plant and equipment	**1,277**	958
Operating lease rentals in respect of		
– land use rights	**308**	277
– rented premises	**2,514**	1,055
Research and development costs	**28,346**	10,804
and after crediting:		
Dividend income from listed investments held-for-trading	**272**	866
Gain on disposal of a subsidiary	**–**	3,340
Gain on disposal of associates	**–**	754
Increase in fair value of listed investments held-for-trading	**7,204**	11,780
Interest income	**30,272**	9,082
Net exchange gain	**20,777**	28,703
Net write-back of allowance for bad and doubtful debts	**15,031**	–
Write-back of allowance for inventories	**–**	17,587

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of directors during the year are analysed as follows:

	2007					2006			
	Fees	Salaries and other benefits	Performance related incentive bonus	Retirement benefits scheme contributions	Total	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors									
Mr. Ben Fan	-	4,800	10,396	-	15,196	–	13,555	–	13,555
Madam Michelle Wong	-	1,440	-	12	1,452	–	1,383	12	1,395
Mr. Fan Pong Yang	-	960	-	-	960	–	503	–	503
Mr. Tong Yee Ming (appointed on 14 September 2007)	-	357	-	3	360	–	–	–	–
Mr. Jang Jann Huang (appointed on 25 January 2007)	-	1,200	-	-	1,200	–	–	–	–
Non-executive director									
Dr. Leong Ka Cheong Christopher (resigned on 14 September 2007)	-	140	-	-	140	–	9	–	9
Independent non-executive directors									
Mr. Wu Tak Lung	-	200	-	-	200	–	9	–	9
Madam Fung Siu Wan Stella	-	200	-	-	200	–	9	–	9
Mr. Lam Yin Ming	-	200	-	-	200	–	9	–	9
Mr. Zhao Shan Xiang (appointed on 21 August 2007)	-	73	-	-	73	–	–	–	–
	-	9,570	10,396	15	19,981	–	15,477	12	15,489

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – CONTINUED

The five highest paid individuals included four (2006: two) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining highest paid employee(s) (2006: three) is/are as follows:

	2007	2006
	HK$'000	HK$'000
Employee(s)		
– basic salaries and allowances	**590**	2,013
– performance related incentive bonus	**2,368**	–
– equity-settled share based payments	**771**	–
– retirement benefits scheme contributions	**9**	9
	3,738	2,022

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

11. TAXATION

	2007 HK$'000	2006 HK$'000
The charge comprises:		
PRC enterprise income tax	**(9,171)**	(9,104)
Taxation in other overseas jurisdictions	**(421)**	(528)
	(9,592)	(9,632)
Hong Kong Profits Tax	**(1,538)**	(270)
Overprovision in prior years	**484**	812
	(1,054)	542
Deferred taxation		
– current year	**(3,000)**	4,064
– attributable to a change in tax rate	**(1,198)**	–
	(4,198)	4,064
	(14,844)	(5,026)

Pursuant to the relevant laws and regulations in the PRC, certain Group's PRC subsidiaries are entitled to exemption from PRC enterprise income tax for two years commencing from their first profit making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC enterprise income tax for the following three years. This exemption concession will expire in 2008.

The PRC enterprise income tax and overseas taxation are calculated at the rates prevailing in the respective jurisdictions while Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the year.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the applicable tax rate from 27% to 25% for certain subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

11. TAXATION – CONTINUED

The charge for the year is reconciled to profit before taxation as follows:

	2007		2006	
	HK$'000	**%**	HK$'000	%
Profit before taxation	**346,525**		265,735	
Tax at the applicable income tax rate	**(114,353)**	**(33.0)**	(87,693)	(33.0)
Tax effect of share of profits of associates	**94**	**0.1**	661	0.2
Tax effect of share of results of a jointly-controlled entity	**(291)**	**(0.1)**	1,359	0.5
Tax effect of expenses not deductible for tax purposes	**(34,824)**	**(10.0)**	(27,721)	(10.4)
Tax effect of income not taxable for tax purposes	**50,510**	**14.6**	7,654	2.9
Tax effect of deemed deductions in the PRC	**63,887**	**18.4**	52,736	19.8
Effect of tax exemptions granted to subsidiaries	**21,296**	**6.1**	43,315	16.3
Effect of different tax rates on subsidiaries operating in other jurisdictions	**(698)**	**(0.2)**	(1,451)	(0.5)
Income tax on concessionary rate	**908**	**0.2**	5,333	2.0
Decrease in opening deferred tax assets resulting from a decrease in applicable tax rate	**(1,198)**	**(0.3)**	–	–
Overprovision in prior years	**484**	**0.1**	812	0.3
Others	**(659)**	**(0.2)**	(31)	–
Tax charge and effective tax rate for the year	**(14,844)**	**(4.3)**	(5,026)	(1.9)

12. DIVIDENDS

During the year, an interim dividend of HK$0.027 per share totalling HK$20,550,000 was paid to the shareholders of the Company.

In 2006, a subsidiary, Neo-Neon Holdings (BVI) Limited ("NNH") distributed dividends of HK$120,000,000 to its then shareholders prior to the Group Reorganisation.

The final dividend of HK$0.083 per share for the year ended 31 December 2007 which has been proposed by the directors and is subjected to approval by the shareholders in the forthcoming annual general meeting is calculated on the basis of 761,197,500 shares in issue at the date of this report.

13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2007	2006
	HK$'000	HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**334,029**	259,965
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**760,610,874**	607,452,054
Effect of dilutive potential ordinary shares – share options	**3,332,809**	
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**763,943,683**	

The shares in issue in 2006 is based on the assumption that the Group Reorganisation and the capitalisation issue have been effective on 1 January 2006.

No diluted earnings per share was presented in 2006 as there were no potential shares during that year.

14. INVESTMENT PROPERTIES

	HK$'000
At 1 January 2006	17,036
Additions	345
At 31 December 2006	17,381
Additions	11,729
Increase in fair value recognised in the income statement	21,083
At 31 December 2007	50,193

	2007	2006
	HK$'000	HK$'000
The carrying value of investment properties which are held under medium-term leases comprises:		
Properties in		
– Macau	**35,200**	17,381
– the PRC	**14,993**	–
	50,193	17,381

All of the Group's investment properties are held to earn rentals and/or held for capital appreciation purposes. Those properties situated in the PRC are in the process of applying for property ownership certificates in which the directors of the Company are of the opinion that it will be received in due course.

The fair value of the Group's investment properties at 31 December 2007 has been arrived at by the directors on the basis of a valuation carried out on that date by Jones Lang LaSalle Sallmanns Limited, independent qualified professional valuers not connected with the Group. The valuation, which conforms with Standards on Properties issued by the Hong Kong Institute of Surveyors Valuation, was determined by reference to recent market prices for similar properties.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Plant and machinery HK$'000	Yacht HK$'000	Construction in progress HK$'000	Total HK$'000
COST									
At 1 January 2006	231,445	37,606	68,498	17,547	27,484	193,209	2,603	15,964	594,356
Currency realignment	5,486	1,096	2,109	384	881	6,034	–	512	16,502
Additions	357	10,634	13,761	5,446	17,613	75,082	–	66,214	189,107
Disposals	(1,949)	(11,308)	(109)	(2,817)	(927)	(12,670)	–	–	(29,780)
Transfers	4,143	84	3,536	–	4,797	(4,881)	–	(7,679)	–
At 31 December 2006	239,482	38,112	87,795	20,560	49,848	256,774	2,603	75,011	770,185
Currency realignment	10,292	58	5,156	92	978	15,564	–	4,175	36,315
Additions	4,109	11,917	61,047	2,182	20,862	138,858	–	93,899	332,874
Disposals	(385)	(764)	–	(334)	(359)	(3,311)	–	–	(5,153)
Transferred to land use rights	–	–	–	–	–	–	–	(7,082)	(7,082)
Transfers	–	315	8,291	–	1,956	(1,955)	–	(8,607)	–
At 31 December 2007	253,498	49,638	162,289	22,500	73,285	405,930	2,603	157,396	1,127,139
DEPRECIATION									
At 1 January 2006	63,571	22,609	33,418	8,840	16,045	113,906	434	–	258,823
Currency realignment	2,545	550	1,222	223	578	3,929	–	–	9,047
Provided for the year	17,902	5,454	10,792	3,042	9,073	20,807	521	–	67,591
Eliminated on disposals	(1,256)	(10,146)	(84)	(2,580)	(520)	(9,924)	–	–	(24,510)
At 31 December 2006	82,762	18,467	45,348	9,525	25,176	128,718	955	–	310,951
Currency realignment	5,364	46	3,179	83	372	8,886	–	–	17,930
Provided for the year	18,525	6,749	16,631	3,515	9,685	31,814	521	–	87,440
Eliminated on disposals	(193)	(602)	–	(210)	(333)	(2,538)	–	–	(3,876)
At 31 December 2007	106,458	24,660	65,158	12,913	34,900	166,880	1,476	–	412,445
NET BOOK VALUES									
At 31 December 2007	147,040	24,978	97,131	9,587	38,385	239,050	1,127	157,396	714,694
At 31 December 2006	156,720	19,645	42,447	11,035	24,672	128,056	1,648	75,011	459,234

15. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

	2007 HK$'000	2006 HK$'000
The carrying value of property interests which are held under medium-term leases comprises:		
Land and buildings in Hong Kong	**65,184**	66,574
Buildings in the PRC	**78,226**	90,146
Land and building in Dubai	**3,630**	–
	147,040	156,720
Properties included in construction in progress held under medium-term land use rights in the PRC	**157,396**	75,011
	304,436	231,731

16. LAND USE RIGHTS

	2007 HK$'000	2006 HK$'000
CARRYING VALUE		
At 1 January	**12,871**	12,234
Currency realignment	**773**	387
Additions	**6,826**	527
Transferred from construction in progress	**7,082**	–
Charged to consolidated income statement for the year	**(308)**	(277)
At 31 December	**27,244**	12,871
The carrying value of medium-term land use rights are situated in		
– the PRC	**20,418**	12,871
– Vietnam	**6,826**	–
	27,244	12,871

17. INTANGIBLE ASSETS

	Licenses and trademarks HK$'000
COST	
Additions during the year and balance at 31 December 2006	14,680
Currency realignment	49
Additions	1,530
At 31 December 2007	16,259
AMORTISATION	
Amortised for the year and balance at 31 December 2006	2,097
Currency realignment	9
Amortised for the year	2,372
At 31 December 2007	4,478
CARRYING VALUE	
At 31 December 2007	11,781
At 31 December 2006	12,583

The intangible assets are amortised over their contractual life of 7 years using the straight line method.

18. INTERESTS IN ASSOCIATES

	2007 HK$'000	2006 HK$'000
Overseas listed investments, at cost	12,327	12,327
Share of post-acquisition reserves and profits, net of dividends received	6,203	4,476
Impairment loss recognised	(462)	–
Transferred to asset held for sale	(18,068)	–
	–	16,803
Market value of listed investments	–	14,694

In 2006, in the opinion of the directors, the associate that principally affected the results of the year or form a significant portion of the net assets of the Group is the Group's 20% equity interest in LCX Leblanc Chromex ("LCX"), a company listed on the Paris Stock Exchange and incorporated in France and engaged in the manufacture and distribution of lighting decorations.

The directors reviewed the carrying amount of the investment in an associate and considered that it is unlikely to recover the interests in the associate and the present value of the estimated cash flows expected to arise from the investment are minimal. Accordingly, an impairment loss of HK$462,000 was recognised in the financial statements to write off the investment.

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	15,600	15,600
Currency realignment	37	–
Share of post-acquisition profits, net of dividends received	6,301	7,182
	21,938	22,782

The Group's investment in jointly controlled entity at 31 December 2007 represents its 50% equity interest in Tivoli, LLC which was incorporated in the United States of America and engaged in the trading of lighting products.

20. DEFERRED TAXATION

The following is the deferred tax asset recognised by the Group and movements thereon during the year:

	Difference in depreciation HK$'000
At 1 January 2006	11,044
Currency realignment	139
Credit to income statement for the year	4,064
At 31 December 2006	15,247
Currency realignment	925
Charge to income statement for the year	(3,000)
Attributable to a change in tax rate	(1,198)
At 31 December 2007	11,974

21. INVENTORIES

	2007 HK$'000	2006 HK$'000
Raw materials	**198,486**	98,664
Work in progress	**430,099**	334,288
Finished goods	**91,872**	62,777
	720,457	495,729

22. TRADE AND OTHER RECEIVABLES

	2007 HK$'000	2006 HK$'000
Trade receivables		
– related companies in which a family member of a director of the Company has beneficial interests	–	1,042
– associates	24,511	29,702
– jointly controlled entity	1,680	3,988
– others	201,130	139,097
Bills receivables	47,441	27,868
Less: Allowance for bad and doubtful debts	(6,143)	(30,979)
	268,619	170,718
Deposits paid to suppliers	53,977	18,440
Amounts due from shareholders	–	5,879
Receivable from disposal of a subsidiary	–	2,000
Other receivables	40,045	29,398
	362,641	226,435

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable from 60 days to 90 days of issuance, except for certain well established customers in which the credit terms are up to 180 days. The following is an aged analysis of trade and bills receivables at the balance sheet date:

	2007 HK$'000	2006 HK$'000
Age		
0 to 60 days	179,275	66,514
61 to 90 days	31,619	16,074
91 to 180 days	48,162	63,897
181 to 360 days	9,424	17,809
Over 1 year	139	6,424
	268,619	170,718

22. TRADE AND OTHER RECEIVABLES – CONTINUED

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$9,563,000 (2006: HK$24,233,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on payment pattern of the customers of the Group, trade receivables past due but not impaired are generally collectible. The Group does not hold any collateral over these balances. The average age of these receivables ranges from 181 to 360 days (2006: 181 to 360 days).

The Group has provided fully for all receivables over 2 years because historical experience is such that receivables that are past due beyond 2 years are generally not recoverable.

Movement in the allowance for bad and doubtful debts

	2007	2006
	HK$'000	HK$'000
At 1 January	**30,979**	24,402
Allowance recognised on receivables	**3,347**	8,616
Amounts written-off as uncollectible	**(7,463)**	(2,039)
Amounts recovered during the year	**(20,720)**	–
At 31 December	**6,143**	30,979

23. INVESTMENTS HELD-FOR-TRADING

	2007	2006
	HK$'000	HK$'000
Equity securities listed in Hong Kong	**10,903**	–
Gold contracts	**36,433**	–
	47,336	–

24. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

At the balance sheet date, the pledged bank deposits are carrying at the prevailing market interest rate.

Pledged bank deposits represent deposits pledged to banks to secure credit facilities granted to the Group.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. At 31 December 2007, the bank deposits carry at the prevailing market interest rate of approximately 2.28% (2006: 3.82%) per annum.

25. ASSET HELD FOR SALE

On 7 December 2007, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 20% equity interest in LCX. In accordance with the agreement, the disposal will complete in March 2008. The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The details of interest in an associate classified as held for sale are as follows:

	2007 HK$'000	2006 HK$'000
Overseas listed investment	**18,068**	–
Market value of listed investment	**22,982**	–

26. TRADE AND OTHER PAYABLES

	2007 HK$'000	2006 HK$'000
Trade payables		
– related companies, in which a family member of a director of the Company has beneficial interests	**–**	9,181
– associates	**1,157**	3,333
– others	**189,230**	87,985
Bills payables	**2,314**	2,543
	192,701	103,042
Customers' deposits	**39,459**	54,361
Payroll and welfare payables	**21,291**	32,226
Payables for acquisition of property, plant and equipment	**3,713**	–
Other tax payables	**9,216**	9,237
Other payables	**29,666**	20,652
	296,046	219,518

26. TRADE AND OTHER PAYABLES – CONTINUED

The following is an aged analysis of trade and bills payables at the balance sheet date:

	At 31 December	
	2007	2006
	HK$'000	HK$'000
Age		
0 to 30 days	**35,817**	41,126
31 to 60 days	**60,976**	21,610
61 to 90 days	**22,164**	8,801
91 to 120 days	**47,464**	15,473
121 days to 360 days	**26,280**	16,032
	192,701	103,042

The average credit period on purchases of goods ranges from 30 days to 90 days. The Group has financial risk management policies in place to ensure that all payables within the credit timeframe.

27. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and is repayable on demand.

28. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each				
– on incorporation	3,800	380	1	–
– increase in authorised share capital	4,996,200	499,620	–	–
– issue of shares	–	–	9,999	1
– issued pursuant to the Group Reorganisation	–	–	300,000,000	30,000
– issue of shares on capitalisation issue	–	–	299,990,000	29,999
– issue of shares under public offer	–	–	160,000,000	16,000
– at 31 December 2006	5,000,000	500,000	760,000,000	76,000
– exercise of share options	–	–	1,197,500	120
– at 31 December 2007	5,000,000	500,000	761,197,500	76,120

During the year, 1,197,500 share options were exercised at a subscription price of HK$8.72 per share, resulting in an aggregate issue of 1,197,500 ordinary shares of HK$0.10 each in the Company.

All the shares issued during the year rank pari passu with the then existing shares in all respects.

29. SHARE OPTION SCHEME

Equity-settled share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a shareholders' written resolution passed on 20 November 2006 for the primary purpose of providing incentives to and recognising significant contributions from 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 ten years from the grant of the option. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services to the Company and for the purpose of rewarding their contribution to the long term success of the Group by providing the opportunity to obtain ownership interest in the Group.

At 31 December 2007, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 12,524,500 (2006: Nil), representing 2% (2006: Nil) of the shares of the Company in issue at that date. 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 in issue at the relevant time of grant, without prior approval from the Company's shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under this Scheme shall not in aggregate exceed 20% of the shares in issue from time to time. No option may be granted under this Scheme and any other share option scheme of the Company if such limit is exceeded. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share in issue or with an aggregate value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the board of directors is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. Options may be exercised in accordance with the terms stipulated in 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.

29. SHARE OPTION SCHEME – CONTINUED

Equity-settled share option scheme – continued

Details of specific categories of options are as follows:

					Number of share options						
Type of participants	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Outstanding at 1.1.2007	Granted during the year	Reclassified during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2007	
Director	15.2.2007	15.2.2007 – 14.2.2008	15.2.2008 – 15.2.2015	8.72	–	–	103,000	–	–	103,000	
	15.2.2007	15.2.2008 – 14.2.2009	15.2.2009 – 15.2.2015	8.72	–	–	103,000	–	–	103,000	
	15.2.2007	15.2.2009 – 14.2.2010	15.2.2010 – 15.2.2015	8.72	–	–	103,000	–	–	103,000	
	15.2.2007	15.2.2010 – 14.2.2011	15.2.2011 – 15.2.2015	8.72	–	–	103,000	–	–	103,000	
Employees	15.2.2007	Nil	15.2.2007 – 15.2.2015	8.72	–	3,022,000	–	(1,197,500)	(132,000)	1,692,500	*Note*
	15.2.2007	15.2.2007 – 14.2.2008	15.2.2008 – 15.2.2015	8.72	–	3,022,000	(103,000)	–	(314,000)	2,605,000	
	15.2.2007	15.2.2008 – 14.2.2009	15.2.2009 – 15.2.2015	8.72	–	3,022,000	(103,000)	–	(314,000)	2,605,000	
	15.2.2007	15.2.2009 – 14.2.2010	15.2.2010 – 15.2.2015	8.72	–	3,022,000	(103,000)	–	(314,000)	2,605,000	
	15.2.2007	15.2.2010 – 14.2.2011	15.2.2011 – 15.2.2015	8.72	–	3,022,000	(103,000)	–	(314,000)	2,605,000	
					–	15,110,000	–	(1,197,500)	(1,388,000)	12,524,500	

Note: In respect of the share options granted during the year, the weighted average closing price at the date of exercise is HK$14.77.

During the year, options were granted on 15 February 2007 with an estimated fair value of HK$42,036,000.

29. SHARE OPTION SCHEME – CONTINUED

Equity-settled share option scheme – continued

These fair values were calculated using the binomial option pricing model. The inputs into the model were as follows:

Number of share options	15,110,000
Vesting period	Based on the terms stipulated in the Scheme
Expected volatility	43%
Risk-free interest rate	4.3%
Expected forfeiture rate	Nil
Expected dividend yield	4%
Suboptimal exercise factor	1.5

As the Company was newly listed since December 2006, there are no sufficient trading records to take reference of its share price volatility. Based on the historical volatility of the comparable companies in similar industries over the past 5 years, a volatility of 43% was assumed.

During the year, the Group recognised the total expense of HK$18,686,000 (2006: Nil) in relation to share options granted by the Company.

30. CAPITAL COMMITMENTS

	2007	2006
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of		
– the acquisition of property, plant and equipment	**158,746**	60,431
– investment projects in the PRC	**217,749**	–
– the acquisition of land use rights	**4,378**	–
	380,873	60,431

31. RETIREMENT BENEFITS SCHEME

The Group's qualifying employees in Hong Kong participate in the Mandatory Provident Fund (the "MPF") in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustee. The Group and each of the employees make monthly mandatory contributions to the MPF schemes.

The employees of the PRC subsidiaries are members of the state-managed retirement benefit scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

32. RELATED PARTY TRANSACTIONS

During the year, the Group has the following significant transactions with its related companies:

Relationship	Nature of transactions	2007 HK$'000	2006 HK$'000
A company in which a family member of a director of the Company has a beneficial interest	Sales of goods	–	7,537
	Purchase of goods	–	9,717
Associates	Sales of goods	**57,204**	49,256
	Purchase of goods	**1,427**	2,695
Jointly controlled entity	Sales of goods	**7,540**	9,179

The Company's directors represented the Group's key management and their emoluments for the year are set out in note 10.

33. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 31 December 2007:

(a) In January 2008, there was a minor fire in the Group's production plant in Heshan, Guangdong, PRC. The directors estimated the loss caused by the fire was around HK$4.3 million.

33. POST BALANCE SHEET EVENTS – CONTINUED

(b) In February 2008, the Company granted 9,172,500 share options to its employees and independent non-executive directors at an exercise price of HK$5.03 and HK$5.9 with various vesting periods between February 2008 and February 2012. The aggregate estimated fair value of the options granted is HK$14,850,000.

(c) In December 2007, the Group entered into an agreement (the "Acquisition Agreement") with an independent third party for the acquisition of all the assets and certain liabilities of 江門天騰電池有限公司 (Jiangmen Tianteng Batteries Company Limited) ("JTB") for a consideration of RMB27,000,000 (equivalent to HK$28,417,000). At 31 December 2007, a deposit of HK$22,273,000 has been paid and included in deposits made on acquisition of property, plant and equipment. JTB does not have any operations. Instead it owns certain land use rights and buildings. The acquisition was completed in January 2008, and will be accounted for as acquisition of assets and liabilities.

34. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued share capital/ registered capital held indirectly by the Company	Principal activity
Billion Choice Trading Limited	British Virgin Islands/Macau	US$1	100%	Property holding
Cashware Technology Limited	British Virgin Islands/PRC	US$1	100%	Provision of research and development services
Mitcham Profits Limited	British Virgin Islands/PRC	US$1	100%	Provision for marketing services
Neo-Neon Enterprises Limited	Hong Kong	HK$10,000	100%	Trading of lighting products
Neo-Neon International Limited	Western Samoa/ PRC	US$10,000	100%	Trading of lighting products

34. PRINCIPAL SUBSIDIARIES – CONTINUED

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued share capital/ registered capital held indirectly by the Company	Principal activity
Star Bright International (Macao Commercial Offshore) Limited	Macau	MOP100,000	100%	Trading of lighting products
鶴山麗得電子實業有限公司 (Heshan Lide Electronic Enterprise Limited)	PRC as a wholly foreign owned enterprise for a term of 11 years commencing 9 May 2003	US$35,000,000	100%	Manufacture and sales of lighting products
鶴山真明麗燈飾有限公司 (Heshan Neo-Neon Light-Decoration Ltd.)	PRC as a wholly foreign owned enterprise for a term of 26 years commencing 3 December 1996	US$36,000,000	100%	Property holding and trading of lighting products
鶴山市銀雨照明有限公司 (Heshan Yingyu Illumination Co., Ltd.)	PRC as a limited liability company for a term of 44 years commencing 2 September 2005	RMB15,000,000	100%	Manufacture and sales of lighting products
鶴山銀雨燈飾有限公司 (Heshan Yinyu Light-Decoration Ltd.)	PRC as a wholly foreign owned enterprise for a term of 20 years commencing 27 December 1991	US$6,500,000	100%	Manufacture and sales of lighting products

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all the subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

	Year ended 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	648,210	834,031	971,330	1,258,825	**1,572,126**
Profit before taxation	86,476	44,593	152,344	265,735	**346,525**
Taxation	1,786	(1,675)	(8,875)	(5,026)	**(14,844)**
Profit for the year	88,262	42,918	143,469	260,709	**331,681**
Attributable to					
– equity holders of the Company	88,262	42,918	142,871	259,965	**334,029**
– minority interests	–	–	598	744	**(2,348)**
	88,262	42,918	143,469	260,709	**331,681**

	As at 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	893,550	1,051,006	1,143,600	2,443,360	**2,716,788**
Total liabilities	(221,887)	(318,325)	(331,779)	(419,379)	**(335,059)**
Net assets	671,663	732,681	811,821	2,023,981	**2,381,729**

The results and summary of assets and liabilities for each of the three years ended 31 December 2005 which were extracted from the Company's prospectus dated 4 December 2006 have been prepared on a combined basis to indicate the results of the Group as if the group structure, at the time when the Company's shares were listed on The Stock Exchange of Hong Kong Limited, had been in existence throughout those years.

Neo-Neon™

2007年報

LED Tunnel Lighting Fixture
LED隧道燈

LED Aqua Series
LED水底燈系列

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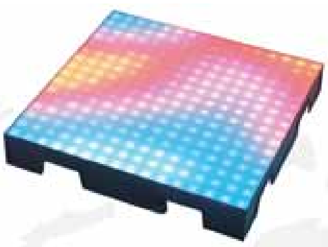
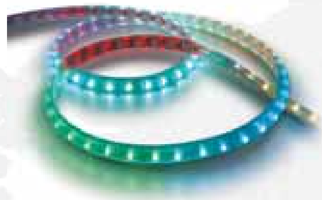
LED Vivid 1 & 2
Wall Wash
LED投光燈系列



LED Vision Floor Series
LED跳舞地板燈

LED Street Light Series
LED路燈系列

LED Neon Flex™ Series
LED柔性霓虹燈系列



LED Vision Flex™
LED 柔性麗得管

Compact Fluorescent Lamp
節能燈系列

Fiber Optics Chandelier
光纖燈系列

Disc Product Series
舞台燈系列

LED I-Panel Light Series
面板燈系列

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LED Screen Series
顯視屏系列