
INDUSTRY OVERVIEW

This and other sections of this prospectus contain information relating to the PRC economy and the industry in which we operate. The information and data contained in this section have been derived partly from publicly available government and official sources. Certain information and statistics set forth in this section have been extracted from a market research report we commissioned from Freedonia Custom Research, Inc. (“**Freedonia**”), an independent market research agency. We believe that these sources of information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

SOURCES OF INFORMATION

Economist Intelligence Unit (“EIU”)

EIU is a global provider of country, industry and management analysis. EIU is an Independent Third Party of the Company. The information disclosed in this prospectus from EIU is extracted from reports not commissioned by us or the Joint Sponsors and was prepared in EIU’s ordinary course of business.

China Association of Lighting Industry

CALI is a non-profit organisation formed in 1989 in the PRC with more than 1,000 enterprise members based in China. Its business scope mainly includes (i) domestic and foreign lighting industry analysis and study for the purpose of reporting to the government and (ii) industry statistics collection.

Freedonia

The Freedonia Group is a leading international business research company that publishes industry research studies. Their industry analysis provides an outlook and an assessment of an industry and includes product and market forecasts, industry trends, threats and opportunities, competitive strategies, market share determinations and company profiles.

We commissioned Freedonia to conduct a market analysis of, and produce a report on, the (i) the global lamp market size including key regional markets from 2007 to 2014 and (ii) key industry trends (the “**Research Report**”). The fee payable to Freedonia for the preparation of the Research Report is US\$29,000. The payment of such amount was not contingent upon our successful listing or on the results of the Research Report. Besides the Research Report, we did not commission any other customised report in connection with the preparation of the industry data used in this prospectus.

Freedonia conducted primary and secondary research in order to gather data for analysis in the Research Report.

- Secondary sources were utilised to establish a set of assumptions and estimates. They included:
 - Current Freedonia industry studies such as World Electric Lighting, World Lighting Fixtures and World Electric Transmission & Distribution Equipment
 - Freedonia consensus economic forecasts
 - Industry and trade associations, including:
 - The Japan Electric Lamp Manufacturers Association
 - The Japanese Ministry of Economy, Trade and Industry
 - The China Illuminating Engineering Society
 - The National Electrical Manufacturers Association
 - The European Lamp Companies Federation

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- Government and global statistical agencies
- Marketing literature and press releases from competitors
- Investment analyst presentations
- Company public filings
- Interview guides were developed and employed for discussions with representatives of lamp and ballast manufacturers. Primary research was aimed at gathering qualitative insights as well as challenging/validating quantitative assumptions and estimates developed during the course of the study.

The forecasts in the Research Report are based on the following general guidelines:

- The estimates begin with historical data on apparent product consumption collected from government and industry sources.
- The size of the constituent market segments (i.e. residential, non-residential, non-building, motor vehicles, other manufactured goods) is estimated based on market potential (e.g. residential floorspace) and values published in Freedonia industry studies, which represent the results of earlier research following the same forecast methodology.
- The historical relationship between the market segments and an indicator of demand is extrapolated into future years, and adjustments are made to exclude the effects of exchange rate fluctuations. This estimated relationship is adjusted to take into account the likely effects of regulations and the expectations of industry competitors revealed through interviews.
- Demand for individual “energy-saving” products is forecast for both the construction and structures market, and the manufactured goods market based on the expected market penetration ratios. These ratios are based on historical market trends, the expectations of interviewed market participants and reports published by other organisations.

INTRODUCTION

We are a leading supplier of lighting products in China according to CALI. The lighting products market in which we operate generally consists of luminaire products, lamp products and lighting electronics products. Accordingly, our growth prospects are affected by (i) the growth prospects of the global lighting industry; (ii) the macro-economic factors in China which affect our industry; and (iii) the competitive landscape of the lighting products industry in China and the industry's key trends. This section provides an overview to each of these aspects.

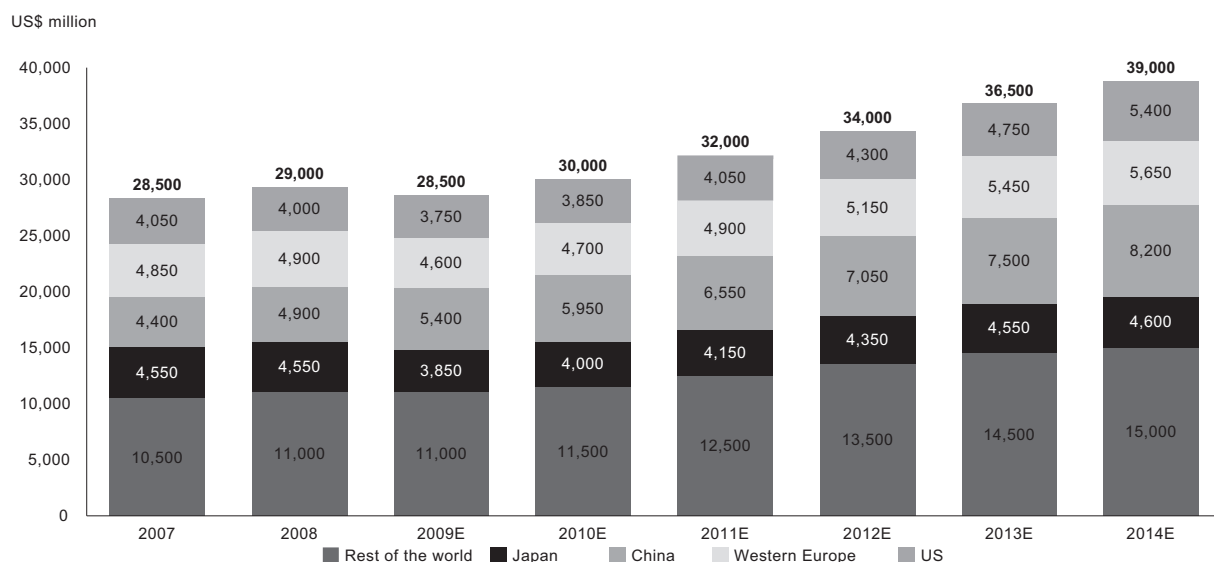
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THE GLOBAL LIGHTING INDUSTRY

Overview

Globally, the demand for lamp products is forecast to increase from US\$28,500 million in 2007 to US\$39,000 million in 2014 according to Freedonia, representing a CAGR of 4.6% from 2007 to 2014. Lamp products are widely distributed, and demand is particularly high in the United States, Western Europe, China and Japan. These countries and regions are expected to account for approximately 13.2%, 16.1%, 18.9% and 13.5%, respectively, of the global lamp products demand at the end of 2009.

World Lamp Products Demand by Region from 2007 to 2014E



Source: Freedonia

Freedonia forecasts that the growth of world demand for lamp products from 2007 to 2014 will be driven by China's expected consumption growth as its economy continues to expand. China's demand for lamp products increased from US\$4,400 million in 2007 to US\$5,400 million in 2009, representing a CAGR of 10.8%. Such demand is forecast to further increase to US\$8,200 million in 2014, representing a CAGR of 8.7% from 2009 to 2014. The China lamp products market has been playing an increasingly key role in the global lamp products market. From 2007 to 2014, China lighting market's growth rate is forecast to maintain at a growth rate higher than the global growth. The global market share of China's lamp products industry is forecast to increase from 15.4% in 2007 to 21% in 2014.

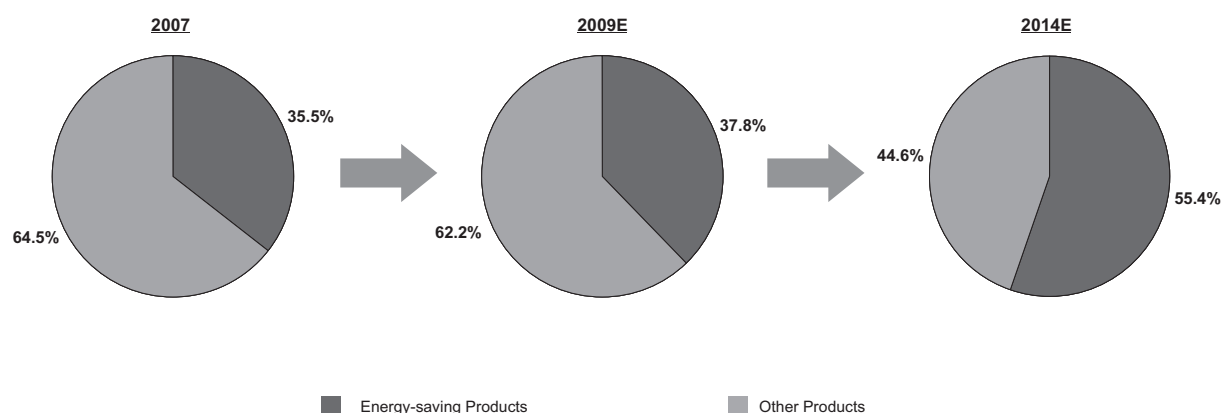
Trend Towards Energy-saving Products

Economic growth has contributed to a rapid increase in energy consumption worldwide. With this trend expected to continue in the future, and in light of potential increases in oil and natural gas prices, consumers are expected to seek new avenues of controlling energy consumption, such as purchasing energy-saving lighting products. Energy-saving lighting products generally include lamp products that are more energy efficient compared to incandescent light bulbs and lighting products which support the use of energy-saving lamp products. Compact fluorescent lamp (CFL) is a common type of energy-saving lamp products. According to the CALI Report, a normal incandescent light bulb is very hot when in use and with a working lifetime of only 750 to 1000 hours on average. Incandescent light bulbs generally need to be replaced quite frequently. In contrast, CFLs have a much longer life and their fluorescence process allows CFLs to operate at a much lower temperature. Different countries and regions adopt a variety of standards for energy-saving lighting products for different purposes based on criteria such as lifespan and energy efficiency. For details on PRC energy-saving products, please see "Scope of Energy-saving Lighting Products in China".

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As a result, demand for energy-saving lighting products is expected to account for an increasing percentage of total lighting products demand. For example, electronic ballasts have replaced inductive ballasts as the most popular ballast products in the global lighting products market. Demand for electronic ballasts is forecast to grow at a rate of 10% per year between 2007 and 2014. China is expected to be a significant contributor to the global demand growth for electronic ballasts, as China continues to replace less efficient magnetic ballasts. According to the Freedonia, the demand for energy-saving lighting products as a percentage of total demand for lighting products has increased from 35.5% in 2007 to 37.8% in 2009, and is expected to continue to grow 55.4% by the end of 2014.

Demand for Energy-saving Products from 2007 to 2014E



Source: Freedonia

According to Freedonia, among energy-saving lighting products, compact fluorescent lamps accounted for the largest share of global sales in 2007. Compact fluorescent lamps are also the leading energy-saving product in China, followed by T5 lamps.

Governments worldwide have started to recognise the potential value of energy-saving lighting products. Many countries and regions have announced plans to phase out incandescent light bulbs and replace them with fluorescent light bulbs which consume significantly less energy. For example, Australia implemented a policy to gradually ban the use of incandescent light bulbs by 2010; Canada will prohibit the sale of incandescent light bulbs from 2012; Japan will prohibit the manufacture and sale of high-energy-consuming incandescent light bulbs from 2012; the European Union had already started to ban certain types of incandescent light bulbs in September 2009; and the United States will prohibit the use of incandescent light bulbs from 2012.

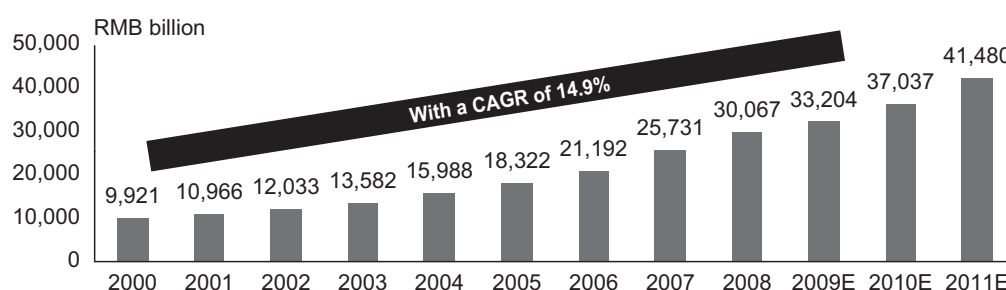
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PRC MACROECONOMIC FACTORS

Economic Growth in the PRC

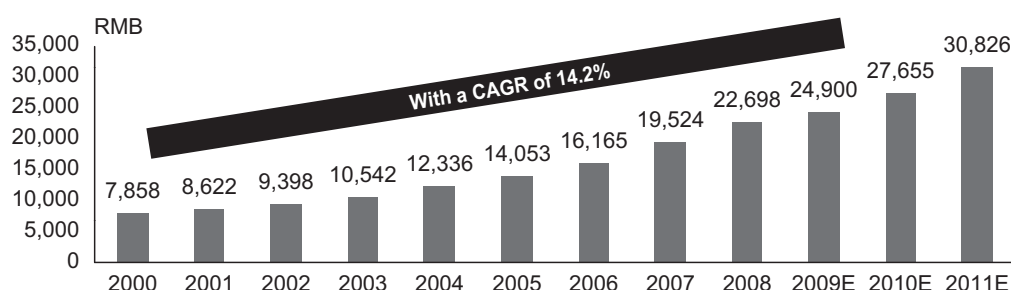
The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970's. China's accession to the World Trade Organisation in 2001 has further accelerated the reform of the PRC economy. According to China Statistical Yearbook 2009 compiled by National Bureau of Statistics of China (中華人民共和國國家統計局), China's GDP increased from RMB9,921 billion in 2000 to RMB30,067 billion in 2008, representing a CAGR of 14.9%. Per capita GDP in China reached RMB22,698 in 2008 from RMB7,858 in 2000, representing a CAGR of 14.2%. China is expected to maintain a relatively high economic growth rate. According to the EIU, China's GDP is projected to further increase to RMB 41,480 billion in 2011 at a CAGR of 11.3% from 2008 to 2011 and per capita GDP is projected to increase to RMB30,826 during 2011, representing a CAGR of 10.7% from 2008 to 2011.

PRC GDP Growth from 2000 to 2011E



Source: 2000—2008 figures from China Statistical Yearbook 2009, 2009E—2011E data from EIU

PRC Per Capita GDP Growth from 2000 to 2011E

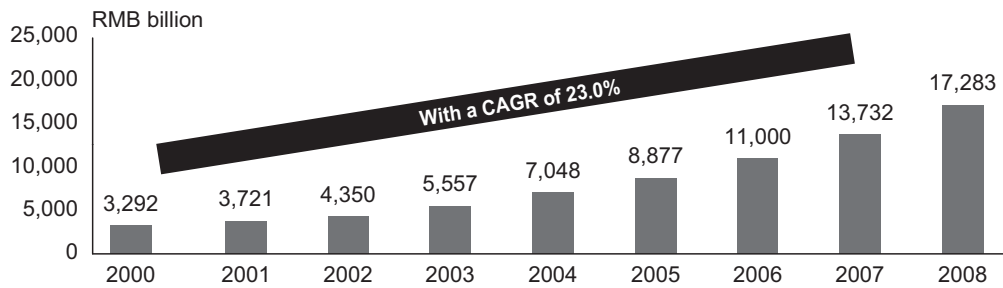


Source: 2000—2008 figures from China Statistical Yearbook 2009, 2009E—2011E data from EIU

The favourable macroeconomic environment in China has contributed to significant growth in China's fixed asset investment and property development. Fixed asset investment increased from RMB3,292 billion in 2000 to RMB17,283 billion in 2008, representing a CAGR of 23.0%. Real estate investment has increased from RMB498 billion in 2000 to RMB3,120 billion in 2008, representing a CAGR of 25.8%.

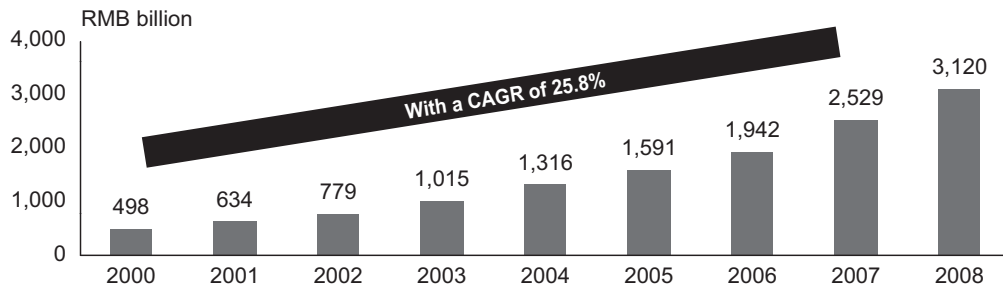
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PRC Fixed Asset Investment Growth from 2000 to 2008



Source: 2000—2008 figures from China Statistical Yearbook 2009

Real Estate Investment Growth in the PRC from 2000 to 2008



Source: 2000—2008 figures from China Statistical Yearbook

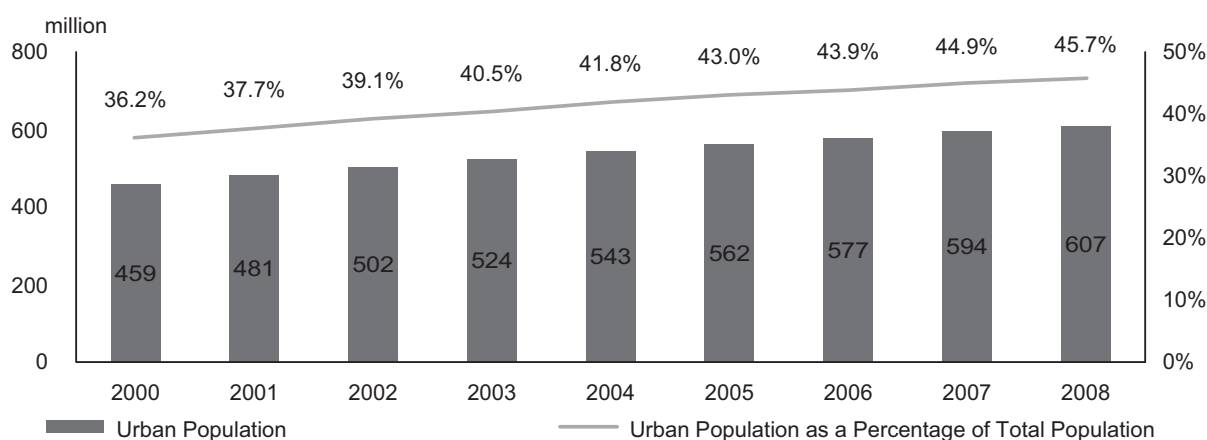
In late 2008, in response to the global financial crisis, the PRC central government announced an RMB4 trillion stimulus package to boost domestic consumption. That stimulus package together with various provincial governments' fund injection plans are expected to primarily support infrastructure projects, which in turn could contribute to an increase in the consumption of lighting products.

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Increasing Urbanisation

The population of the PRC, currently the world's largest, is expected to continue to grow. According to the China Statistical Yearbook 2009, the total population of the PRC reached 1,328 million in 2008, with the proportion of the population residing in urban areas increasing from 36.2% in 2000 to 45.7% in 2008. The chart below illustrates the growth of the PRC urban population from 2000 to 2008 and the urbanisation rate in the PRC over the same period.

Absolute and Relative Growth of the Urban Population in the PRC



Source: China Statistical Yearbook 2009

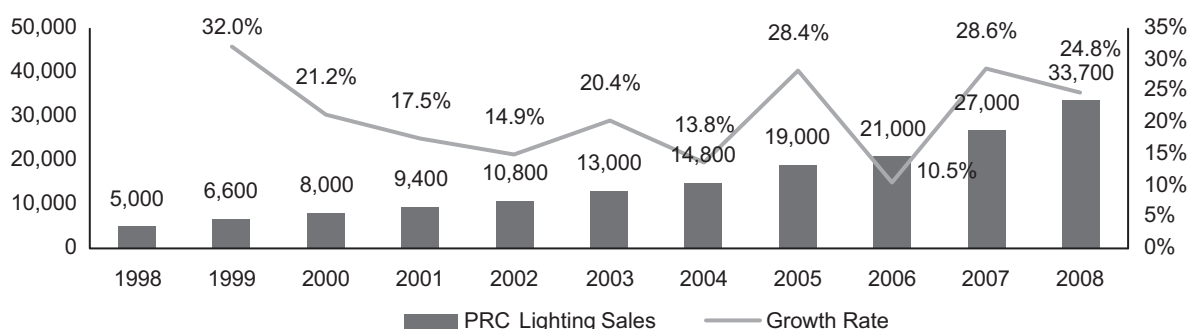
Urbanisation in the PRC has contributed to increased demand for commercial, outdoor and residential lighting products as cities expand.

THE PRC LIGHTING INDUSTRY

Overview

The lighting industry in China has recently experienced rapid growth. According to CALI, the total annual sales value of China's lighting industry has increased from US\$5.0 billion in 1998 to US\$33.7 billion in 2008, representing a CAGR of 21.0%.

Total Sales of the PRC Lighting Industry from 1998 to 2008



Source: CALI

The lighting industry in China is highly fragmented. The major international brand players in China's lighting industry include Philips, General Electric and Osram. According to CALI, there currently are more than 10,000 domestic brand players in the PRC, and in 2008, the aggregate sales of top three domestic brand players only accounted for approximately 2.5% of China's total lighting products sales.

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International brands, such as Philips, Osram and General Electric, are our main competitors in the mid to high-end market and we compete with domestic lighting companies in the low to mid-end markets.

The following table sets forth, in terms of revenue in the PRC for 2009, the ranking of top five lighting products suppliers (including international brand lighting companies).

Name	Ranking
Philips (China) Investment Co., Ltd. (飛利浦(中國)投資有限公司)	1
NVC LIGHTING HOLDING LIMITED (雷士照明控股有限公司)	2
Benbon Electric Company Limited (順德華強本邦電器有限公司)	3
Shanghai Zhenxin Electronic Engineering Co., Ltd. (上海振欣電子工程有限公司)	4
Osram China Lighting Limited (歐司朗中國照明有限公司)	5

Source: CALI

The table below which is extracted from CALI's report, sets out the ranking of the top three domestic lighting companies in terms of revenue for the year ended 31 December 2009.

Name	Ranking
NVC LIGHTING HOLDING LIMITED (雷士照明控股有限公司)	1
Benbon Electric Company Limited (順德華強本邦電器有限公司)	2
Shanghai Zhenxin Electronic Engineering Co., Ltd. (上海振欣電子工程有限公司)	3

Source: CALI

Barriers to Entry

The major barriers to entry for new entrants include the followings:

Product Portfolio

The diverse range of products needed to be competitive in the industry. New entrants may not have the resources and expertise which are necessary to offer a wide range of products.

Sales channel and customer base

The initial costs of building up a feasible sales channel and customer base. New entrants would need to have a strong understanding and knowledge of niche markets, technical expertise and financial resources to build up a strong sales channel and customer base.

Market recognition

The presence of established players requires new entrants to exercise more effort in establishing networks with key suppliers and customers. For example, new entrants need to invest more in advertising and marketing to establish their brands in the market.

Economies of scale

Economies of scale are necessary to establish a profitable business and to offer products at competitive prices.

Know-how and expertise

Accumulation of know-how and expertise to improve efficiency such as production yield, is required; and difficulty in attracting employees with strong technical skills and know-how.

THE PRC ENERGY-SAVING LIGHTING INDUSTRY

China's Trend towards Energy-Saving Lighting Products

The PRC Government has attached great importance to energy-saving lighting products since early 1990s. The "Eleventh Five-year Plan on Energy Development" (《能源發展“十一五”規劃》) (the "Eleventh Five-year Plan on Energy Development") published by the National Development and Reform Commission of the PRC in April 2007, sets out an overall energy-saving and development plan proposed by the PRC government.

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The Eleventh Five-year Plan on Energy Development considered that one of the key tasks for its successful implementation is the promotion of “Green Lighting”.

In addition, as lighting accounts for an increasingly larger portion of all electricity consumption, minimising energy consumption has become a key concern and the national policy for the lighting industry. According to CALI, energy-saving lighting products in China usually consist of compact fluorescent lamps, fluorescent lamps and supporting lighting fixtures, LED lamps, HID lamps and electronic ballasts.

According to CALI, the total market size of the PRC’s energy-saving lighting products industry in 2008 amounted to approximately RMB50 billion. In 2008, China’s output of fluorescent lamps totalled 5.51 billion units of which 3.02 billion were exported; the output of HID lamps totalled 145 million units of which 94 million were exported; the output of electronic ballasts totalled 560 million units of which 232 million units were exported.

Policy Support from the PRC Government

The PRC government has promulgated a series of policies and measures to encourage the development of the lighting industry. Under the Eleventh Five-year Plan on Energy Development, the PRC government aims to distribute 150 million energy-saving lamps across the country within five years with the aim to save 29bn kWh of electricity.

In addition, pursuant to the Eleventh Five-year Plan on Energy Development, the State Council of the PRC promulgated the “Energy-saving and Pollutant-discharge Comprehensive Plan” (《節能減排綜合性工作方案》) in May 2007, which provides that the central government would implement a plan to promote the use of energy-saving lighting products, to increase government procurement of energy-saving lighting products and to regulate certification of energy-saving lighting products.

The “Interim Measures on Funding Management of Fiscal Subsidies for Promotion of High-Efficiency Products” (《高效照明產品推廣財政補貼資金管理暫行辦法》) (the “**Measures**”) was published by the Ministry of Finance and National Development and Reform Commission of the PRC in January 2008. Pursuant to the Measures, the PRC government will grant, as fiscal subsidy, 30% of the bidding or contract price per unit to bulk users of energy-saving lighting products. Urban and rural residential users of energy-saving lighting products will also enjoy such financial subsidy by being granted 50% of the bidding or contract price of the respective lighting products by the PRC central government.

Scope of Energy-saving Lighting Products in China

In China, the scope of energy-saving lighting products can be found from a number of official sources (which are relevant for various purposes such as the availability of fiscal subsidies and labelling):

- The Measures, which define energy-saving lighting products to primarily consist of certain outdoor luminaire products, metal halide lamps, compact fluorescent lamps, fluorescent lamps, HID lamps, LED lamps and electronic ballasts.
- The China Quality Certification Centre (CQC) published a list of lighting products approved for labelling (the “**CQC List**”). The CQC is a national certification authority established by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) (“**AQSIQ**”). According to the CQC List, energy-saving lighting products primarily include certain outdoor luminaire products, compact fluorescent lamps, fluorescent lamps, HID lamps and electronic ballasts and are accepted by CQC for certification and labelling purposes. The CQC List is based on standards adopted by the Standardisation Administration of the PRC (國家標準化管理委員會) (“**SA**”). The SA is an authority established by AQSIQ responsible for national standardisation and is authorised by the State Council of the PRC to establish quality and/or safety standards for a variety of products.

CALI defines energy-saving lighting products in China as typically consisting of compact fluorescent lamps, fluorescent lamps and supporting lighting fixtures, LED lamps, HID lamps and electronic ballasts. CALI’s standard is based on the Measures as well as the SA standards, which is in line with the CQC List.

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Although the CQC List (and the SA standards) has not yet included LED lamps, as provided in the “Proposal of Semiconductor Lighting Energy-saving Industry Development” (《半導體照明節能產業發展意見》) published by the National Development and Reform Commission of the PRC in September 2009, LED lamps are considered as the next-generation energy-saving lighting products because of their superior price-to-performance advantages over traditional lighting products such as incandescent light bulbs and fluorescent lighting products. The SA has issued a consultation paper to lighting companies in the PRC to seek comments on the proposed adoption of certain national standards for LED. Also, the Measures have included LED lamps within the scope of the energy-saving lighting products which enjoy potential fiscal subsidies from the PRC government. The National Development and Reform Commission of the PRC, one of the principal government agencies that are involved in the promulgation of the Measures, is responsible for energy matters in the PRC and was the publisher of the Eleventh Five-year Plan on Energy Development.

The table below sets forth the market share of top three PRC T4/T5 battens producers in the PRC in terms of the production volume in 2008:

Name	Ranking	Market share
NVC LIGHTING HOLDING LIMITED (雷士照明控股有限公司)	1	15.06%
Benbon Electric Company Limited (順德華強本邦電器有限公司)	2	14.00%
PAK Electrical Appliance Co., Ltd. (廣東東松三雄電器有限公司)	3	12.33%

Source: CALI

Sales of T4/T5 battens accounted for 21.6%, 18.0% and 16.8% of the Group's total revenue for the years ended 31 December 2007, 2008 and 2009, respectively.

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KEY TRENDS IN CHINA'S LIGHTING INDUSTRY

We believe that China's current lighting products industry is characterised by the following trends:

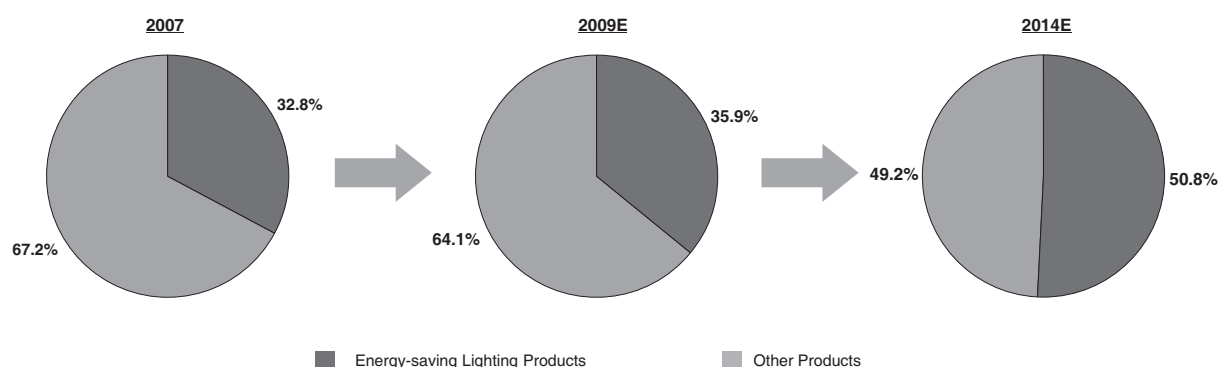
Increasing Market Concentration

We expect that the consumers of lighting products in China will increasingly focus on product quality and brand recognition, which could contribute to leading companies gaining additional market share. In addition, the lighting industry in China is undergoing consolidation, in which leading companies are able to maintain high growth rates through acquisitions of or merger with industry competitors.

Increasing Demand in Energy-saving Products

Increasing environmental consciousness has contributed to a preference for energy-saving lighting products by customers. According to Freedonia, driven by sales of compact fluorescent lamps, the growth in sales of energy-saving products in China outpaced the general demand trend. The demand for energy-saving lighting products as a percentage of total demand in China has increased from 32.8% in 2007 to 35.9% in 2009, and is expected to further increase to 50.8% in 2014.

Demand for Energy-saving Lighting Products in China from 2007 to 2014E



Source: Freedonia

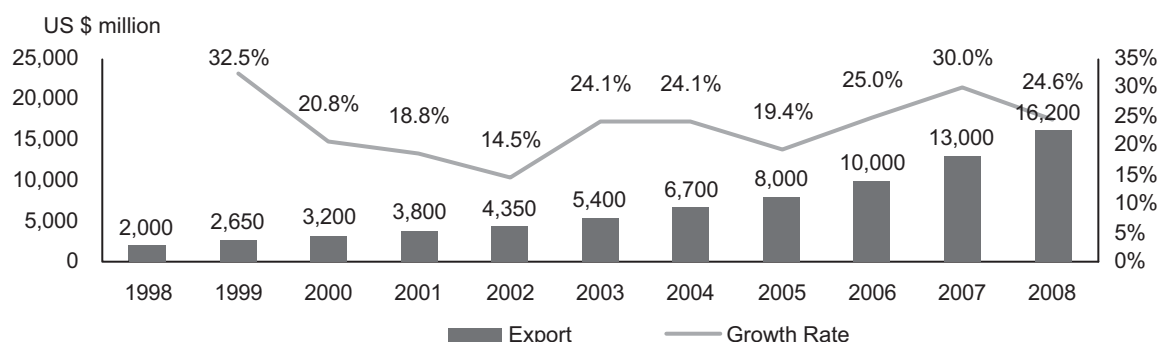
China has also become a key production base for energy-saving lighting products in the world. According to CALI, China now has the largest annual production output of compact fluorescent lamp products, globally. Since 2000, energy-saving lamp products, electronic ballasts and other energy-saving lighting products have posted an annual growth of 20%-30%. In China and many other countries, incandescent lamps are regarded as obsolete. In the future, the proportion of fluorescent lamps and other energy-saving lighting products is expected to continue to expand significantly.

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Growing Export Sales

China is not only generating increasing demand for lighting products, it is also playing an increasingly important role in manufacturing in the global lighting industry. Total export sales from China increased from US\$2,000 million in 1998 to US\$16,200 million in 2008, at a CAGR of 23.3%. The table below sets forth the increasing trend of export sales of lighting products for the ten years from 1998 to 2008.

Export Sales of PRC Lighting Products from 1998 to 2008



Source: CALI

Exported lighting products are subject to the laws, rules and regulations in the markets where they are exported to. Certain countries may impose anti-dumping duties on products exported from another country if their governments decide such exported products are being sold (i) at less than the producers' sale prices in the home market, or (ii) at prices that are lower than their production costs. For example, the US government may impose duties or import restrictions on products imported from China if such products are being imported into the US in such quantities or under such conditions as to cause or threaten to cause market disruption to the domestic US market producers of a like or directly competitive product. Other than India, which in 2009 represented a de minimus amount of our revenue, we are not aware of any anti-dumping duties currently levied against PRC lighting manufacturers. We cannot assure you that such duties will not be imposed in the future. See the section headed "Risk Factors — Our products are subject to laws, regulations and industry standards of various jurisdictions. Failure to comply with these rules and standards or failure to make timely adjustments in response to the changes of such rules and standards would have a material and adverse effect on our business and results of operations."