

Dear Shareholders,

This is the first chairman's statement to our shareholders in the history of Neo-Neon Holdings Limited ("Neo-Neon" or the "Company", together with its subsidiaries, the "Group"). It marks the era of Neo-Neon evolving from a private company to becoming a publicly listed company. My feelings were mixed when I stood on the trading floor on 15 December 2006, the day our shares first started trading on the main board of the Stock Exchange of Hong Kong. On the one hand, we had a very successful initial public offering with strong demand from institutional investors and oversubscription in the international offering and 47 times oversubscribed in the Hong Kong public offering. This demonstrates that Neo-Neon is well-received and recognized by our investors. On the other hand, I felt the burden and responsibility on me to lead our Company to become a world class lighting products company. At that moment, I knew that we have to change. We have to further change from a family run business to become a professionally managed international enterprise managed by professionals. Our future objective will be to concentrate on increasing the return to our shareholders. Needless to say, we have to further enhance the corporate governance of our Company.

The successful formulae of Neo-Neon in which we have adopted for nearly three decades will not be changed and will be maintained. We will continue to place great emphasis on research and development and to register our patents whenever it is necessary. Our well-integrated business model will be enlarged. In the sales and marketing area, we will continue to explore new market opportunities aggressively.

In 2006, the sales revenue increased from HKD971 million in 2005 to HKD1.26 billion in 2006, growth of which is largely contributed by 115.6% increase in sales revenue of LED-based decorative lighting products. Our net profit increased from HKD143.5 million in 2005 to HKD260.7 million in 2006. Based on that, I am convinced that the era of LED has come.

RECENT DEVELOPMENTS IN THE LIGHTING PRODUCTS INDUSTRY

Recently, the Australian and EU governments announced plans to ban the use of incandescent lights. In the US, the Department of Energy is accelerating the adoption of LED technology through workshops and research projects. I regard this as an unprecedented and unique opportunity for Neo-Neon.

We have been operating in a laissez-faire environment for nearly three decades. In the past, we have never been able to benefit from any government enactments. Perhaps this can be the first time in our history that we will benefit from new government policies.

Under these new legal enactments, I believe that both energy-saving light bulb manufacturers and LED manufacturers will benefit from these new policies. Obviously, our LED-based decorative lighting products business will be in a very advantageous position. It is because LED-based decorative lighting products use miniature LED light bulbs and energy-saving light bulbs cannot be manufactured to such a small size in a viable and economic manufacturing process at this stage.

GENERAL (ILLUMINATION) LIGHTING MARKET

For the LED general lighting market, we have begun to launch new products to the market since January 2007. In the last few months, many customers ordered samples from us and at the same time remodel their showrooms in order to accommodate our new products.

One of our customers, who is a renowned retailer, has already planned to launch our general lighting products to the market in the coming summer.

The LED general lighting market is a new business line. Similar to our LED-based decorative lighting products that we launched in 2003, the LED general lighting products will take a while to gain market acceptance. Nevertheless, I have confidence in this market and I hope to bring some good news to our shareholders in my next report.

CAPACITY EXPANSION

Our new LED plant with an area of approximately 60,000 square metres will be on-stream in April this year. This new factory will enable us to increase our LED light bulb capacity significantly.

We also plan to build a new plant this year of approximately 25,000 square metres of floor area for the entertainment products. It is expected that this factory will be on-stream in the fourth quarter of 2007.

Due to favourable responses from our customers to our LED lighting products, we are currently planning for another new LED factory with a floor area of over 80,000 square metres. The exact time for the commencement of operation will be announced at a later stage.

THE OUTLOOK IN CHINA

Going forward, we will allocate more resources to expanding our presence in the China market. The energy-saving consciousness of the Chinese government provides ample opportunity for our business expansion in domestic sales. Currently, several of our customers have won contracts for the 2008 Summer Olympic Games in Beijing in which we are the ultimate supplier of lighting products for these contracts.

THE WORLD ECONOMY

Volatility for the world economy has risen markedly in the last several months. Our business is a consumer business and our business will be affected whenever there is an economic downturn. But all of that remains to be verified by the market.

APPRECIATION

I am very pleased with our 2006 results and let me conclude this very personal appreciation by thanking my fellow directors and all the staff of Neo-Neon, especially those employees who have been working with me side-by-side for more than two decades. Without their support, Neo-Neon could not achieve such good performance and become one of the world's leaders in the decorative lighting industry.

For those who sent letters, emails and notes to us giving their thoughts on how to improve Neo-Neon, disagreement or approval with our management, their opinions are equally welcomed.

I am also extremely grateful to the members of our management team who are competent and highly talented and have worked diligently in the last few years.

Lastly, I wish we will again deliver good results in the coming years and the Group will continue to develop and grow.

Ben Fan

Chairman

30 March 2007, Hong Kong