

**NEO-NEON HOLDINGS LTD:
THE 2006-YEAR WAS A RECORD-BREAKER –
NOW, WHAT DOES MANAGEMENT DO FOR AN ENCORE ?**

TARGET () cannot recall ever having read a prospectus with regard to an **Initial Public Offering (IPO)** where the company, issuing the prospectus, was involved in 35 lawsuits, 32 of which as the Plaintiff and 3 of which as the Defendant as at the date of the IPO.

One could imagine that a large, multi-national industrial corporation could well be involved in countless lawsuits, at any one time, but for a smallish manufacturer of decorative lighting with an annual turnover of less than \$HK1 billion, it is, indeed, rare to see Management front up and to admit to such a mountain of lawsuits.

However, Neo-Neon Holdings Ltd () (Code: 1868, Main Board, The Stock Exchange of Hongkong Ltd) does have its operations, based in the People's Republic of China (PRC), where the laws, as they relate to civil disputes, are yet to be fully developed.

The Prospectus of Neo-Neon Holdings was published on December 4, 2006, and, of the hundreds of pages of this tome, Pages 101 to 103 were devoted to litigation.

It is made abundantly clear that, for most of the lawsuits, even if Neo-Neon Holdings should be lucky enough to win its cases, the chances of recovering costs in full, let alone obtaining damages, is highly unlikely.

So common is litigation at Neo-Neon Holdings, it seems, that, today, the Company has stated, definitively, at Page 101 of its Prospectus:

'We are involved in litigations from time to time that we consider to be in the ordinary course of our business. In particular, we place significant emphasis on protection of our intellectual property rights and will institute legal proceedings when necessary to protect our intellectual property rights from infringement by others ...'.

But, on the following Page of the Prospectus, the sauce for the goose has become sauce for the gander.

Pages 102 and 103 state:

'In addition, on 24 March 2006, iLight Technologies, Inc. a US company, brought a claim in the US against our jointly-controlled company Tivoli (Tivoli LLC, a company incorporated in California, which is owned as to 50 percent by Neo-Neon Holdings (BVI) Ltd, which is wholly owned by Neo-Neon Holdings Ltd, and 50 percent owned by Targetti North America Incorporated) claiming for infringement of its two registered patents by Tivoli's TIVOFLEX products. The case is now directly handled by Tivoli and its US legal counsel. We and our management are not involved in the handling of the case. The case has been set for a jury trial on 18 September 2007. On 13 September 2006, Tivoli obtained a letter from its US legal counsel who advised that based on the evidence and the prosecution history of iLight Technologies, Inc., TIVOFLEX products do not infringe the two patents at issue. Tivoli will therefore defend the case. Given that the case is still in the discovery phase, our Directors are therefore unable to ascertain the potential financial impact on our Group if iLight Technologies, Inc. succeeds in the proceedings. In particular, we have a 50% interest in Tivoli and our share of Tivoli's profit in 2005 was HK\$3 million, representing 2.1% of our profit for year ended 31 December 2005. However, our Directors estimate that should iLight

Technologies, Inc. be successful in its proceedings against Tivoli, Tivoli is likely to lose its rights to TIVOFLEX products and may be required to refrain from further production and distribution of the TIVOFLEX products, as well as to pay damages equivalent to an amount of reasonable royalty, to be determined by the relevant US Court, to compensate iLight Technologies, Inc. in addition to the relevant legal costs. Further, Tivoli's US market for TIVOFLEX products may be adversely affected. Our Directors further estimate that the legal costs incurred by Tivoli and where applicable, incurred by iLight Technologies, Inc. but payable by Tivoli will not exceed US\$460,000 (equivalent to approximately HK\$3.58 million) which will be solely borne by Tivoli.

'TIVOFLEX products did not contribute to any income or profit of our Group (other than their contribution to the income or profit of Tivoli). Our Directors believe that iLight Technologies, Inc. will not have a valid claims against our Group directly because except for sales to Tivoli, no member of our Group sells any products under the brand name TIVOFLEX. Our Directors consider that the maximum potential financial impact on us under this litigation will be limited to our investment in Tivoli.'

The situation is much ... [CLICK TO ORDER FULL ARTICLE](#)

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