BRIGHTENING YOUR
WORLD

2012 ANNUAL REPORT

NVC 雷士照明

雷士照明控股有限公司
NVC LIGHTING HOLDING LIMITED

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 2222

Contents

Corporate Information

Executive Director	MU Yu
Non-executive Directors	YAN Andrew Y[1] LIN Ho-Ping ZHU Hai WANG Donglei
Independent Non-executive Directors	WANG Jinsui YUNG Tse Kwong, Steven LEE Kong Wai, Conway
Joint Company Secretaries	LO Yee Har, Susan KAM Mei Ha, Wendy
Authorized Representatives	LIN Ho-Ping LO Yee Har, Susan
Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands
Headquarter	NVC Industrial Park Ruhu Town, Huizhou City Guangdong Province PRC
Principal Place of Business in Hong Kong	Level 28, Three Pacific Place 1 Queen's Road East Hong Kong
Corporate Website	www.nvc-lighting.com.cn
Investor Relations	Email: ir@nvc-lighting.com

[1] Mr. YAN Andrew Y resigned as Chairman, Non-executive Director and from all the positions held in the Board committees of the Company on 3 April 2013.

Principal Share Registrar and Transfer Office	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Legal Advisor as to Hong Kong Laws	Freshfields Bruckhaus Deringer
Auditor	Ernst & Young (Certified Public Accountants)
Principal Bankers	China Construction Bank, Huizhou Branch China Construction Bank, Quzhou Branch Bank of China, Quzhou Branch
Investor and Media Relations Consultant	PR ASIA Consultants Limited

Company Profile

NVC Lighting Holding Limited (the "Company", together with its subsidiaries hereinafter referred to as the "Group") is a leading supplier of lighting products in China, which is engaged in the design, development, production, marketing and sale of a wide variety of lighting products including lamp products, luminaire products and lighting electronic products. According to the statistics of China Association of Lighting Industry, we were the largest domestic brand lighting products supplier in China in 2009 in terms of revenue. Our products are sold through the national sales network of 36 exclusive regional distributors and 3,231 NVC outlets covering 31 provinces, municipalities and autonomous regions in China. Our production bases in China are located in Guangdong, Chongqing, Zhejiang and Shanghai and we have established two research and development centres in Huizhou (in Guangdong) and Shanghai. We have set up operation agencies in more than 40 countries and regions around the world.

We have maintained a rapid growth since the establishment in 1998 and supplied highly efficient, energy-saving, healthy, comfortable lighting products to the general public through our own research and development system and continuous innovations. Our products serve many fields including business, construction and office. We have maintained the leading position in the market, especially in the commercial lighting sector. On 20 May 2010, the Company was listed on the Main Board of the Stock Exchange (stock code: 02222).

As a professional lighting enterprise, our lighting products and solutions are selected and used by a number of famous projects and brands, including well-known projects such as the 2008 Beijing Olympic Games, the 2010 Shanghai World Expo, Tianjin Subway, Wuhan-Guangzhou Highspeed Railway and Shanghai Hongqiao Transport Hub, etc. and also by world-class hotels such as Hilton, Sheraton and Intercontinental, and domestic sales outlets of famous automotive brands such as Bentley, BMW and Toyota as well as garment brands such as Metersbonwe, Septwolves and K-Boxing. We also became a supplier of lighting products for the 2010 Guangzhou Asian Games and the lighting and services cooperative partner of the Olympic Council of Asia ("OCA"). In 2012, we entered into agreement to become an "Official Partner of the Olympic Committees of Hong Kong, Macau and Chinese Taipei". We are also the exclusive supplier of lighting products and services of the "2013 East Asian Games" in Tianjin, the "2013 Asian Youth Games" in Nanjing and the "2014 Asian Beach Games" in Thailand.

"To become a world brand and the best player in the industry" is our ultimate goal. The Group has devoted itself to beautifying the commercial and living space with artificial lighting and protecting the ecological environment with environmentally-friendly and energy-saving lighting products. Therefore, we have been vigorously promoting the research and development and applications of advanced lighting technologies, accomplishing its brand beliefs and commitments with excellence and expertise.

For the year ended 31 December

	2012 RMB'000	2011 RMB'000 *(Restated)*	2010 RMB'000 *(Restated) (Note 3)*	2009 RMB'000 *(Restated) (Note 3)*	2008 RMB'000 *(Restated) (Note 3)*
Revenue	**3,546,036**	3,797,998	3,192,069	2,088,837	1,776,084
Gross profit	**761,347**	974,086	928,764	574,043	435,739
Gross profit margin *(Note 1)*	**21.5%**	25.6%	29.1%	27.5%	24.5%
Profit before tax	**116,481**	626,123	557,016	137,379	139,716
Profit margin before tax *(Note 1)*	**3.3%**	16.5%	17.4%	6.6%	7.9%
Profit for the year *(Note 2)*	**48,544**	574,031	500,026	100,353	125,150
Net profit margin *(Note 1)*	**1.4%**	15.1%	15.7%	4.8%	7.0%
Profit for the year attributable to:					
Owners of the parent	**8,416**	547,835	482,730	87,735	124,326
Non-controlling interests	**40,128**	26,196	17,296	12,618	824

Note 1: Gross profit margin equals to gross profit divided by revenue; Profit margin before tax equals to profit before tax divided by revenue; net profit margin equals to profit for the year divided by revenue.

Note 2: Profit for the year represents profit before netting off profit for the year attributable to non-controlling interests.

Note 3: The amounts for 2008 to 2010 have been simply translated using the annual average exchange rate into RMB from the amounts in USD as disclosed and appear for comparison and information purpose.

As at 31 December

	2012 RMB'000	2011 RMB'000 *(Restated)*	2010 RMB'000 *(Restated) (Note 2)*	2009 RMB'000 *(Restated) (Note 2)*	2008 RMB'000 *(Restated) (Note 2)*
Non-current assets	**1,295,332**	1,535,110	1,237,049	1,149,650	1,030,589
Current assets	**3,238,957**	3,069,276	2,914,001	1,279,236	1,010,885
Current liabilities	**839,699**	780,439	656,820	723,345	738,820
Net current assets	**2,399,258**	2,288,837	2,257,881	555,891	272,065
Total assets less current liabilities	**3,694,590**	3,823,947	3,494,275	1,705,541	1,302,654
Non-current liabilities	**111,857**	112,194	207,675	560,336	582,745
Total equity	**3,582,733**	3,711,753	3,290,620	1,145,205	719,909
Including:					
Equity attributable to owners of the parent	**3,511,701**	3,656,349	3,260,096	1,121,129	708,434
Non-controlling interests	**71,032**	55,404	26,504	24,076	11,475
Current ratio *(Note 1)*	**3.86**	3.93	4.44	1.77	1.37

Note 1: Current ratio equals to current assets divided by current liabilities.

Note 2: The amounts for 2008 to 2010 have been simply translated using the year-end exchange rate into RMB from the amounts in USD as disclosed and appear for comparison and information purpose.

Major Events in 2012

January

February

March

We entered into agreement to become an "Official Partner of the Olympic Committees of Hong Kong, Macau and Chinese Taipei".

April

Construction of Phase II of UK NVC's factory was completed.

May

June

July

We organized "Bright Future Summer Volunteer Teaching Program in Shangluo, Shaanxi Province" and the "Bright Future Free Lunch and Lighting Improvement in Hefeng, Hubei Province".

Major Events in 2012

September

August

October

August

Provision of lighting services for the supporting arenas of the London Olympic Games was completed.

October

We won the Best Quality Award for Manufacturer of Construction Parts at the 10th China Financial Billboard.

November

December

December

We successfully won the bid for the 2012 Semiconductor (LED) Lighting Products Promotion Project with Financial Subsidies, and will provide 300,000 LED lighting products.

We cooperated with Elec-Tech International Co., Ltd., and began our strategic transformation in the LED sector.

Dear shareholders,

On behalf of the board of directors ("the Board") of NVC Lighting Holding Limited ("the Company"), I present the 2012 annual report of the Company and its subsidiaries (collectively referred to as the "Group").

The Group experienced a challenge year in 2012. The global economic growth was sluggish and the European economies were still in a state of uncertainty, and China's GDP growth moderated to 7.8%. NVC Lighting, being the largest lighting brand in the PRC, was not immune from the external impacts. Our overall results were further affected by the changes of the management team which had caused some interruptions to the operation of certain subsidiaries. With the settlement of the special events such as the changes of the management, the strikes and the Order Suspension (as defined below), we have resurrected a stable and professional management team which encouraged a strong will and high morale among our staff. Led by the new management team, the Group will follow its consistent business strategy and development approach, turning to a new page in 2013.

Steady development at home and overseas despite the distracted results

Our operating result for 2012 was hit by the sharp rise in the price of phosphor, increased labor cost and growing competition in the LED lighting industry. For the Reporting Period, the Group's total revenue and profit attributable to owners of the parent were RMB3,546,036,000 and RMB8,416,000 respectively, while it recorded a profit margin of 21.5% and earnings per share of RMB0.0027.

We demonstrated its resilient competitive power and distinctive advantages amid the difficult business environment. During the Reporting Period, the Group has made notable progress in developing marketing channels in the PRC on one hand, and saw increased overseas sales on the other. Breakthroughs were made in energy-saving products and the LED lighting area through technology upgrades. In the coming year, the Group will follow our existing business development strategy and approach to make further headways in three main aspects, namely channel, market and technology.

Leverage on technology, grasp golden opportunities in LED

In 2012, various favorable government policies were introduced as far as energy-saving products are concerned, which envisaged further growth potential for the energy-saving lighting industry in China. Included in the policies are the plan of elimination of the incandescent lights from the market within 10 years, and The 12th Five-year Plan of Public Service which involved a total of RMB2.2 billion in subsidies targeted at energy-saving lights and LED lamps. Moreover, actively responding to the call of the government, the Group once again successfully won the bid for the state-subsidized energy-saving lamps promotion project and the LED lighting products promotion project, in respect of which we will provide approximately 3,000,000 energy-saving lighting products and 300,000 LED lighting products. The Group attached great importance to research and development. During the Reporting Period, a total of more than one hundred products, including various LED products, were successfully developed. Gross profit margin of our LED products increased to 18.0%.

Resource integration will be the main theme of the future development of the lighting industry in China. The Group forestalled the others by entering into cooperation with Elec-Tech International Co., Ltd.. By integrating our extensive sales network with the advanced core technology of Elec-Tech International Co., Ltd., the Group took the lead in establishing a complete LED industrial chain. In the coming future, LED will remain one of our key focuses and the Group will leverage on its current network, talents and advanced technologies to develop LED products.

Develop sales channels both in the PRC and overseas markets

During the Reporting Period, we have been successful in building a comprehensive channel structure. In the domestic market, we have opened 263 stores so that total outlets increased to 3,231, covering 2,249 cities across the country. In overseas markets, the Group has been successful in pursuing the strategy which mainly focused on promoting the sales of NVC brand products supplemented by supplying products for famous brands on an ODM/OEM basis. During the Reporting Period, we explored overseas markets by opening 9 more stores in countries including Qatar and Saudi Arabia. UK NVC became the first flagship in our overseas markets following the completion of its plant expansion. This also allowed a wide range of our products to be installed in the supporting facilities for the 2012 Olympic Games. The Group's international sales revenue increased by 21.7% during the Reporting Period, of which revenue from NVC brand products increased by 17.0%.

Looking forward, the Group will follow the basic strategy of expanding sales channel, focusing on big projects and sports-related marketing in order to expand our business in domestic and overseas markets. In the PRC, we will drive the NVC Lighting brand penetration into the county-level cities and towns for a greater coverage. We plan to set up LED stores, including a target of 600 new sales outlets in the third and fourth tier cities, and 1,000 new hardware and city distribution outlets, so as to increase the sales of circulation products. We will also explore other emerging channels, such as developing e-commerce and introducing the EMC model. In overseas markets, we will send out dedicated staff to assess the business environment in such overseas markets as India and Brazil. In the wake of signing a contract in March last year to become an "Official Partner of the Olympic Committees of Hong Kong, Macau and Chinese Taipei", the Group has been working hard for the coming big projects including the 2013 East Asian Games in Tianjin, the 2013 Nanjing Asian Youth Game, the 2014 Asian Beach Games in Thailand and the 17th Asian Games Incheon 2014 in South Korea.

Appreciation

During the Reporting Period, the various achievements made by the Group amid the challenging environment were attributable to the dedication and devotion of the fellow board members and all staff. I hereby wish to express my deep appreciation to our shareholders, customers, suppliers and distributors for their support over the years. We remain optimistic regarding the long term development of the industry. Under the current fluctuating economic conditions, the Group will adopt a prudent approach in developing our business with satisfying results in return to the support of all parties.

YAN Andrew Y
Chairman

Hong Kong, 27 March 2013

Market Review

In 2012, the global economy was on a slow, post-crisis recovery path, going forward against severe headwinds. Despite that the quantitative easing policies pursued by major economies including the European countries and the U.S. had prevented a potential crisis from happening at critical moments, the risk of economic downturn remains high, and the global economy has entered into a period of unsteady and tepid growth.

Affected by the weak global demand caused by weak global economy and under the pressure of domestic inflation and increasing labor costs, China's advantage in economic performance was undercut to some extent. According to the information published by China National Bureau of Statistics, the growth rate of China's GDP for 2012 reduced to 7.8%, the lowest level since 1999. In 2012, China continued with its proactive fiscal policies and prudent monetary policies, and adopted a series of control measures. As a result, infrastructure investment, which is closely related to the lighting industry, dropped significantly. National infrastructure investment in 2012 amounted to RMB36.48 trillions, the growth rate of which was declined by 3.4% compared to 2011. At the same time, the growth rate of the property market, another industry which is closely related to the lighting industry, was effectively controlled and limited. In 2012, the growth rate of national investment in property development decreased by 11.7% compared with that of 2011.

Looking back into 2012, the lighting industry was affected as a whole by the above factors and resulted in obvious slowdown in growth as compared with previous years. From January to December 2012, the electronic lamps production of China's lighting electronic industry amounted to 21.147 billion units, increased by 1.5% as compared with the Corresponding Period of the previous year (versus a growth rate of 4.0% for 2011), and a total of 2.631 billion sets of luminaire products and lighting devices were produced, relatively flat as compared with the Corresponding Period of the previous year (versus a growth rate of 6.4% for 2011). (sources: National Bureau of Statistics)

However, the LED industry kept on its rapid growth pace. With substantial supports from the government, we saw an active year with numerous tender invitations and various favorable policies came into effect. On 16 May 2012, the Standing Committee of the State Council reviewed and approved The 12th Five-year Plan of Public Service, whereby a resolution was made to arrange for a total of RMB2.2 billion in subsidies targeted at energy-saving lights and LED lamps. In the Semiconductor Lighting Technology Development Five-year Special Plan published by the Ministry of Science and Technology on 11 July 2012, a clear objective of the industry was put forward as follows: by 2015, the total investments of the LED industry will reach RMB500 billion. 20 to 30 enterprises will be promoted as the major leaders which are expected to possess key technologies, owning a higher number of proprietary intellectual property rights and self-developed brands. Also 40 to 50 innovative hi-tech enterprises will receive major supports, while 50 pilot cities for the (LED) Lighting Application Pilot Project will be designated and 20 industrialized bases with high innovative power and distinctive features will be established. Furthermore, the plan targets at enhancing the industry chain, optimizing industry structure, expanding market shares and significantly improving the international competitive power of the semiconductor lighting industry in China.

Business Review

2012 was one of the difficult years that the Group went through. The sales growth of the Group was inevitably affected by the retarded growth of the lighting industry brought by the reduction in infrastructure investments amid the government's economic control policy. Changes in management during 2012 followed by the strikes at two of the Group's factories located in Wanzhou, Chongqing and Huizhou, Guangdong Province as well as the Group's Chongqing Office which lasted for about two weeks (the "Strikes") and a temporary suspension of orders with the Group by 36 of the Group's tier-one distributors (the "Order Suspension") (please refer to the announcements of the Company published on 18 July 2012, 14 August 2012 and 21 August 2012) had even caused interruptions to the operation of the Group. Though stabilized, the current price of phosphor remains significantly higher than previous years due to the impact of price fluctuations in 2011. Our products' selling prices, however, failed to keep up correspondingly because of the global economic downturn and price competition from new products, which led to a reduced profitability for some of our products and thus had a negative impact on the gross profit margin of the Group.

While confronted with all these internal and external troubles, the Group has endeavoured to create a competitive advantage through persisting sales channel consolidation and development, enhancing the NVC brand value, focusing on product research and development, strengthening technical innovation and understanding the direction of government policies during the Reporting Period. After re-building the management team, we swiftly shift our focus back on resuming production and supply, and reassuring our customers and distributors about our status. We also increased market inputs in the subsequent months, which enabled our operating profits increased rapidly within a short period of time.

Sales and distribution

With respect to NVC brand sales in the PRC market, during the Reporting Period, the Group retained 36 exclusive regional distributors and aggressively expanded its sales network with a net increase of 263 outlets. As at 31 December 2012, the Group had a total of 3,231 outlets, covering 2,249 cities (31 provincial capitals with a 100% coverage rate; 276 municipal cities with a 97.18% coverage rate; 1,285 counties or county-level cities with a 65% coverage rate; 657 towns and townships with a 1.92% coverage rate). During the Reporting Period, the Group managed to retain existing professional engineering customers and chain stores customers that can bring repeat sales, while gradually infiltrating sales of LED products into the first and second tier markets, exploring development potential of the third and fourth tier markets, expanding NVC store area and improving store image and business quality. After two consecutive years of successful bid for state-subsidized high efficiency lighting product projects, the Group once again successfully won the bid for the 2012 state-subsidized high efficiency lighting products (energy-saving lamps) promotion project and the 2012 state-subsidized semiconductor (LED) lighting products promotion project, in respect of which we will provide approximately 3,000,000 energy-saving lighting products and 300,000 LED lighting products. During the Reporting Period, under the influence of the shrinking demand caused by domestic macro-control policies, as well as operational uncertainty caused by special events (such as the Strikes and the Order Suspension), sales to the professional engineering customers amounted to RMB184,630,000 and sales to the chain store customers that can bring repeat sales amounted to RMB316,330,000 respectively, representing a decrease of approximately 34.8% in total as compared with 2011.

Regarding the non-NVC brand sales in the PRC market, the Group mainly provided energy-saving lamp tubes and accessories to energy-saving lamp manufacturers. During the Reporting Period, our sales revenue declined as sales prices fluctuated due to prices adjustment of major raw material, and the domestic market demand shrank as a result of the gradual penetration of LED concept.

Regarding NVC brand sales in the international market, the Group continued to pursue the development strategy which mainly focused on promoting the sales of NVC brand products supplemented by supplying products for famous brands on an ODM/OEM basis and gradually expanding our share in the overseas market. During the Reporting Period, UK NVC expanded its premises, and a variety of the products it distributed were used in the supporting facilities for the 2012 London Olympic Games. During the Reporting Period, revenue from the international brand market recorded steady growth, mainly due to the rising of the brand awareness, broad sales channels and refined product lines. For example, on the development of sales channel, the Group developed its own market by sending management staff to Qatar, Saudi Arabia, Brazil, New Zealand and other countries, and opened nine new stores during the Reporting Period.

As to non-NVC brand sales in the international market, sales were generally conducted on ODM basis. During the Reporting Period, the Group continued to strengthen its long-term cooperative relationship with its customers. The steady growth of demand from the large customers had brought up the revenue for such sector.

Production Capacity

The Group currently has five production bases, located in Huizhou City in Guangdong Province, Wanzhou District in Chongqing, two in Jiangshan City in Zhejiang Province and Qingpu District in Shanghai respectively. During the Reporting Period, the breakdown of the production capacity of each production base is as follows:

	Luminaire production facilities		**Lamp production facilities**		**Lighting electronic production facilities**
Location	**Huizhou, Guangdong**	**Wanzhou, Chongqing**	**Jiangshan, Zhejiang[(1)]**	**Jiangshan, Zhejiang[(2)]**	**Qingpu, Shanghai**
Date of commencement of production	November 1998	December 2006	September 1994	September 2007	March 2006
Design capacity (units) as at 31 December 2012	69,787,870	68,000,000	273,126,250	115,440,000	11,880,000
Actual production (units) as at 31 December 2012	58,055,193	57,232,777	165,791,067	100,973,071	11,049,050
Average utilisation rate as at 31 December 2012	83.2%	84.2%	60.7%	87.5%	93.0%
Standardised hours of operation	8 hours	8 hours	12 hours	8 hours	8 hours

Notes:

(1) Mainly for production of light tubes for energy-saving lamps;

(2) Mainly for production of energy-saving lamps.

Product Research and Development and Design

The Group has two research and development centres, with one in Huizhou, Guangdong Province (mainly focusing on research and development of new product design of luminaire products) and the other in Shanghai (mainly focusing on research and development of energy-saving technology for lamps and research and development of lighting electronic products).

During the Reporting Period, the Group invested a total of RMB70,029,000 in research and development projects, representing 2.0% of the Group's total revenue. The Group attached great importance to the improvement of product quality and was devoted to building a highly competent research and development team. New products, especially new LED products were launched to accommodate the market trend. A total of more than one hundred products were successfully developed in 2012, including various LED products, luminaire products and lighting electronic products. During the Reporting Period, 56 new patent applications were filed, and 79 applications had been approved and granted patents.

As at 31 December 2012, the Group had a workforce of 349 in design, research and development, of which 140 worked in our Huizhou Research and Development Centre, 74 worked in the Shanghai Research and Development Centre, and the others worked in other production bases.

Brand promotion

During the Reporting Period, our brand promotion strategy was mainly promoting the NVC brand awareness, strengthening the Group's control over the brand and achieving a well-established brand management system. By leveraging on the opportunity deriving from the development of LED lighting, we had been devoted to promoting our LED development strategy and our innovations in LED area, so as to improve our position in LED industry.

During the Reporting Period, the Group maintained its NVC brand's awareness by launching a series of brand promotion activities including advertising, media coverage, public relation activities and participation in famous competition events at home and abroad. For instance, in March, we signed a contract to become an "Official Partner of the Olympic Committees of Hong Kong, Macau and Chinese Taipei". Following UK NVC's factory expansion and the application of its various products into the infrastructures in London Olympic Games, we rolled out our marketing strategy for London Olympic Games accordingly. In May, we became the exclusive supplier to provide lighting products and services for "2014 Asia Beach Games in Thailand". In July and August, we organized "Bright Future Summer Volunteer Teaching Program in Shangluo, Shaanxi" and "Bright Future Free Lunch and Lighting Improvement in Hefeng County, Hubei", through which, we put corporate social responsibility into practice and promoted a sound public image. In December, we successfully won the bid for the 2012 Financial Subsidized Project for Semiconductor (LED) Lighting Products Promotion and began to implement our strategic plan for the LED sector through cooperation with Elec-Tech International Co., Ltd. Meanwhile, the NVC Lighting brand also received widespread recognition. For example, in the domestic use market, it was awarded "Popular Household Brand Award" by People's Daily Online. In the professional market, NVC has been the top preferred lighting brand selected by the top 500 real estate developers in China for three consecutive years and received the Hexun Financial Annual Champion Awards for its best quality provided for buildings organized by Hexun website. As a result, the popularity and influence of the NVC Lighting brand were solidified and enhanced in the minds of both ordinary and professional consumers.

Financial Review

Revenue

Revenue represents the invoiced value of goods sold, after allowance for returns and trade discounts. During the Reporting Period, the Group recorded revenue of RMB3,546,036,000, representing a decrease of 6.6% compared with the Corresponding Period. In particular, revenue of NVC brand products in the PRC market decreased by 13.7% compared with the Corresponding Period, primarily attributable to slower domestic economic growth and special events including the Strikes and the Order Suspension. However, revenue of NVC brand products in overseas market increased by 17.0% compared with the Corresponding Period, due to the stable expansion of its brand in overseas market, increasing popularity of NVC brand as well as the steady growing sales results of UK NVC.

Revenue by product segment

The following table sets forth the revenue by product segment (luminaire, lamp and lighting electronic products) and the growth rate of each segment.

	Year ended 31 December		
	2012 **RMB'000**	2011 RMB'000 *(Restated)*	Growth rate
Luminaire products	**1,940,435**	2,148,782	-9.7%
Lamp products	**1,311,542**	1,268,612	3.4%
Lighting electronic products	**294,059**	380,604	-22.7%
Total	**3,546,036**	3,797,998	-6.6%

During the Reporting Period, the sales of luminaire products decreased by 9.7%, primarily attributable to the effect of the macro-economic control policy, less construction projects and special events including the Strikes and the Order Suspension in the course of the Group's operation. The sales of lamp products increased by 3.4%, primarily due to the increased demand from major customers during the Reporting Period. The sales of lighting electronic products decreased by 22.7%, mainly due to the global economic slowdown and decline in the demand for traditional lighting products such as halogen lamps and inductive products.

Revenue by NVC brand sales and non-NVC brand sales

The following table sets forth the revenue for sales of NVC brand products and non-NVC brand products and the growth rate of each item. Our non-NVC brand products primarily consist of ODM products.

	Year ended 31 December		
	2012	2011	Growth rate
	RMB'000	RMB'000	
		(Restated)	
NVC brand			
Luminaire products	**1,817,786**	2,046,755	-11.2%
Lamp products	**430,228**	425,518	1.1%
Lighting electronic products	**138,070**	203,977	-32.3%
Subtotal	**2,386,084**	2,676,250	-10.8%
Non-NVC brand			
Luminaire products	**122,649**	102,027	20.2%
Lamp products	**881,314**	843,094	4.5%
Lighting electronic products	**155,989**	176,627	-11.7%
Subtotal	**1,159,952**	1,121,748	3.4%
Total	**3,546,036**	3,797,998	-6.6%

Revenue by geographical location

The table below sets forth the Group's revenue from PRC sales and international sales and the growth rate of each item.

	Year ended 31 December		
	2012	2011	Growth rate
	RMB'000	RMB'000	
		(Restated)	
Revenue from PRC sales			
Luminaire products	**1,567,463**	1,830,572	-14.4%
Lamp products	**782,293**	892,868	-12.4%
Lighting electronic products	**147,087**	212,737	-30.9%
Subtotal	**2,496,843**	2,936,177	-15.0%
Revenue from international sales			
Luminaire products	**372,972**	318,210	17.2%
Lamp products	**529,249**	375,744	40.9%
Lighting electronic products	**146,972**	167,867	-12.4%
Subtotal	**1,049,193**	861,821	21.7%
Total	**3,546,036**	3,797,998	-6.6%

During the Reporting Period, revenue from PRC sales decreased by 15.0%, of which the revenue from NVC brand products decreased by 13.7% and the revenue from non-NVC brand products decreased by 20.7%. Revenue from international sales increased by 21.7%, of which revenue from NVC brand products increased by 17.0% and non-NVC brand products increased by 23.7%.

Revenue by energy-saving products and non-energy-saving products

The table below sets forth our revenue by energy-saving products and non-energy-saving products and the growth rate of each item.

	Year ended 31 December		
	2012	2011	Growth rate
	RMB'000	RMB'000	
		(Restated)	
Energy-saving products	**2,309,034**	2,298,522	0.5%
Non-energy-saving products	**1,237,002**	1,499,476	-17.5%
Total	**3,546,036**	3,797,998	-6.6%

Cost of sales

Cost of sales mainly consists of the cost of raw materials, outsourced manufacturing costs, direct and indirect labour costs and indirect costs. Major raw materials of the Group include iron, aluminium and alloys, phosphor, glass tubes and electronics components. Outsourced manufacturing costs primarily include the cost of purchased semi-finished products and finished products produced by other manufacturers and used in the production of our products. Indirect costs primarily include water, electricity, depreciation and amortisation and others. The table below sets forth the composition of our cost of sales:

	Year ended 31 December			
	2012		2011	
	RMB'000	**Percentage in income (%)**	RMB'000	Percentage in income (%)
			(Restated)	
Raw materials	**1,893,716**	**53.4%**	1,945,189	51.2%
Outsourced manufacturing costs	**365,884**	**10.3%**	427,000	11.2%
Labour costs	**333,177**	**9.4%**	294,994	7.8%
Indirect costs	**191,912**	**5.4%**	156,729	4.1%
Total cost of sales	**2,784,689**	**78.5%**	2,823,912	74.4%

During the Reporting Period, the Group's cost of sales decreased by 1.4%, which primarily reflected the decrease in sales volume of the products. The Group's cost of sales as a percentage to revenue increased from 74.4% to 78.5%, resulting in a decrease in gross profit margin from 25.6% to 21.5%, mainly due to combined influence from the changes of product structure, the increase of labour costs and decrease of capacity utilization rate.

Gross profit and gross profit margin

Gross profit is calculated as revenue less cost of sales.

During the Reporting Period, gross profit was RMB761,347,000, representing a decrease of 21.8% compared with the Corresponding Period, primarily reflecting the decrease in sales volume and the increase of cost. The Group's gross profit and gross profit margin by segment are as follows:

(i) The table below shows the gross profit and gross profit margin by product segments (luminaire, lamp and lighting electronic products):

	Year ended 31 December			
	2012		2011	
	RMB'000	**(%)**	RMB'000 *(Restated)*	(%)
Luminaire products	**456,036**	**23.5%**	544,653	25.3%
Lamp products	**252,013**	**19.2%**	367,175	28.9%
Lighting electronic products	**53,298**	**18.1%**	62,258	16.4%
Total	**761,347**	**21.5%**	974,086	25.6%

During the Reporting Period, gross profit of luminaire products was RMB456,036,000, representing a decrease of 16.3% compared with the Corresponding Period. Gross profit margin of luminaire products decreased by 1.8% to 23.5%. Gross profit of lamp products was RMB252,013,000, representing a decrease of 31.4% compared with the Corresponding Period. Gross profit margin of lamp products decreased by 9.7% to 19.2% compared with the Corresponding Period. The decrease in gross profit margin of luminaire products and lamp products was mainly due to high initial inventory cost, decrease of capacity utilization rate and the adjustments on selling prices and product structure. Gross profit of lighting electronic products was RMB53,298,000, representing a decrease of 14.4% compared with the Corresponding Period. Gross profit margin of lighting electronic products increased by 1.7% to 18.1%, primarily attributable to the combined influence from the stabilization of commodities prices, technology updates and improvement of production management.

(ii) The table below shows the gross profit and gross profit margin by our NVC brand products and non-NVC brand products:

	Year ended 31 December			
	2012		2011	
	RMB'000	**(%)**	RMB'000 *(Restated)*	(%)
NVC brand	**575,751**	**24.1%**	722,533	27.0%
Non-NVC brand	**185,596**	**16.0%**	251,553	22.4%
Total	**761,347**	**21.5%**	974,086	25.6%

During the Reporting Period, gross profit of NVC brand products was RMB575,751,000, representing a decrease of 20.3% compared with the Corresponding Period, while gross profit margin decreased by 2.9% compared with the Corresponding Period. Gross profit of non-NVC brand products was RMB185,596,000, representing a decrease of 26.2% compared with the Corresponding Period, and gross profit margin decreased by 6.4% compared with the Corresponding Period, which was mainly attributable to the decrease of price of certain lamp products caused by the fall of phosphor price while the relevant initial cost remain high. In addition, the rising labor costs and higher unit manufacturing cost caused by decline in operating rate also contributed to the decrease of the gross profit and gross profit margin.

(iii) The table below shows the gross profit and gross profit margin by PRC sales and international sales:

	Year ended 31 December			
	2012		2011	
	RMB'000	**(%)**	RMB'000 *(Restated)*	(%)
Gross profit from PRC sales:				
Luminaire products	**365,719**	**23.3%**	465,375	25.4%
Lamp products	**151,704**	**19.4%**	291,960	32.7%
Lighting electronic products	**28,487**	**19.4%**	41,564	19.5%
Subtotal	**545,910**	**21.9%**	798,899	27.2%
Gross profit from international sales:				
Luminaire products	**90,317**	**24.2%**	79,278	24.9%
Lamp products	**100,309**	**19.0%**	75,215	20.0%
Lighting electronic products	**24,811**	**16.9%**	20,694	12.3%
Subtotal	**215,437**	**20.5%**	175,187	20.3%
Total	**761,347**	**21.5%**	974,086	25.6%

During the Reporting Period, gross profit generated from PRC sales was RMB545,910,000, representing a decrease of 31.7% compared with the Corresponding Period, of which gross profit of NVC brand products was RMB501,978,000, representing a decrease of 24.3% compared with the Corresponding Period, and gross profit of non-NVC brand products was RMB43,932,000, representing a decrease of 67.7% compared with the Corresponding Period.

During the Reporting Period, gross profit generated from international sales was RMB215,437,000, representing an increase of 23.0% compared with the Corresponding Period, of which gross profit of NVC brand products was RMB73,773,000, representing an increase of 23.6% compared with the Corresponding Period, and gross profit of non-NVC brand products was RMB141,664,000, representing an increase of 22.7% compared with the Corresponding Period.

(iv) The table below sets forth the gross profit and gross profit margins of our energy-saving products and non-energy-saving products:

	Year ended 31 December			
	2012		2011	
	RMB'000	**(%)**	RMB'000 *(Restated)*	(%)
Energy-saving products	**501,265**	**21.7%**	636,458	27.7%
Light tubes for CFL	**26,097**	**8.1%**	116,077	27.4%
T4/T5 battens	**203,545**	**31.6%**	252,565	33.2%
Compact fluorescent lamp (CFL)	**162,136**	**20.4%**	184,397	28.4%
Electronic ballasts	**25,383**	**13.8%**	22,974	11.2%
HID lamps	**22,965**	**58.2%**	23,462	48.9%
Fluorescent lamps	**16,425**	**21.3%**	17,194	21.9%
LED products	**44,714**	**18.0%**	19,789	14.9%
Non-energy-saving products	**260,082**	**21.0%**	337,628	22.5%
Total gross profit	**761,347**	**21.5%**	974,086	25.6%

During the Reporting Period, the Group's gross profit margin of energy-saving products decreased by 6.0% to 21.7% compared with the Corresponding Period, among which decline in the gross profit margin of light tubes for CFL as well as T4/T5 battens and compact fluorescent lamps (CFL), which made up a significant part of sales was primarily due to decrease of capacity utilization rate and rising labor costs.

Other income and gains

Other income and gains mainly consist of compensation for production halts, machinery relocation and installation, trademark license fees, distribution commission, gain on sales of scrap materials, government grants, interest income and gain on disposal of items of property, plant and equipment in relocation (please refer to note 5 to the financial statements on page 122 of this annual report for the composition of other income and gains). We received various types of government subsidies as an incentive for export sales, science and technology research and development, expansion of production for energy-saving lamp products and recruitment of local workers. Government subsidies are provided by relevant authorities at their discretion, but may not necessarily be recurring in nature. We licensed our trademark to a limited number of the lighting product manufacturers in the PRC and received three percent of the licensees' annual revenue as trademark licence fees. In addition, we received distribution commission of six to eight percent from these licensees on revenue generated when products were sold through our distribution network. Since April 2012, we have stopped providing our distribution network and ceased to receive distribution commission. During the Reporting Period, other income and gains were RMB159,858,000, representing an increase of 6.2% compared with the Corresponding Period, primarily due to the government subsidy for the relocation of World Through being credited as revenue for the year.

Selling and distribution costs

Selling and distribution costs mainly consist of freight costs, advertising and promotion expenses, staff costs and others. Others include office expenses, custom clearance expenses, travelling expenses, depreciation and amortisation, insurance fees and other miscellaneous costs.

During the Reporting Period, selling and distribution costs were RMB254,092,000, representing an increase of 5.3% compared with the Corresponding Period. The Group's selling and distribution costs as a percentage to revenue increased from 6.4% for the year ended 31 December 2011 to 7.2% for the Corresponding Period in 2012. The increase was caused by the expansion of sales force and the increase of labor cost.

Administrative expenses

Administrative expenses mainly consist of staff costs, amortisation and depreciation, research and development expenses, bad debt provision, equity-settled share option expenses and others. Others mainly include taxes, office expenses, audit fees, other professional fees and miscellaneous items. These taxes mainly include land use tax and stamp duty in connection with our administrative functions.

During the Reporting Period, administrative expenses were RMB315,580,000, representing an increase of 27.4% compared with the Corresponding Period. This increase was primarily attributable to the provision of bad debts for certain receivables and prepayments as well as the increase of consultancy fees and labor costs. The proportion of administrative costs to revenue increased from 6.5% for the year ended 31 December 2011 to 8.9% for the year ended 31 December 2012.

Included in the provisions for receivables and prepayments is a total of RMB30,095,000 in respect of parties connected to Mr Wu Changjiang, representing the total outstanding receivable amounts at the date of this annual report. Information on these parties was provided in our announcement dated 14 August 2012 and the Board will consider the appropriate action to recover these amounts.

Other expenses

Other expenses mainly consist of asset impairment losses, loss on disposal of items of property, plant and equipment and donations. During the Reporting Period, other expenses recorded a substantial increase compared with the Corresponding Period which was primarily attributable to impairment losses of goodwill and other assets amounting to RMB221,997,000, which arose from the acquisition of World Through and its wholly-owned subsidiaries by the Group on 29 August 2008.

On 29 August 2008, the Group acquired World Through and its wholly-owned subsidiaries at a consideration of US$72,394,000 (equivalent to approximately RMB494,777,000), which is made after taking into account the future prospects of World Through and its wholly-owned subsidiaries as well as the conditions of the energy-saving lamps market, representing a premium of US$30,799,000 (equivalent to approximately RMB210,126,000) over the fair value of the identifiable assets and liabilities of World Through and its wholly-owned subsidiaries and was stated as goodwill. World Through and its wholly-owned subsidiaries were facing pressures from rising costs of main raw materials and labor due to the sharp rise of phosphor price and high inflation pressures in 2011. While cost pressure increased, the product selling prices remained low due to intense competition. In addition, the government increased subsidies for LED lighting products to support its development, which dampened the future development of energy-saving lamps. Under the impact of these unfavourable factors, the management remains cautious as to the future profitability of World Through and its wholly-owned subsidiaries, which lead to the enterprise value, being the value in use of World Through and its wholly-owned subsidiaries being less than its current carrying value. An impairment therefore arose and a write-off amount was made to goodwill value and other assets.

Details about the inputs, the relevant basis and assumptions used for the valuation of goodwill are provided in note 17 to the financial statements on pages 137 to 140 of this annual report.

Finance costs

Finance costs represent interest on bank loans and other interest expenses.

Share of profits of an associate

This item represents the Group's share of net profit in the associate, Mianyang Leici during the Reporting Period.

Income tax expense

During the Reporting Period, the Group's income tax expense was RMB67,937,000, representing an increase of 30.4% compared with the Corresponding Period. The increase in income tax expense was mainly attributable to the combined effects of the expiry of preferential tax rates for certain subsidiaries, increase in earnings of subsidiaries with higher tax rate and the changes of deferred tax. More details are provided in note 10 to the financial statements on pages 128 to 130 of this annual report.

Net profit for the year (including profit attributable to non-controlling interests)

Due to the factors mentioned above, our net profit (including profit attributable to non-controlling interests) for the year was RMB48,544,000 during the Reporting Period.

Exchange differences on translation of foreign operations

During the Reporting Period, our exchange differences on translation of foreign operations were RMB1,132,000. This revenue primarily arose from the translation of the financial statements of the overseas subsidiaries which are denominated in foreign currency.

Profit attributable to owners of the parent for the year

Due to the factors mentioned above, profit attributable to owners of the parent was RMB8,416,000 during the Reporting Period.

Profit attributable to non-controlling interests for the year

During the Reporting Period, profit attributable to non-controlling interests was RMB40,128,000.

Cash Flow and Liquidity

Cash flow

The Group met its working capital and other capital requirements principally with the following: (i) cash generated from our operations, (ii) short-term bank loans, and (iii) proceeds from the exercise of share options by our employees. The table below sets out selected cash flow data from our consolidated statement of cash flows.

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
		(Restated)
Net cash flows from operating activities	**619,169**	156,645
Net cash flows used in investing activities	**(59,035)**	(511,261)
Net cash flows used in financing activities	**(133,054)**	(67,232)
Net increase/(decrease) in cash and cash equivalents	**427,080**	(421,848)
Cash and cash equivalents at beginning of year	**786,012**	1,210,404
Effect of foreign exchange rate changes, net	**1,652**	(2,544)
Cash and cash equivalents at end of year	**1,214,744**	786,012
Bank overdraft	**(14,387)**	(1,469)
Cash and cash equivalents as stated in the statement of cash flows	**1,200,357**	784,543

Net cash flows from operating activities

We derived our cash flows from operating activities, which were principally from the receipt of payments for the sale of our products. Our cash used in operating activities is mainly used to pay for goods purchased, costs and expenses relating to operating activities.

During the Reporting Period, our net cash flows from operating activities were RMB619,169,000, while our cash flows before changes in working capital were RMB402,969,000. The changes in working capital included (i) an increase of RMB8,848,000 in inventories; (ii) a decrease of RMB126,344,000 in trade and bills receivables, other receivables, prepayments and other current assets; (iii) income tax paid amounting to RMB69,913,000; (iv) an increase of RMB109,053,000 in trade payables, as well as other payables and accruals; and (v) receipt of government grants of RMB59,564,000.

Net cash flows used in investing activities

Our cash flows used in investing activities mainly consist of payments for purchases of property, plant and equipment, intangible assets other than goodwill and investment in short-term deposits. During the Reporting Period, our net cash flows used in investing activities amounted to RMB59,035,000, which mainly included payment of RMB178,014,000 for purchases of property, plant and equipment and intangible assets other than goodwill and proceeds of RMB3,000 from sales of intangible assets other than goodwill; such expenses was offset by interests income of RMB19,418,000 and decrease of RMB99,278,000 in short-term deposits.

Net cash flows used in financing activities

Our cash flows from financing activities included the proceeds from exercise of share options and the proceeds from new bank loans. Our cash flows used in financing activities consisted of payment of dividends, bank loan principal and interest and repurchase of shares.

During the Reporting Period, our net cash outflows used in financing activities amounted to RMB133,054,000. Our cash outflows mainly include (i) RMB39,009,000 for repurchase of shares, (ii) RMB24,500,000 for dividends paid to a non-controlling shareholder, (iii) RMB118,955,000 for the payment of dividends, and (iv) RMB114,028,000 for the payment of the principal and interest of bank loan. Such expenses were offset by new bank loans of RMB162,589,000 and proceeds of RMB849,000 due to the exercise of share options.

Liquidity

Net current assets and working capital sufficiency

The table below sets out our current assets, current liabilities and net current assets as at the end of the Reporting Period.

	31 December	
	2012	2011
	RMB'000	RMB'000
		(Restated)
CURRENT ASSETS		
Inventories	**698,400**	702,480
Trade and bills receivables	**818,890**	884,874
Prepayments, deposits and other receivables	**94,005**	190,424
Other current assets	**16,079**	9,301
Short-term deposits	**379,233**	478,579
Cash and cash equivalents	**1,214,744**	786,012
	3,221,351	3,051,670
Non-current assets classified as held for sale	**17,606**	17,606
Total current assets	**3,238,957**	3,069,276
CURRENT LIABILITIES		
Trade payables	**431,606**	385,781
Other payables and accruals	**282,523**	223,769
Interest-bearing loans and borrowings	**94,387**	40,920
Government grants	**6,208**	109,690
Income tax payable	**24,975**	20,279
Total current liabilities	**839,699**	780,439
NET CURRENT ASSETS	**2,399,258**	2,288,837

As at 31 December 2012 and 31 December 2011, net current assets of the Group totaled RMB2,399,258,000 and RMB2,288,837,000, respectively, and the current ratio was 3.86 and 3.93, respectively. In light of our current liquidity position, and the net proceeds available to the Company from the initial public offering and our projected cash flows generated from operations, the Directors believe that we have sufficient working capital for our present requirements and for the next 12 months.

Capital Management

The following table sets out our gearing ratio as at the end of the Reporting Period.

	31 December	
	2012	2011
	RMB'000	RMB'000
		(Restated)
Interest-bearing loans and borrowings	**94,387**	40,920
Total debt	**94,387**	40,920
Less: cash and short-term deposits	**(1,593,977)**	(1,264,591)
Net debt	**N/A**	N/A
Total equity attributable to owners of the parent	**3,511,701**	3,656,349
Gearing ratio	**–**	–

The primary goal of our capital management is to maintain the stability and growth of our financial position. We regularly review and manage our capital structure and make corresponding adjustments, after taking into consideration changes in economic conditions, our future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. We manage our capital through monitoring our gearing ratio (which is calculated as net debt divided by the total equity attributable to owners of the parent). Net debt is the balance of interest-bearing loans and borrowings less cash and short-term deposits.

Inventories

The balance of inventories represents our balance of stock of raw materials, work in progress and finished goods as at the end of the Reporting Period. We monitor our inventories on a regular basis. For the year ended 31 December 2012, turnover of average inventories (in days) (average inventories equal to the inventories at the beginning of the year plus inventories at the end of the year (after provision), divided by two. Turnover of average inventories (in days) equals to the average inventories divided by the cost of sales and then multiplied by 365) was 91.8 days, while it was 75.0 days in 2011.

More details about the inventory are provided in note 21 to the financial statements on page 146 of this annual report.

Trade and bills receivables

Trade receivables of the Group represent proceeds receivable from the sales of goods. Our trading terms with our customers are mainly on credit, except for new customers where payment in advance is normally required. The credit periods generally range from 30 to 120 days for major customers. Each customer has a maximum credit limit. We seek to maintain strict control over our outstanding receivables and have a credit control management system to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that our trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over our trade receivables balance. Trade receivables are non-interest-bearing.

For the year ended 31 December 2012, turnover of average trade and bills receivables (in days) (average trade and bills receivables equal to the trade and bills receivables at the beginning of the year plus trade and bills receivables at the end of the year (before provision), divided by two. Turnover of average trade and bills receivables (in days) equals to the average trade and bills receivables divided by revenue and then multiplied by 365) was 89.5 days, while it was 79.2 days in 2011.

More details about the trade and bills receivable are provided in note 22 to the financial statements on pages 147 to 149 of this annual report.

Trade payables

During the year ended 31 December 2012, turnover of average trade payables (in days) (average trade payables equal to trade payables at the beginning of the year plus trade payables at the end of the year, divided by two. Turnover of average trade payables (in days) equals to average trade payables divided by cost of sales and then multiplied by 365) was 53.6 days, while it was 46.9 days in 2011.

More details about the trade and bills payables are provided in note 26 to the financial statements on pages 155 to 156 of this annual report.

Interest-Bearing Loans and Borrowings

	31 December					
	2012			2011		
	Contractual Interest rate (%)	**Maturity**	**RMB'000**	Contractual Interest rate (%)	Maturity	RMB'000 *(Restated)*
Current						
Bank loans – unsecured[1]	**5.488-5.880**	**February-April 2013**	**80,000**	4.525-7.015	April 2012	39,451
Bank overdraft – unsecured[2]	**Base*+2.30**	**On demand**	**14,387**	Base*+2.10	On demand	1,469
Total			**94,387**			40,920

1 The bank loans included RMB-denominated loans of RMB20,000,000 at an interest rate of 5.600% per annum, RMB15,000,000 at an interest rate of 5.488% per annum, RMB25,000,000 at an interest rate of 5.824% per annum and RMB20,000,000 at an interest rate of 5.880% per annum.

2 The bank overdraft represents a GBP-denominated overdraft facility. The Group's overdraft facility, which is due for review in April 2013, amounted to GBP2,200,000 (2011: GBP2,200,000), of which GBP1,416,000 (2011: GBP151,000) had been utilised as the end of Reporting Period.

* Base means the Bank of England base rate.

The interest-bearing loans and borrowings are repayable within 1 year.

As at 31 December 2012, the fair value of interest-bearing loans and borrowings approximates to their carrying amount due to their short-term maturity.

Capital expenditure

We funded our capital expenditure with cash generated from operations and bank loans as well as proceeds from exercise of share options by our employees. Our capital expenditure primarily related to expenditure on property, plant and equipment and intangible assets other than goodwill. During the Reporting Period, our capital expenditure amounted to RMB182,411,000, mainly included (i) RMB40,475,000, which was mainly used in construction of Huizhou NVC phase-5 plant and the new Sunny industrial park complex; and (ii) RMB118,371,000, which was mainly used for increasing the investment in new production lines, non-production equipments and moulds and technology improvement.

Pledge of assets

As at 31 December 2012, the Group had pledged time deposits of RMB4,695,000 to secure the issuance of letters of credit or as guarantee for product quality as well as fulfilling contractual obligations.

Off-balance Sheet Arrangement

We did not have any outstanding derivative financial instruments or off-balance sheet guarantees for outstanding loans. We did not engage in trading activities involving non-exchange traded contracts.

Contingent Liabilities

As at 31 December 2012, the Group had no material contingent liabilities.

Capital Commitments

The details of capital commitments are referred to in note 36 to the financial statements on page 172 of this annual report.

Merger and Acquisition

During the Reporting Period, the Group made no acquisition, merger or sale of subsidiaries or associates.

Significant Investment

During the Reporting Period, the Group had no significant investment. Saved as disclosed in the prospectus of the Company dated 7 May 2010, the Group did not have any plan for significant investment as at 31 December 2012.

Market Risks

We are exposed to various market risks in the ordinary course of business. Our risk management strategy aims to minimise the adverse effects of these risks to our financial results.

Foreign currency risk

We are exposed to transactional currency risk. Such risk arises from sales by an operating unit in currencies other than its functional currency. Sales of products by our PRC entities to overseas customers are predominantly conducted in US dollars. As a result, we are exposed to fluctuations in the exchange rate between the US dollar and the RMB. During the Reporting Period, the Group had no hedging arrangement in place with respect to the foreign exchange exposure, and did not experience any material difficulty or negative impact on our operations or liquidity as a result of fluctuations on currency exchange rates.

Commodity price risk

We are exposed to fluctuations in the prices of raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect our financial performance. We did not enter into any commodity derivative instruments to hedge the potential commodity price changes, however, we increased our inventories of certain key raw materials to ensure adequate supplies.

Liquidity risk

We monitor our risk of having a shortage of funds by considering the maturity of our financial instruments, financial assets and liabilities and projected cash flows from operations. Our goal is to maintain a balance between continuity and flexibility of funding through the use of bank loans and other interest-bearing borrowings. Our Directors have reviewed our working capital and capital expenditure requirements and determined that we have no significant liquidity risk.

Credit risk

Our major credit risk arises from exposure to a substantial number of trade and bills receivables and prepayment, deposits and other receivables from debtors. We have policies in place to ensure that the sales of products are made to customers with an appropriate credit limit, and we have strict control over credit limits of trade receivables. Our cash and short-term deposits are mainly deposited with registered banks in Mainland China and Hong Kong. We also have policies that limit our credit risk exposure to any financial institutions. The amounts of trade and bills receivables, prepayments, deposits and other receivables, cash and cash equivalents and short-term deposits included in the consolidated statement of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have no other financial assets which carry significant exposure to credit risk. In 2011, we entered into a number of one-year insurance contracts with China Export & Credit Insurance Corporation, which covered up to 85% and 90% of any uncollectible amount derived respectively from our domestic sales and overseas sales between the period from 1 November 2011 to 30 November 2012, subject to a maximum compensation amount of RMB25,200,000 for domestic sales and US$25,000,000 (equivalent to RMB158,395,000) for overseas sales. The insurance contracts for overseas sales are renewed in 2012 and extended to 30 November 2013 with the compensation limit increased to US$30,000,000 (equivalent to RMB188,565,000) and we are renewing insurance contracts for domestic sales to extend the expiry date to 30 November 2013. We purchased such insurance in order to minimise our exposure to credit risk as we expand our business. We plan to renew such insurance contracts as they become due.

Employees

As at 31 December 2012, the Group had approximately 9,767 employees in total (31 December 2011: 9,868). During the Reporting Period, the relevant staff cost was RMB510,684,000 (including share option expense of RMB1,800,000), while our staff cost was RMB442,986,000 (including share option expense of RMB5,301,000) for the year ended 31 December 2011. The Group regularly reviews remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contributions, employee provident fund schemes, and discretionary incentive and share option schemes.

Executive Director

Mr. MU Yu (穆宇), aged 39, is an Executive Director and a vice president of the Company, primarily responsible for our research and development and production management. He has over 13 years of experience in production management. Mr. Mu served as a mould designer in the Ministry of Space Industry's 061 Base 3409 Plant (航天工業部061基地3409廠) (now Guizhou Space Kaihong Technology Co., Ltd. (貴州航天凱宏科技有限責任公司)) from 1995 to 1997 and a mechanical engineer in Dongguan Changhong Hardware Co., Ltd (東莞長鴻五金製品有限公司) from 1997 to 1999. He has been with our Group since 1999 and has been responsible for overall production planning and manufacturing management since 2002. From 1999 to 2002, he was a manager of our engineering department in Huizhou. Mr. Mu received a bachelor's degree in mechanics from the Guizhou Industry College (貴州工學院) in 1995 and completed the Advanced Management Program at the School of Economics and Management of Tsinghua University (清華大學經濟管理學院) in 2004.

Non-executive Directors

Mr. YAN Andrew Y[2] (閻焱), aged 55, is a Non-executive Director of the Company. Mr. Yan joined our Group in October 2006. He joined SB Asia Investment Fund II L.P. in 2001 and is currently the managing partner of SB Asia Investment Fund II L.P.. Mr. Yan obtained his bachelor's degree in airplane design from Nanjing Aeronautics Institution (now Nanjing University of Aeronautics and Astronautics (南京航空航天大學)) in 1982. Mr. Yan also received a master's degree in international political economy from Princeton University in 1989. Currently, Mr. Yan acts as directors for a number of listed companies including:

- independent non-executive director of China Resources Land Limited (listed on the Hong Kong Stock Exchange);
- independent non-executive director of Fosun International Limited (listed on the Hong Kong Stock Exchange);
- non-executive director of Digital China Holdings Ltd (listed on the Hong Kong Stock Exchange);
- director of Acorn International Inc. (listed on the New York Stock Exchange);
- independent director of Giant Interactive Group Inc. (listed on the New York Stock Exchange);
- director of ATA Inc. (listed on the NASDAQ Global Market);
- director of Eternal Asia Supply Chain Management Ltd. (listed on the Shenzhen Stock Exchange);
- non-executive director of MOBI Development Co., Ltd. (listed on the Hong Kong Stock Exchange);
- non-executive director of China Huiyuan Juice Group Limited (listed on the Hong Kong Stock Exchange);
- non-executive director of eSun Holdings Limited (listed on the Hong Kong Stock Exchange);

[2] Mr. YAN Andrew Y resigned as the Chairman, Non-executive Director of the Company and from all other positions of the Board committees on 3 April 2013.

- independent non-executive director of China Petroleum & Chemical Corporation (listed on the Hong Kong Stock Exchange, Shanghai Stock Exchange, London stock exchange and New York stock exchange) (appointed on 11 May 2012);
- non-executive director of Guodian Technology & Environment Group Corporation Limited (listed on the Hong Kong Stock Exchange) (appointed on 8 June 2012); and
- independent non-executive director of China Mengniu Dairy Company Limited (listed on the Hong Kong Stock Exchange) (appointed on 10 January 2013).

In addition, Mr. Yan held the following directorships in various listed companies in the last 3 years including:

- independent non-executive director of Stone Group Holdings Limited (listed on the Hong Kong Stock Exchange) from 2001 to 2009;
- independent non-executive director of China Oilfield Services Limited (listed on the Hong Kong Stock Exchange) from 2002 to 2009; and
- director of Global Education & Technology Group Ltd. (listed on the NASDAQ Global Market) from 2007 to 2011.

Mr. LIN Ho-Ping (林和平), aged 41, is a Non-executive Director of the Company. Mr. Lin joined our Group in October 2006. He joined SAIF Advisors Ltd. ("SAIF") in 2001 and is currently a general partner and a managing director of SAIF. Prior to joining SAIF, Mr. Lin was a vice president in the investment banking division at Credit Suisse First Boston (Hong Kong) Limited, which he initially joined in 1997 with Donaldson, Lufkin & Jenrette (acquired by Credit Suisse First Boston), and he was an associate in Sullivan & Cromwell LLP from 1994 to 1997. From December 2005 to June 2008, Mr. Lin served as a member of the supervisory board of Mania Technologie AG, a company incorporated in Germany and listed on the Frankfurt Stock Exchange. Mr. Lin is currently a director of China TransInfo Technology Corp., (a company which has completed privatization and been delisted from the NASDAQ Global Market since 31 October 2012). Mr. Lin graduated from Stanford University with a bachelor's degree in economics in 1991 and from Harvard University with a Juris Doctor law degree in 1994. Mr. Lin was admitted to the State Bar of California in 1994.

Mr. ZHU Hai (朱海), aged 48, is a Non-executive Director of the Company. Mr. Zhu joined our Group in October 2011. He has over 15 years of experience in the electric industry. Mr. Zhu worked for Schneider Electric since 1996 and has held various management positions throughout Schneider Electric group. He served as China chief representative for Schneider Automation Company, Schneider Electric sales director for automation business, general manager for Schneider Shanghai Power Distribution Electrical Apparatus Co., Ltd. and low voltage product activity director. In 2004, he joined Schneider Electric's global headquarters in France as a senior vice-president of OEM business. Mr. Zhu is currently the executive vice-president and president of China for Schneider Electric. Mr. Zhu received a Bachelor's degree from Peking University and holds a Master's degree in Computer Science from the Chinese Academy of Sciences. He also holds an EMBA degree from the China Europe International Business School.

Mr. WANG Donglei (王冬雷), aged 48, is a Non-executive Director of the Company. Mr. Wang joined the Group in January 2013. He has many years of experience in product research and development, manufacturing and business management. In 1996, Mr. Wang participated in the founding of Zhuhai China Resources Electric Co., Ltd. (珠海華潤電器有限公司) (which was subsequently renamed as Elec-Tech International Co., Ltd. (廣東德豪潤達電氣股份有限公司) and which was listed on the Shenzhen Stock Exchange in China in 2004) and served as the chairman and the general manager. Since 2001, he has been serving as the chairman and a director of Elec-Tech International Co., Ltd.. At present, Mr. Wang also serves various subsidiaries of Elec-Tech International Group which include: the chairman of Zhuhai Hansheng Precision Machinery Co., Ltd. (珠海瀚盛精密機械有限公司), the chairman of Appliance Co. of America (Zhuhai) Co., Ltd. (北美電器(珠海)有限公司), the chairman of Elec-Tech (Hong Kong) Optoelectronic Technology Co., Ltd. (德豪(香港)光電科技有限公司), executive director of 3E Semiconductor (Wuhu) Co., Ltd. (三頤(蕪湖)半導體有限公司), executive director of Elec-Tech (Dalian) Investment Co., Ltd. (德豪(大連)投資有限公司), director of Zhuhai Elec-Tech International Co., Ltd. (珠海德豪潤達電器有限公司), director of ETI-LED Solutions Japan Co. Ltd, director of Elec-Tech US Inc., director of ETI Solid State Lighting Inc. and director of ETI LED Solutions Inc.. Mr. Wang graduated from China Dalian Institute of Technology (subsequently renamed as Dalian University of Technology) with a bachelor's degree in engineering.

Mr. Wang holds a 90% equity interest in Wuhu Elec-Tech Investment Co., Ltd.* (蕪湖德豪投資有限公司), Wuhu Elec-Tech Investment Co., Ltd.* (蕪湖德豪投資有限公司) in turn holds 21.04% of the shares of Elec-Tech International Co., Ltd.. Elec-Tech International Co., Ltd. held 8.32% of the total issued shares of the Company as of 31 December 2012.

Independent Non-executive Directors

Mr. WANG Jinsui (王錦燧), aged 74, is an Independent Non-executive Director of the Company. Mr. Wang joined the Group in April 2010. He has been the president of the Fourth and Fifth Council of China Illuminating Engineering Society (中國照明學會) ("CIES") since 2003, the honorable chairman of the Sixth Council of CIES since June 2012 and the vice-president and secretary-general of the Third Council of CIES from 1999 to 2003. Mr. Wang also served as a member of the Board of Administration of International Commission on Illumination from 2003 to 2012. Prior to that, he was head of various departments (including international cooperation and human resources/education departments) in the Ministry of Light Industry (國家輕工業部) of the PRC and China National Council of Light Industry (中國輕工總會) since 1990. From 1985 to 1990, he was the first secretary in the PRC embassy in the United Kingdom. Before that, he was a professor in Beijing University of Technology (北京工業大學). Mr. Wang graduated in mechanic engineering from Tsinghua University (清華大學) in 1963.

Mr. YUNG Tse Kwong, Steven (戎子江), aged 62, is an Independent Non-executive Director of the Company. Mr. Yung joined the Group in November 2012. He has accumulated years of management experience from leading multinational companies in the media, entertainment, consumer and retail industries. He served as the executive chairman of Clear Media Limited; and has been acting as the independent non-executive director of Kingmaker Footwear Holdings Limited since 2006; now is the executive deputy chairman, the executive director and chief executive officer of Imagi International Holdings Limited. The aforesaid three companies are listed on the main board of Hong Kong Stock Exchange. Mr. Yung began his career as a producer with Hong Kong Commercial Broadcasting Company Limited and had since held various senior management positions at The Coca-Cola Company in the United States of America and Asia, served as regional managing director of AC Nielsen China, Hong Kong, Taiwan and Korea and as president of Nielsen Media International. Both Coca-Cola Company and AC Nielsen are listed on the Main Board of the New York Stock Exchange. He had been a director of the Cable and Satellite Broadcasting Association of Asia (CASBAA), and is currently a director of the Child Development Matching Fund and the Tao Fong Shan Foundation Limited.

Mr. LEE Kong Wai, Conway (李港衛), aged 58, is an Independent Non-executive Director of the Company. Mr. Lee joined the Group in November 2012. He received a Bachelor of Arts degree from Kingston University (formerly known as Kingston Polytechnic) in London and further obtained his postgraduate diploma in business from Curtin University of Technology in Australia. Mr. Lee served as a partner of Ernst & Young ("EY") for over 29 years, until 2009, during which he held key leadership positions in the development of EY in China. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Certified Practising Accountants. Mr. Lee currently also serves as an independent non-executive director of the following companies: China Taiping Insurance Holdings Company Limited, Chaowei Power Holdings Limited, West China Cement Limited, China Modern Dairy Holdings Ltd., GOME Electrical Appliances Holdings Limited, Tibet 5100 Water Resources Holdings Ltd., (all of which are listed on the main board of the Hong Kong Stock Exchange) and Citic Securities Company Limited (a company listed on main board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange). He acted as an independent non-executive director of Sino Vanadium Inc.(a company listed on TSX Venture Exchange in Canada) from October 2009 to December 2011. Mr. Lee was appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province (中國湖南省政協委員) in China since 2007.

Senior Management

Mr. WU Changjiang (吳長江), aged 47, is our chief executive officer. Mr. Wu is our founder and was primarily responsible for the overall corporate strategies and management of our Group. Mr. Wu has more than 18 years of experience in the lighting products industry. He was the general manager in Huizhou Minghui Electrical Equipment Co., Ltd. (惠州明暉電器有限公司) from 1994 to 1997 and Bao'anqu Shajing Shasi Hengyu Lighting Plant (寶安區沙井沙四恒裕燈飾製品廠) from 1997 to 1998. Mr. Wu acted as the Chairman, an Executive Director and the Chief Executive Officer of the Company from May 2010 to May 2012. Mr. Wu currently also acts as the chairman of CRS Electronics Inc. (a Company listed on the TSX Venture Exchange in Canada). Mr. Wu re-joined us as the Chief Executive Officer of the Company on 11 January 2013. Mr. Wu graduated from Northwestern Polytechnical University (西北工業大學) with a bachelor's degree in aircraft manufacturing in 1988. He also received an EMBA degree from China New Entrepreneur Development Program (國研•斯坦福中國企業新領袖培養計劃項目) in 2008, a joint program sponsored by the Chinese government and Stanford University.

Mr. MU Yu (穆宇), aged 39, is a vice-president of our Company. His biographical details are set out above under the paragraph headed "Executive Director".

Mr. TAN Ying (談鷹), aged 46, is a vice-president and chief financial officer of our Company. Before joining us in 2006, he was the financial accountant in Goodman Fielder Ingredients Limited from 1999 to 2000 and the financial director in Shenzhen New World Sunlong Tech Co., Ltd. (深圳新世界翔龍網絡技術有限公司) and Shenzhen Sun Long Communication Co., Ltd (深圳市翔龍通訊有限公司) from 2000 to 2006. Mr. Tan received an MBA degree from University of Manchester in 2007. He is a fellow member of the Financial Service Institute of Australia.

Mr. WANG Minghua (王明華), aged 37, is a vice-president of our Company and is responsible for human resources, administration and information technology departments. Prior to joining us in 2006, he was a deputy manager responsible for marketing in Zhengzhou Hongyuan Trading Co., Ltd. (鄭州宏苑經貿有限公司) from 1998 to 2001 and a senior consultant responsible for marketing, finance and corporate image system in Guangdong Boaosi Enterprise Design Co., Ltd. (廣東博奧司企業設計有限公司) from 2002 to 2005. Mr. Wang received an MBA degree from Inter American University in 2009.

Mr. WU Changyong (吳長勇), aged 43, is a vice-president of our Company and is responsible for procurement and logistics management of the Company. He has over 14 years of experience in the lighting products industry. He first joined our Group in 1998 as a procurement manager of Huizhou NVC. From 2003 to 2005, he was the general manager in Huizhou Sophie Lighting Co. Ltd. (惠州索菲照明有限公司). In 2006, he re-joined us and was responsible for logistics management. Mr. Wu Changyong received an MBA degree from Chongqing College of Master of Business Administration (重慶工商管理碩士學院) in 2008, and received a doctoral degree in Business Administration in Victoria University of Switzerland in 2012. Mr. Wu Changyong is Mr. Wu Changjiang's brother.

Mr. YANG Wenbiao (楊文彪), aged 39, is a vice-president of our Company and is responsible for the domestic sales of the Company. He has 14 years of experience in the lighting industry. Before joining the Group in 1999, he was the sales representative of Swire Guangdong Coca-Cola Limited (廣東太古可口可樂有限公司) and the sales leader of Shenzhen Sware Software Technology Co., Ltd. (深圳思維爾軟件科技有限公司). Mr. Yang obtained a bachelor's degree from Business School of Sun Yat-Sen University (中山大學管理學院) in 1995. Mr. Yang also received an MBA degree from Shenzhen Graduate School of Tsinghua University (清華大學深圳研究生院).

Mr. HONG Xiaosong (洪曉松), aged 45, is the general manager of our Huizhou Research and Development Center. Mr. Hong served as the manager of Shenzhen Golden Decorative Lighting Corp. Ltd (深圳黃金燈飾集團) from 1995 to 2000. He was the deputy general manager of Shenzhen Golden Lighting Engineering Corp. Ltd (深圳金照明工程公司) from 2000 to 2004 and Shenzhen Jinyueliang Lighting Technology Co., Ltd (深圳市金悦亮光源技術有限公司) from 2004 to 2007, respectively. After joining the Group in 2007, Mr. Hong successfully developed various kinds of lightings specifically designed for the Olympic Games, which paved the way for our products to be used in the Olympic Games. Mr. Hong is a qualified national registered senior lighting designer and a senior member of China Illuminating Engineering Society. He has been committed to the development and promotion of new type energy-saving lamp products since 2004. He is one of the pioneers engaged in the promotion of LED engineering application in China and has obtained various patents for product technologies. Mr. Hong obtained a bachelor's degree in mechanical manufacturing from Chongqing University in 1989.

Mr. QIAN Genyue (錢根躍), aged 59, is the general manager of our Shanghai Research and Development Centre. He has over 20 years of experience in research and development of lighting products. Prior to joining the Group in 2008, he served as the manager of the research and development department and chief engineer of Shanghai Gold lighting Co., Ltd (上海光達照明有限公司) during the period from 1994 to 2008. During the same period, he successfully developed various tricolor fluorescent tubes and electronic ballasts independently or with the help of other team members. After joining the Company, Mr. Qian established our Research and Development Centre in Shanghai together with his team members and completed the research and development systems for traditional light sources, electronic and LED products. The laboratory of the Research and Development Centre in Shanghai led by Mr. Qian was accredited by Germany's DEKRA (the former KEMA Quality) laboratory.

Joint Company Secretaries

Ms. LO Yee Har, Susan (盧綺霞), aged 54, was appointed as a joint company secretary on 24 March 2010. Ms. Lo is an Executive Director of Tricor Services Limited and a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She has over 30 years of experience in corporate advisory services. Prior to joining Tricor Services Limited, Ms. Lo served as a director of the company secretarial department of Tengis Limited (now known as "Tricor Tengis Limited"). Ms. Lo has provided various secretarial and corporate services to many listed companies.

Ms. KAM Mei Ha, Wendy (甘美霞), aged 45, was appointed as a joint company secretary on 24 March 2010. Ms. Kam is a director of the corporate services division of Tricor Services Limited. Prior to joining Tricor Services Limited, Ms. Kam served as a manager of the company secretarial department of Tengis Limited (now known as "Tricor Tengis Limited"). Ms. Kam has more than 20 years of experience in company secretarial industry, and has provided services to companies ranging from private companies to public companies listed on the Hong Kong Stock Exchange. Ms. Kam is a fellow member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She graduated from the City Polytechnic of Hong Kong (currently the City University of Hong Kong).

The directors present their report together with the audited financial statements for the year ended 31 December 2012.

Principal Activities

The Company was redomiciled from the British Virgin Islands to the Cayman Islands on 30 March 2010 and incorporated as an exempted company with limited liability. The Group's operations are conducted mainly through the direct and indirect subsidiaries of the Company. The Group is principally engaged in the design, development, production, marketing and sale of a variety of lighting products including three principal product categories, namely, luminaire products, lamp products and lighting electronics products. During the Reporting Period, there is no significant change for the Group's principal activities. The analysis of the principal activities of the Group during the year ended 31 December 2012 is set out in the consolidated income statement of the financial statements on page 76.

Results and Dividends

The Group's profit for the Reporting Period and the state of affairs of the Company and the Group as at 31 December 2012 are set out in the financial statements on pages 76 to 184 of this annual report.

An interim dividend of HK1 cent per ordinary share was paid on 21 September 2012.

The Board proposed to declare a final dividend of 1.5 HK cents (equivalent to approximately RMB0.012) per share for the year ended 31 December 2012. Upon shareholders' approval at the forthcoming annual general meeting, the final dividend will be payable on or around Friday, 2 August 2013 to the shareholders whose names appear on the register of members of the Company at close of business on Thursday, 4 July 2013. Based on the 3,128,448,000 shares in issue as at 31 December 2012, it is expected that the final dividend payable will amount to approximately HK$46,927,000 (equivalent to approximately RMB38,051,000) (before tax). Final dividends proposed are classified as a separate allocation of share premium within the equity section of the statement of financial position. No shareholder has waived or agreed to waive any dividends.

Closure of Register of Members

The Register of Members will be closed from Tuesday, 18 June 2013 to Friday, 21 June 2013 (both days inclusive) and from Friday, 28 June 2013 to Thursday, 4 July 2013 (both days inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer of shares accompanied by share certificates and transfer forms must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 17 June 2013. In order to qualify for the proposed final dividend (subject to the approval by shareholders at the forthcoming annual general meeting), all transfer of shares accompanied by share certificates and transfer forms must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited at the abovementioned address before 4:30 p.m. on Thursday, 27 June 2013.

Use of Net Proceeds Received from the Initial Public Offering

On 20 May 2010, net proceeds received from the initial public offering, including the exercise of Over-allotment Opinion, after deducting related expenses, were approximately HK$1.467 billion. Out of which, as at 31 December 2012, approximately HK$367 million was used for capital expenditure, approximately HK$230 million was used for the continual implementation of our branding strategies and enhancement of our sales network (particularly in overseas markets), approximately HK$147 million was used for enhancing our research and development efforts, approximately HK$2 million was used for our expansion plans, both in the PRC and the international markets and approximately HK$147 million was used for working capital and other general corporate purposes.

Financial Highlights

A summary of the published results and of the assets and liabilities of the Group for the last five reporting periods is set out on page 5 of this annual report.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings are set out in Note 28 to the Financial Statements on page 158 of this annual report. As at 31 December 2012, the Group's total current interest-bearing loans and borrowings amounted to RMB94,387,000 (2011: RMB40,920,000) and we had no non-current interest-bearing loans and borrowings.

The Group did not grant any loans to any entities, nor did it offer any financial assistance to its associates or make any guarantee for the facilities granted to its associates.

Property, Plant and Equipment

Details of movements in the property, plant and equipment for the Reporting Period are set out in Note 14 to the Financial Statements on pages 133 to 135 of this annual report.

Share Capital

Details of movements in the share capital for the Reporting Period are set out in Note 31 to the Financial Statements on pages 163 to 164 of this annual report. Details of repurchase of shares for the Reporting Period are set out in the section headed "Purchase, Sale or Redemption of Shares" in the Report of Directors.

Reserves

Details of movements in the reserves of the Company and the Group for the Reporting Period are set out in Note 33 to the financial statements on pages 168 to 170 and the consolidated statement of changes in equity on pages 80 to 81 of this annual report.

Distributable Reserves

As at 31 December 2012, the Company's reserves available for distribution amounted to RMB1,694,472,000, of which RMB38,051,000 has been proposed as a final dividend for the Reporting Period.

Public Float

As of the date of this annual report, based on the information publicly available to the Company and to the best knowledge of the directors, the Company has maintained the prescribed public float under the Listing Rules for the Reporting Period and at any time prior to the date of this annual report.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or applicable laws of the Cayman Islands where the Company was incorporated.

Tax Allowances

The Company is not aware of any particular tax allowances granted to the Company's shareholders due to their interests in its securities.

Directors

The Directors of the Company during the Reporting Period are as follows:

Executive Directors

WU Changjiang	appointed on 2 March 2006 and resigned on 24 May 2012
MU Yu	appointed on 1 October 2006

Non-executive Directors

YAN Andrew Y	appointed on 4 October 2006
LIN Ho-Ping	appointed on 4 October 2006
HUI Ming Yunn, Stephanie	appointed on 27 August 2008 and resigned on 24 August 2012
ZHU Hai	appointed on 20 October 2011

Independent Non-executive Directors

Alan Russell POWRIE	appointed on 27 April 2010 and resigned on 29 August 2012
Karel Robert DEN DAAS	appointed on 27 April 2010 and resigned on 9 August 2012
WANG Jinsui	appointed on 27 April 2010
YUNG Tse Kwong, Steven	appointed on 8 November 2012
LEE Kong Wai, Conway	appointed on 28 November 2012

Subsequent to the end of the Reporting Period, Mr. Wang Donglei was appointed as a Non-executive Director on 11 January 2013 and Mr. Yan Andrew Y resigned as a Non-executive Director on 3 April 2013.

Directors' and Senior Management's Biographies

Directors' and Senior Management's biographies are set out in the "Directors and Senior Management" on pages 32 to 38 of this annual report.

Directors' Service Contracts

The relevant information on Directors' service contracts is set out in the section headed "Re-election of Non-executive Directors and Directors" in the "Corporate Governance Report" on page 64 of this annual report.

Directors' Interests in Contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

Confirmation of Independence from the Independent Non-executive Directors

The Company has received from each of the Independent Non-executive Directors, namely Alan Russell POWRIE, Karel Robert DEN DAAS, WANG Jinsui, YUNG Tse Kwong, Steven and LEE Kong Wai, Conway, the annual confirmation letter of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that the Independent Non-executive Directors have been independent from their respective date of appointment to 31 December 2012 or their respective date of resignation and remain independent as of the date of this annual report.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures

As at 31 December 2012, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or recorded in the register required to be maintained pursuant to Section 352 of Part XV of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the provisions of the Model Code were as follows:

Long positions in the Company

Name of Director	Nature of interest	Class of shares	Number of shares/ share options	Percentage of the total shares issued
Mu Yu	Beneficial owner	Share options *(Note 1)*	97,000 (L) *(Note 2)*	0.0031%
	Beneficial owner	Ordinary shares	1,250,000 (L)	0.04%
Yan Andrew Y	Beneficial owner	Share options *(Note 1)*	532,000 (L)	0.02%
	Beneficial owner	Ordinary shares	22,274,000 (L)	0.71%
Lin Ho-Ping	Beneficial owner	Share options *(Note 1)*	532,000 (L)	0.02%
	Beneficial owner	Ordinary shares	22,274,000 (L)	0.71%

Notes:

(1) Details of the interest in Pre-IPO Share Option Scheme are set out below in the paragraph headed "Pre-IPO Share Option Scheme" and the prospectus of the Company dated 7 May 2010.

(2) (L) represents long position.

Save as disclosed above, as at 31 December 2012, none of the Directors or chief executives of the Company have or are deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notifiable to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or recorded in the register required to be maintained by the Company pursuant to Section 352 of the SFO, or which were notifiable to the Company and the Stock Exchange pursuant to the provisions of the Model Code.

Interests and Short Positions of Substantial Shareholders in the Shares and Underlying Shares

As at 31 December 2012, to the best knowledge of the Directors and chief executives, the following shareholders (other than Directors or chief executives of the Company) had 5% or more interests or short positions in the issued shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Nature of Interest	Class of shares	Number of shares/ share options	Percentage of the total shares issued
Elec-Tech International (H.K.) Company Limited	Beneficial owner	Ordinary shares	260,380,000 (L) *(Note 1)*	8.32%
Elec-Tech International Co., Ltd.	Interest of a controlled corporation	Ordinary shares	260,380,000 (L) *(Note 2)*	8.32%
SB Asia Investment Fund II L.P.	Beneficial owner	Ordinary shares	578,711,000 (L)	18.50%
Wu Changjiang *(Note 3)*	Beneficial owner	Share options *(Note 4)*	30,476,000 (L)	0.97%
	Beneficial owner	Ordinary shares	78,889,000 (L)	2.52%
	Interest of a controlled corporation	Ordinary shares	587,848,992 (L) *(Note 5)*	18.79%
	Interest of a controlled corporation	Ordinary shares	587,429,000 (S) *(Note 5)/(Note 6)*	18.78%
NVC Inc.	Beneficial owner	Ordinary shares	587,848,992 (L)	18.79%
	Beneficial owner	Ordinary shares	587,429,000 (S)	18.78%
Schneider Electric Asia Pacific Limited	Beneficial owner	Ordinary shares	288,371,000 (L)	9.22%
Schneider Electric Industries SAS	Interest of a controlled corporation	Ordinary shares	288,371,000 (L) *(Note 7)*	9.22%
Schneider Electric SA	Interest of a controlled corporation	Ordinary shares	288,371,000 (L) *(Note 7)*	9.22%

Name of shareholder	Nature of Interest	Class of shares	Number of shares/ share options	Percentage of the total shares issued
GS Direct, L.L.C.	Beneficial owner	Ordinary shares	176,851,000 (L)	5.65%
The Goldman Sachs Group, Inc.	Interest of a controlled corporation	Ordinary shares	177,538,000 (L) *(Note 8)*	5.67%
Haitong International Finance Company Limited	Beneficial owner	Ordinary shares	212,445,000 (L)	6.79%
Haitong International (BVI) Limited	Interest of a controlled corporation	Ordinary shares	212,445,000 (L) *(Note 9)*	6.79%
Haitong International Securities Group Limited	Interest of a controlled corporation	Ordinary shares	212,445,000 (L) *(Note 9)*	6.79%

Notes:

(1) (L) represents long position.

(2) These shares were held by Elec-Tech International (H.K.) Company Limited. As Elec-Tech International (H.K.) Company Limited is a wholly-owned subsidiary of Elec-Tech International Co., Ltd., Elec-Tech International Co., Ltd. is deemed to be interested in all these shares.

(3) Mr. Wu Changjiang resigned as the chairman, executive director and chief executive officer of the Company, and resigned from all positions in committees of the Board with effect from 24 May 2012. Mr. Wu Changjiang was appointed as head of the temporary operations committee of the Board as announced by the Company on 4 September 2012. Mr. Wu Changjiang was appointed as the chief executive officer of the Company again with effect from 11 January 2013.

(4) Details of the interest in Pre-IPO Share Option Scheme are set out below in the paragraph headed "Pre-IPO Share Option Scheme" and the prospectus of the Company dated 7 May 2010.

(5) These shares are held by NVC Inc. which is 100% beneficially owned by Mr. Wu Changjiang, and therefore, Mr. Wu Changjiang is deemed to be interested in all these shares.

(6) (S) represents short position.

(7) These shares are held by Schneider Electric Asia Pacific Limited. As Schneider Electric Asia Pacific Limited is a wholly-owned subsidiary of Schneider Electric Industries SAS, which in turn is a wholly-owned subsidiary of Schneider Electric SA, Schneider Electric Industries SAS and Schneider Electric SA are deemed to be interested in these shares.

(8) These shares are held by GS Direct, L.L.C. (176,851,000 shares), Goldman Sachs (Asia) Finance (117,000 shares) and Goldman Sachs International (570,000 shares). As all these companies are held by The Goldman Sachs Group, Inc. directly or indirectly, The Goldman Sachs Group, Inc. is deemed to be interested in the shares held by the aforesaid companies in the Company.

(9) These shares are held by Haitong International Finance Company Limited. As Haitong International Finance Company Limited is a wholly-owned subsidiary of Haitong International (BVI) Limited, which is in turn a wholly-owned subsidiary of Haitong International Securities Group Limited, Haitong International (BVI) Limited and Haitong International Securities Group Limited are deemed to be interested in these shares.

Saved as disclosed above, as at 31 December 2012, so far as the Directors are aware, no other person (except the Directors and chief executive) or corporation had 5% or more interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be maintained by the Company pursuant to Section 336 of the SFO.

Share Option Scheme and Pre-IPO Share Option Scheme

(a) Share Option Scheme

A share option scheme (the "Share Option Scheme") was conditionally approved and adopted at an extraordinary general meeting held on 27 April 2010. The purpose of the Share Option Scheme is to provide the Company with a means of incentivising and retaining employees, and to encourage employees to work towards enhancing the value of the Company and promoting the long-term growth of the Company. This scheme will link the value of the Company with the interests of the participants, enabling participants and the Company to develop together and promoting the Company's corporate culture. The Directors may, at their discretion, invite any Directors (including executive Directors, non-executive Directors and independent non-executive Directors), employees and advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners and service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group to participate in the Share Option Scheme. The period within which the options must be exercised shall be determined by the Directors at the time of grant and such period must expire no later than 10 years from the date when the Board resolves to make the offer of options to the grantees. All outstanding options shall lapse when the grantee is dead or retired, the employment of the grantee ceases or where the grantee is no longer an employee of the Group.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 10% (the Company may refresh the 10% limit in certain conditions) of the aggregate of the shares in issue on the listing date or 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant under the Share Option Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares in issue. Any further grant of options which would result in the number of shares issued as aforesaid exceeding the said 1% limit requires shareholders' prior approval with the relevant participant and his associates abstaining from voting. At the time of grant of the options, our Company may specify any minimum period(s) for which an option must be held before it can be exercised. The Share Option Scheme does not contain any such minimum period.

The subscription price for the Shares under the Option Scheme shall be no less than the highest of (a) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; and (c) the nominal value of a share upon its issue. The amount payable by a grantee on acceptance of a grant of options is US$1.00. Life of the Share Option Scheme is ten years and ends on the date of the tenth anniversary of the adoption of the Share Option Scheme. Further details of the Share Option Scheme are set out in the prospectus of the Company dated 7 May 2010.

During the Reporting Period, no option has been granted under the Share Option Scheme.

(b) Pre-IPO Share Option Scheme

The Company adopted the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") as approved by the Board on 15 October 2006 and amended on 23 December 2009 and 24 March 2010. The purpose of the Pre-IPO Share Option Scheme is to assist the Company in attracting, retaining and motivating key employees, Directors, consultants and strategic suppliers. The Pre-IPO Share Option Scheme was valid and effective for the period of time commencing on 15 October 2006 and expired on the day immediately prior to the date on which dealings commence in the ordinary shares on the Hong Kong Stock Exchange. The Company may at any time amend or terminate the Pre-IPO Share Option Scheme as advised by the Board at its discretion. The termination of the Pre-IPO Share Option Scheme has no effect on the outstanding share options granted under the Pre-IPO Share Option Scheme. Any such outstanding share options shall continue in effect in accordance with their terms and conditions and the terms and conditions of the Pre-IPO Share Option Scheme. The extent to which any eligible person is entitled to be granted options pursuant to the Pre-IPO Share Option Scheme is to be determined in the sole discretion of the Board, provided, however, that the number of shares issued to or reserved for issuance to any one person pursuant to the options and other stock option plans or share compensation arrangements shall not exceed 3% of the number of shares in issue (on a fully-diluted basis), including those shares of the Company which are issuable upon the exercise or conversion of outstanding securities of the Company, including the options previously granted under the Pre-IPO Share Option Scheme and any options granted under other stock options, stock option plans or other share compensation arrangements which the Company may issue or establish in addition to the Pre-IPO Share Option Scheme. The aggregate number of shares subject to the Pre-IPO Share Option Scheme is 240,429,000 shares, representing 8.11% of the issued share capital of the Company following the IPO.

Options have been granted under the Pre-IPO Share Option Scheme and shall expire no later than 10 years from the date the Board resolves to make the offer of options to the grantees. Options granted to grantees under the Pre-IPO Share Option Scheme shall vest immediately to the grantees, or vest to the grantees at a rate not more than 25% of each such grant for each year commencing from the date when the grantees can exercise such options granted to them. The exercise price of these share options was determined by the board of directors with reference to the market value of the Company's ordinary shares and the Company's equity value.

In the event that the Board allows a grantee to exercise an option granted under this Pre-IPO Share Option Scheme by delivering shares previously owned by such grantee and unless otherwise expressly provided by the Board, any shares delivered which were initially acquired by the grantee from the Company (upon exercise of a share option or otherwise) must have been owned by the grantee at least six months as at the date of delivery. The Company will not be obligated to deliver any shares unless and until it receives full payment of the exercise or purchase price therefore and any related withholding obligations and any other conditions to exercise or purchase have been satisfied. Unless otherwise expressly provided, the Board may at any time eliminate or limit a grantee's ability to pay the purchase or exercise price of any option granted under this Pre-IPO Share Option Scheme by any method other than cash payment to the Company. The Board may take all actions necessary to alter the method of option exercise and the exchange and transmittal of proceeds with respect to grantees resident in the PRC not having permanent residence in a country other than the PRC in order to comply with applicable PRC foreign exchange and tax regulations. Further details of the Pre-IPO Share Option Scheme are set out in the prospectus of the Company dated 7 May 2010.

As at 31 December 2012, details of outstanding options granted under the Pre-IPO Share Option Scheme are as follows:

Name of the grantee	Class of shares	Relationship with the Group	Number of Shares outstanding as at 1 January 2012	Number of shares outstanding as at 31 December 2012	Exercise price (HK$ per share)	Date of grant	Expiry date	Percentage of the number of Shares outstanding as at 31 December 2012 to the total shares issued
Wu Changjiang *(Note 1)*	Share options	Shareholder	30,476,000	30,476,000	2.1	24 March 2010	24 March 2015	0.97%
Mu Yu	Share options	Director	97,000	97,000	2.1	24 March 2010	24 March 2016	0.0031%
Yan Andrew Y	Share options	Director	532,000	532,000	2.1	24 March 2010	24 March 2015	0.017%
Lin Ho-Ping	Share options	Director	532,000	532,000	2.1	24 March 2010	24 March 2015	0.017%
GS Direct L.L.C.	Share options	Shareholder	500,000	–	2.1	24 March 2010	24 March 2015	–
Others (including senior management)	Share options	Employees and others	533,000	–	2.1	24 March 2010	24 March 2015	–
			9,600,000	7,150,000	2.1	24 March 2010	24 March 2016	0.23%
			1,000,000	1,000,000	2.1	24 March 2010	25 June 2017	0.032%
			1,000,000	1,000,000	2.1	24 March 2010	8 February 2017	0.032%
			1,000,000	1,000,000	2.1	24 March 2010	31 December 2016	0.032%
Total			45,270,000	41,787,000				1.34%

Note:

1. Mr. Wu Changjiang resigned as the chairman, executive director and chief executive officer of the Company, and resigned from all positions in committees of the Board with effect from 24 May 2012. Mr. Wu Changjiang was appointed as head of the temporary operations committee of the Board as announced by the Company on 4 September 2012. Mr. Wu Changjiang was appointed as the chief executive officer of the Company again with effect from 11 January 2013.

For further details, please refer to note 32 to the financial statements on pages 165 to 168 of the annual report and the prospectus of the Company dated 7 May 2010.

During the Reporting Period, out of the share options granted under the Pre-IPO Share Option Scheme, 500,000 share options were exercised. The exercised share options are as follows:

Exercise date	Number of share options exercised	Exercise price	Average closing price for the five trading days preceding the date of exercise
30 May 2012	500,000	HK$2.1	HK$2.016
Total	500,000		

During the Reporting Period, out of the share options granted under the Pre-IPO Share Option Scheme, 2,983,000 share options lapsed due to the resignation of five employees and one director. The lapsed share options are as follows:

Number of share options lapsed	Exercise price	Date of grant	Expiry date
1,033,000	HK$2.1	24 March 2010	24 March 2015
1,950,000	HK$2.1	24 March 2010	24 March 2016

During the Reporting Period, out of the share options granted under the Pre-IPO Share Option Scheme, none of the share options were cancelled.

Directors' Rights to Acquire Shares or Debentures

Saved as disclosed in sections headed "Share Option Scheme" and "Pre-IPO Share Option Scheme" above, during the Reporting Period, the Company or any of its subsidiaries was not a party to any arrangement which would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate. None of the Directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the shares or debentures of the Company or any other corporate body or had exercised any such right.

Purchase, Sale or Redemption of Shares

During the Reporting Period, the Company repurchased a total of 30,065,000 shares at prices ranging from HK$1.38 to HK$1.90 per share on the Stock Exchange, with an aggregate consideration of approximately HK$47,478,765. All of the repurchased shares were subsequently cancelled by the Company in December 2012, and accordingly the issued share capital of the Company was reduced by the par value of these shares. The premium paid on the repurchase was charged to the share premium account.

Details of the repurchases by the Company on the Stock Exchange during the Reporting Period were as follows:

	Number of Shares Repurchased	Price per share Highest		Total paid
		Highest	Lowest	
		HK$	HK$	HK$
September 2012	21,532,000	1.60	1.38	31,372,243
October 2012	8,533,000	1.90	1.80	16,106,522
	30,065,000			47,478,765

The purchase of the Company's shares during the Reporting Period was effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above and shares issued according to the Pre-IPO share option scheme adopted by the Company which was approved by the Board on 15 October 2006 and amended on 23 December 2009 and 24 March 2010, respectively, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Interests of Directors and Controlling Shareholders in Competing Business

Save for those disclosed by the Company in its prospectus dated 7 May 2010, during the Reporting Period and those disclosed below, none of the Directors or their respective associates (as defined under the Listing Rules) of the Company was interested in any business which competes or is likely to compete with the businesses of the Group.

Subsequent to the reporting year, the Company appointed Mr. Wang Donglei as a Non-executive Director of the Company on 11 January 2013, and as the Chairman of the Board on 3 April 2013. Mr. Wang Donglei holds 90% equity interest in Wuhu Elec-Tech Investment Co., Ltd.* (蕪湖德豪投資有限公司), Wuhu Elec-Tech Investment Co., Ltd.* (蕪湖德豪投資有限公司) in turn holds 21.04% of the shares of Elec-Tech International Co., Ltd., and Elec-Tech International Co., Ltd. in turn holds 8.32% of the shares (260,380,000 shares as at 31 December 2012) of the Company. Mr. Wang is also a director and chairman of Elec-Tech International Co., Ltd.. To the best knowledge of the Company, Elec-Tech International Co,, Ltd. was established on 14 May 1996 with issued capital of RMB1,166.4 million as at 31 December 2012. It was listed on the Shenzhen Stock Exchange in June 2004. Based on the preliminary annual result of Elec-Tech International Co., Ltd. dated 27 February 2013 (unaudited and subject to further adjustment), its operating revenue for the year 2012 is approximately RMB2,823.701 million, its net profit is approximately RMB168.126 million and total assets is approximately RMB9,406.595 million. The principal business of Elec-Tech International Co., Ltd. is production and sale of small household appliances and LED products, while the Group's subsidiaries are principally engaged in the production and sale of lamp products, luminaire products and lighting electronic products, including a variety of LED lamps, luminaires and electrical products. As a result, Mr. Wang Donglei is deemed to be interested, directly or indirectly, in the business that competes or may compete with that of the Company and/or its subsidiaries.

As the board of directors of the Company is independent from the board of directors of Elec-Tech International Co., Ltd. and the above director does not control the board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of Elec-Tech International Co., Ltd.

The Company has received an annual confirmation letter from Mr. Wu Changjiang, in which it is confirmed that Mr. Wu Changjiang and his associates have been in compliance with the provisions of the non-competition deed entered into between the Company and Mr. Wu Changjiang (the "Non-competition Deed").

The Independent Non-executive Directors of the Company have reviewed the compliance with the Non-competition Deed based on information and confirmation provided by Mr. Wu Changjiang and his associates (as defined under the "Listing Rules"), and were satisfied that Mr. Wu Changjiang and his associates have duly complied with the Non-competition Deed.

Controlling Shareholders and Their Pledge of Shares

For the Reporting Period, the Company did not have any controlling shareholder.

Continuing Connected Transactions

During the Reporting Period, the Group had the following continuing connected transactions, which need to be disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Continuing Connected Transactions

The Group has entered into transactions with certain connected persons ("Connected Persons", as defined under Chapter 14A of the Listing Rules), some of which constituted non-exempt continuing connected transactions under the Listing Rules (the "Continuing Connected Transactions"). With respect to those Continuing Connected Transactions, the Stock Exchange has granted a waiver from strict compliance with the announcement requirement under Rule 14A.47 of the Listing Rules and the independent shareholders' approval requirement under Rule 14A.48 of the Listing Rules (where applicable). Further details of these Continuing Connected Transactions are set out below and in the chapter headed "Relationship with Our Largest Shareholder and Founder and Connected Transactions" in the prospectus of the Company dated 7 May 2010 and the Company's announcements dated 24 December 2010, 10 March 2011, 31 May 2011, 27 February 2012 and 20 March 2013.

The Company entered into the renewed framework trademark licensing agreement, renewed framework raw material purchase agreement and renewed framework equipment purchase agreement with the relevant parties and also entered into a framework contract manufacturing agreement with Shandong NVC (an associate of Mr. Wu Changjiang) on 19 December 2012. Further details are disclosed in the announcement of the Company dated 19 December 2012. These renewed framework agreements and the newly entered framework contract manufacturing agreement stipulate the caps on the amounts of continuing connected transactions in the relevant areas for the years of 2013, 2014 and 2015.

Continuing Connected Transactions Exempted from Independent Shareholders' Approval

Framework trademark licensing agreement

We entered into a framework trademark licensing agreement dated 20 April 2010 with Sheng Di Ai Si, Chongqing Enlin and Shandong NVC, which are associates (as defined under the Listing Rules) of Mr. Wu Changjiang, a substantial shareholder (as defined under the Listing Rules) of our Company, pursuant to which we grant to each licensee a non-exclusive and non-transferrable right to use our registered trademarks including "NVC", "雷士", "NVC 雷士" and "光環境專家" in the PRC. The trademark licence fees and consulting fees are 3% of each licensee's sales (including value added tax) of products using licensed trademarks. The term of this framework agreement is three years commencing on the Listing Date or until the expiration date of the licensed trademarks, whichever period is shorter.

The maximum aggregate annual amounts of trademark licence fees receivable by us under the framework trademark licensing agreement for the years ended 31 December 2010, 2011 and 2012 are US$3.27 million, US$4.57 million and US$6.40 million, respectively.

Due to better-than-expected sales of these companies, the actual trademark licence fees charged by the Company to these companies was expected to exceed the annual cap disclosed in the Prospectus dated 7 May 2010, therefore, the Company revised the annual cap related to the trademark licence fees charged to these companies on 24 December 2010 to re-comply with the relevant provisions under Chapter 14A of the Listing Rules and made an announcement accordingly.

During the Reporting Period, the actual amount of trademark licence fees received by us under the framework trademark licensing agreement was RMB15.191 million which did not exceed the revised annual cap.

Framework distribution management agreement

In connection with the framework trademark licensing agreement, in the ordinary course of our business, we entered into a framework distribution management agreement dated 20 April 2010 with Sheng Di Ai Si and Shandong NVC, which are associates (as defined under the Listing Rules) of Mr.Wu Changjiang, a substantial shareholder (as defined under the Listing Rules) of our Company, pursuant to which Sheng Di Ai Si and Shandong NVC sell residential luminaire products produced by them through our distribution network and pay us 6% to 8% of their respective sales through our distribution network as distribution commission. The distribution commission has been agreed following arm's length negotiations and have been reviewed by our non-interested Directors. The term of the framework agreement is three years commencing on the Listing Date. The framework agreement was revised on 31 May 2011 by adding Chongqing Enlin, an associate of Mr.Wu Changjiang, as a counterparty to initiate the management of its products sold through our distribution network. Under this agreement, Chongqing Enlin may sell ancillary products and components through our distribution network and pay us 6% to 8% of its sales through our distribution network as distribution commission.

The maximum aggregate annual amounts of distribution commission receivable by us under the framework distribution management agreement for the years ended 31 December 2010, 2011 and 2012 are US$4.90 million, US$11.30 million and US$15.84 million, respectively.

Due to better-than-expected sales of these companies, the actual distribution commission charged by the Company to these companies was expected to exceed the annual cap disclosed in the prospectus dated 7 May 2010, therefore, the Company revised the annual cap of the distribution commission related to these companies on 24 December 2010 and 31 May 2011 respectively to re-comply with the relevant provisions under Chapter 14A of the Listing Rules and made an announcement accordingly.

During the Reporting Period, the actual amount of distribution commission received by us under the framework distribution management agreement was RMB6.428 million which did not exceed the revised annual cap.

Since April 2012, we have stopped providing our distribution network management for selling their products and ceased to receive distribution commission.

Framework raw material purchase agreement

In the ordinary course of our business, we entered into a framework raw material purchase agreement dated 20 April 2010 with Chang Xin Hardware, which is an associate (as defined under the Listing Rules) of Mr.Wu Changjiang, a substantial shareholder (as defined under the Listing Rules) of our Company, pursuant to which we have agreed to purchase and Chang Xin Hardware agreed to sell (on a non-exclusive basis) raw materials including hardware and lacquer produced by Chang Xin Hardware. Under the framework raw material purchase agreement, the quality, quantity and technical standards of the raw materials delivered by Chang Xin Hardware must meet our requirements. Under the Framework raw material purchase agreement, the prices charged by Chang Xin Hardware will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates. The term of the framework agreement is three years commencing on the Listing Date.

The maximum aggregate annual amounts payable by us to Chang Xin Hardware under the framework raw material purchase agreement for the years ended 31 December 2010, 2011 and 2012 are US$3.07 million, US$3.07 million and US$3.22 million, respectively.

During the Reporting Period, we did not purchase any raw materials from Chang Xin Hardware. Chang Xin Hardware was liquidated during the year ended 31 December 2011, thus was no longer a connected party of the Group during the Reporting Period.

Framework property lease agreement

We entered into a framework property lease agreement dated 20 April 2010 with Zhejiang NVC and Jiangshan Youhe, which are associates (as defined under the Listing Rules) of Mr. Wu Jiannong, a then substantial shareholder (as defined under the Listing Rules) of the Company. Under the framework property lease agreement, the rent we charge will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates. The term of the lease granted under this agreement is 20 years commencing on the Listing Date.

The maximum aggregate annual amounts of rents receivable by us under the framework property lease agreement for the years ended 31 December 2010, 2011 and 2012 are US$0.23 million, US$1.14 million and US$1.60 million respectively.

The actual amount of rents receivable by the Company under the framework property lease agreement exceeded the annual cap disclosed in the prospectus dated 7 May 2010 due to more than expected space rented by these companies from the Company. Therefore, the Company revised the annual caps of rents related to these companies on 10 March 2011 to re-comply with the relevant provisions under Chapter 14A of the Listing Rules and made an announcement accordingly.

During the Reporting Period, the actual amount of rents receivable by us under the framework property lease agreement was RMB6.515 million which did not exceed the revised annual cap.

Framework research and development agreement

We have, in the ordinary course of our business, entered into a framework research and development agreement dated 20 April 2010 with Jiangshan Youhe, which is an associate (as defined under the Listing Rules) of Mr. Wu Jiannong, a then substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which Jiangshan Youhe will develop and produce samples of new equipment for producing fluorescent lamp tubes for us. The term of this framework agreement is three years commencing on the Listing Date.

The maximum aggregate annual amounts of consultation expense for research and development payable by us under the framework research and development agreement for the years ended 31 December 2010, 2011 and 2012 are US$1.46 million, US$1.46 million and US$1.46 million, respectively.

During the Reporting Period, no consultation expense for research and development was payable by us to Jiangshan Youhe under the framework research and development agreement.

Framework transportation service agreement

We entered into a framework transportation service agreement dated 20 April 2010 with Jiangshan Liming, which is an associate (as defined under the Listing Rules) of Mr. Wu Jiannong, a then substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which Jiangshan Liming is responsible for the transportation of goods such as products and recycling packages for Sunny and Jiangshan Phoebus. The term of this framework transportation service agreement is three years commencing on the Listing Date.

The maximum aggregate annual amounts of transportation service fees payable by us under the framework transportation service agreement for the years ended 31 December 2010, 2011 and 2012 are US$1.04 million, US$2.05 million and US$2.90 million, respectively.

Due to better-than-expected sales of the Company, the actual amount of transportation service fees payable by the Company under the framework transportation service agreement exceeded the annual cap disclosed in the prospectus dated 7 May 2010. Therefore, the Company revised the annual cap of the transportation service fees related to Jiangshan Liming on 10 March 2011 to re-comply with the relevant provisions under Chapter 14A of the Listing Rules and made an announcement accordingly.

During the Reporting Period, no transportation service fees were payable by the Company to Jiangshan Liming under the framework transportation service agreement. The 50% shares in Jiangshan Liming held by Zhejiang Tonking Investment Co., Ltd. (in which Mr. Wu Jiannong held 86% equity interest) were transferred to a third party in December 2011, thus Jiangshan Liming was no longer a connected party of the Group during the Reporting Period.

Framework equipment purchase agreement

We entered into a framework equipment purchase agreement dated 20 April 2010 with Hangzhou Tongren and Jiangshan Youhe, which are associates (as defined under the Listing Rules) of Mr. Wu Jiannong, a then substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which we purchase manufacturing equipment and software from these two suppliers. Hangzhou Tongren also provides us with maintenance services in respect of the equipment and software we purchase from them. The term of this framework agreement is three years commencing on the Listing Date.

The maximum aggregate annual amounts payable by us under the framework equipment purchase agreement for the years ended 31 December 2010, 2011 and 2012 are US$5.96 million, US$3.76 million and US$3.76 million, respectively.

During the Reporting Period, the actual amount paid by us under the framework equipment purchase agreement was RMB6.406 million which did not exceed the annual cap.

Framework contract manufacturing agreement

We entered into a framework contract manufacturing agreement dated 20 April 2010 with Chongqing En Wei Xi, which is an associate (as defined under the Listing Rules) of Mr. Wu Changjiang, a substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which Chongqing En Wei Xi, as a contract manufacturer, produces and supplies to us outdoor luminaires based on our design and technical standards and labels those outdoor luminaires with our brands. Under the framework contract manufacturing agreement, the prices charged by Chongqing En Wei Xi will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates. The term of this framework contract manufacturing agreement is three years commencing on the Listing Date. According to this agreement, Chongqing En Wei Xi is not permitted to cooperate with other contract manufacturing clients whose products are identical or similar to ours during the contract period. Chongqing En Wei Xi has been manufacturing the lighting products exclusively for the Group but it is not obliged to do so.

The maximum aggregate annual amounts payable to Chongqing En Wei Xi under the framework contract manufacturing agreement for the years ended 31 December 2010, 2011 and 2012 are US$4.39 million, US$7.70 million and US$19.00 million, respectively.

As the market demand for outdoor luminaires was better than expected, the actual purchase amount payable by us under the framework contract manufacturing agreement exceeded the annual cap as disclosed in our prospectus dated 7 May 2010. As such, the Company revised the relevant annual caps for contractual purchase from such companies on 27 February 2012 to re-comply with the relevant provisions under Chapter 14A of the Listing Rules and made an announcement accordingly.

During the Reporting Period, the actual amount paid by us to Chongqing En Wei Xi under the framework contract manufacturing agreement was RMB8.858 million which did not exceed the revised annual cap.

Supply and demand cooperation agreement

On 13 February 2012, the Company entered into the supply and demand cooperation agreement (the "Agreement") with Chongqing Enlin, pursuant to which Chongqing Enlin shall produce and supply to the Company lights, heater and ventilator for kitchen and bathroom use based on our design and technical standards and label those products with our brands. As Chongqing Enlin is an associate of Mr. Wu Changjiang and Mr. Wu is a substantial shareholder and the chief executive officer of the Company, the transactions under the Agreement therefore constitute continuing connected transactions of the Company. The Agreement has a term of two years, and the purpose of signing of the Agreement by the Company is to enhance our operation efficiency through outsourcing the production of relevant products. The fees charged by Chongqing Enlin were agreed based on arm's length negotiations with reference to the prevailing market rates. For the year ended 31 December 2012, the actual amount of transactions under the Agreement is about RMB27.010 million. During the preparation of the annual financial statements of the Company for the year ended 31 December 2012, the Board noted that the applicable percentages of these transactions are more than 0.1% but less than 5%. The Board took immediate actions to approve, confirm and ratify the transactions under the Agreement and published an announcement according to the requirements of Rule 14A.47 of the Listing Rules on 20 March 2013. Other than the transactions under this Agreement, the Company has complied with the relevant disclosure requirements under Chapter 14A of the Listing Rules.

Non-Exempt Continuing Connected Transactions

Framework raw material purchase agreement

We entered into a framework raw material purchase agreement dated 20 April 2010 with World Bright and Quzhou Aushite, which are associates (as defined under the Listing Rules) of Mr. Wu Jiannong, the then substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which we have agreed to purchase (on a non-exclusive basis) raw materials, i.e. glass tubes from World Bright and phosphor from Quzhou Aushite.

Under the framework raw material purchase agreement, the quality, quantity, technical standards of the raw materials delivered by these suppliers must meet our standards as set out in the sub-contract for each purchase and the prices charged by these suppliers will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates. The term of this framework agreement is three years commencing on the Listing Date.

The maximum aggregate annual amounts payable by us to World Bright and Quzhou Aushite under the framework raw material purchase agreement for the years ended 31 December 2010, 2011 and 2012 are US$14.12 million, US$15.54 million and US$17.09 million, respectively.

During the Reporting Period, the actual amount paid by us to World Bright and Quzhou Aushite under the framework raw material purchase agreement was RMB71.367 million, which did not exceed the annual cap.

Framework finished products purchase agreement

In the ordinary course of our business, we entered into a framework finished products purchase agreement dated 20 April 2010 with Zhejiang NVC, which is our 51%-owned subsidiary and an associate (as defined under the Listing Rules) of Mr. Wu Jiannong, the then substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which we purchase energy-saving lamps that we in turn sell to our customers. This framework agreement was entered into since our Directors are of the view that the prices charged by Zhejiang NVC are competitive. The prices charged by Zhejiang NVC will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates. The term of the framework agreement is three years commencing on the Listing Date.

The maximum aggregate annual amounts payable by us to Zhejiang NVC under the framework finished products purchase agreement for the years ended 31 December 2010, 2011 and 2012 are US$27.31 million, US$40.96 million and US$61.45 million, respectively.

During the Reporting Period, the actual amount payable by us to Zhejiang NVC under the framework finished products purchase agreement was RMB132.177 million, which did not exceed the annual cap.

Framework sale and purchase agreement

In the ordinary course of our business, we entered into a framework sale and purchase agreement dated 20 April 2010 with Zhejiang NVC, which is our 51%-owned subsidiary and an associate (as defined under the Listing Rules) of Mr. Wu Jiannong, the then substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which Zhejiang NVC agreed to purchase (on a non-exclusive basis) semi-finished lamp products produced by Jiangshan Phoebus, Zhangpu Phoebus and Sunny for further processing. Under the framework sale and purchase agreement, the prices charged by Jiangshan Phoebus, Zhangpu Phoebus and Sunny will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates. The term of the framework agreement is three years commencing on the Listing Date.

The maximum aggregate annual amounts receivable by us from Zhejiang NVC under the framework sale and purchase agreement for the years ended 31 December 2010, 2011 and 2012 are US$20.49 million, US$30.74 million and US$46.11 million, respectively.

During the Reporting Period, the actual amount received by us from Zhejiang NVC under the framework sale and purchase agreement was RMB217.885 million, which did not exceed the annual cap.

Pursuant to rule 14A.37 of the Listing Rules, the above Continuing Connected Transactions have been reviewed by the independent non-executive Directors of our Company, who confirmed that these Continuing Connected Transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms no less favourable to us than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of our Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing a conclusion that the continuing connected transactions disclosed by the Group above have no non-compliance with Listing Rule 14A.38, except that the transactions under the supply and demand cooperation agreement was subsequently disclosed and ratified by the Board. A copy of the auditor's letter has been submitted by the Company to the Stock Exchange.

Disclosures pursuant to Rules 13.21 and 13.22 of the Listing Rules

The Board is not aware of any circumstances resulting in the responsibility of disclosure under Rules 13.21 and 13.22 of the Listing Rules.

Contracts of Significance

Saved as the continuing connected transactions disclosed above, no contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted during the Reporting Period or at the end of the Reporting Period.

Remuneration Policy

The Group's remuneration policy is to compensate our employees based on their performance, qualifications and our results of operations.

The emoluments of our directors and senior management are determined by our Remuneration Committee with reference to our results of operations, their individual performance and the comparable market statistics.

The Company was not aware of any arrangement under which a Director has waived or agreed to waive any emoluments. Details of the remuneration of the Directors and the Group's five highest-paid individuals are set out in Note 8 and Note 9 to the financial statements on pages 124 to 127 of this annual report.

Housing Fund and Pension Scheme

According to the relevant PRC laws and regulations, the Group's subsidiaries operating in the PRC are required to participate in the housing fund and the defined contribution retirement plans operated by local governments. Under these plans, the Group is required to pay to the defined contribution plans based on a certain percentage of the remuneration of its employees. The only obligation of the Group with respect to the housing fund and pension scheme is to make the required contributions under the scheme. Contributions made under the housing fund and pension scheme is charged in the income statement as incurred.

The Company may not utilize any forfeited contributions in order to make fewer contributions than the current amounts.

During the Reporting Period, the Group's contributions to the housing fund and pension scheme were RMB68.500 million. Details of the Group's contributions to the housing fund and pension scheme are set out in Note 6, Note 8 and Note 9 to the financial statements.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

Charitable Contributions

During the Reporting Period, the Group made donations of approximately RMB1.175 million.

Major Customers and Suppliers

During the Reporting Period, the revenue to our top five customers and the largest customer accounted for approximately 21.61% and 7.87% of our total revenue respectively. The purchases of goods and services from our top five suppliers and the largest supplier accounted for 8.89% and 2.04% of our total purchases respectively.

None of our Directors or any of their associates or any shareholders (which to the best knowledge of our Directors owned more than 5% of our Company's issued share capital) had a material interest in our top five largest customers or suppliers, except that Quzhou Aushite, one of our top five highest suppliers, is an associate of Mr. Wu Jiannong, currently a subsidiary-level director (who used to be a director and substantial shareholder of the Company), details of which are set out in the section headed "Non-Exempt Continuing Connected Transactions" above.

Compliance with the Code on Corporate Governance Practices and the Code on Corporate Governance

At the end of the year 2011, the Code on Corporate Governance Practices (renamed as the Code on Corporate Governance and Corporate Governance Report upon revision, with effect from 1 April 2012) contained in Appendix 14 of the Listing Rules was revised by the Stock Exchange. During the reporting period from 1 January 2012 to 31 March 2012, the Company had complied with the provisions under the Code before amendment, except for Provision A.2.1 of the Code. During the period from 1 April 2012 to 31 December 2012, the Company had complied with the provisions under the revised Code, except for Provision A.2.1, A.5.1 and E.1.2 of the Code. Please refer to Corporate Governance Report on pages 62 to 73 of this annual report for further details.

Model Code for Securities Transactions

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code during the Reporting Period, the details are set out in the Corporate Governance Report on page 62 of this annual report.

Events after the Reporting Period

Except for those which have been disclosed elsewhere in the financial statements, the Group did not have any other significant event after the Reporting Period.

Auditor

The Financial Statements have been audited by Ernst & Young ("E&Y"), who has remained as our auditor during the past three years. A resolution to re-appoint E&Y as our auditor will be submitted for shareholders' approval at our forthcoming annual general meeting.

By order of the Board
YAN Andrew Y
Chairman

Hong Kong, 27 March 2013

The board of directors ("Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2012.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company has committed to achieving high corporate governance standards.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Code on Corporate Governance Practices, renamed as the Corporate Governance Code and Corporate Governance Report after amendments (the "CG Code"), which was contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Directors are of the opinion that, the Company had complied with the provisions of the principles and codes as set out in the CG Code before amendments during the period from 1 January 2012 to 31 March 2012 in the Reporting Period, except for the Code Provision A.2.1 of the CG Code. The Company had complied with the principles and provisions of the codes as set out in the CG Code after amendments during the period from 1 April 2012 to 31 December 2012, except for the Code Provisions A.2.1, A.5.1 and E.1.2 of the CG Code. The details of deviations are set out in this report separately.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as its code of conduct regarding director's securities transactions, which was set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2012.

The Company has also established written guidelines no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company (the "Employees Written Guidelines").

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

Board Composition

The Board of the Company comprises the following directors:

Executive Directors:	Mr. WU Changjiang *(Resigned on 24 May 2012)* Mr. MU Yu
Non-executive Directors:	Mr. YAN Andrew Y[3] *(Chairman)* Mr. LIN Ho-Ping Mr. ZHU Hai Ms. HUI Ming Yunn, Stephanie *(Resigned on 24 August 2012)* Mr. WANG Donglei[3] *(Appointed on 11January 2013)*
Independent Non-executive Directors:	Mr. Alan Russell POWRIE *(Resigned on 29 August 2012)* Mr. Karel Robert DEN DAAS *(Resigned on 9 August 2012)* Mr. WANG Jinsui Mr. YUNG Tse Kwong, Steven *(Appointed on 8 November 2012)* Mr. LEE Kong Wai, Conway *(Appointed on 28 November 2012)*

The biographical information of the directors are set out in the section headed "Directors and Senior Management" on pages 32 to 38 of the annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

As the duties of Chairman of the Company and Chief Executive Officer of the Company had been performed by Mr. Wu Changjiang until 24 May 2012, the Company deviated from the CG Code for the period from 1 January 2012 to 24 May 2012. However, Mr. Wu Changjiang resigned as the Chairman, Executive Director and Chief Executive Officer of the Company, and resigned from all positions in committees of the Board with effect from 24 May 2012. Since then, the roles of the Chairman and Chief Executive have been separated and the requirement under the Code Provision A.2.1 of the CG Code has been complied with. Following the resignation of Mr. Wu Changjiang, Mr. Yan Andrew Y[3] holds the position of Chairman of the Company. Mr. Zhang Kaipeng takes the place of Mr. Wu Changjiang for the position of Chief Executive Officer of the Company. As of 25 November 2012, Mr. Zhang Kaipeng resigned as the Chief Executive Officer of the Company, and Mr. Wu Changjiang was appointed again as the Chief Executive Officer of the Company with effect from 11 January 2013. At of the date of this report, the positions of Chairman and Chief Executive Officer are held by Mr. Yan Andrew Y[3] and Mr. Wu Changjiang respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

3 Mr. YAN Andrew Y resigned as Chairman, Non-executive Director and from all the positions held in the Board committee, of the Company on 3 April 2013. Mr. WANG Donglei was appointed as the Chairman of the Company on the same day.

Independent Non-executive Directors

As Mr. Karel Robert Den Daas and Mr. Alan Russell Powrie have resigned as Independent Non-executive Directors of the Company with effect from 9 August 2012 and 29 August 2012 respectively, the number and qualifications of Independent Non-executive Directors in the Board have not been in compliance with the requirement of Rule 3.10 and Rule 3.10A of the Listing Rules. Following the aforesaid resignation of Independent Non-executive Directors, the Company has only one Independent Non-executive Director with no appropriate professional qualifications or accounting or related financial management expertise. Thereafter, the Board appointed Mr. Yung Tse Kwong, Steven and Mr. Lee Kong Wai, Conway as Independent Non-executive Directors of the Company with effect from 8 November 2012 and 28 November 2012 respectively. Since then, the Board has again met the requirements of Rule 3.10 and Rule 3.10A of the Listing Rules i.e. the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

Re-election of Non-executive Directors and Directors

Code provision A.4.1 of the CG Code stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 of the CG Code states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's articles of association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Executive Director of the Company has entered into a service contract with the Company for an initial term of three years commencing from 20 May 2010 (the "Listing Date") unless terminated by not less than three months' notice in writing served by either the Executive Director or the Company. Each of Mr. Yan Andrew Y (Non-executive Director), Mr. Lin Ho-Ping (Non-executive Director) and Mr. Wang Jinsui (Independent Non-executive Director) has signed an appointment letter with the Company for a term of three years with effect from the Listing Date. Each of Mr. Zhu Hai (Non-executive Director), Mr. Wang Donglei (Non-executive Director), Mr. Yung Tse Kwong, Steven (Independent Non-executive Director) and Mr. Lee Kong Wai, Conway (Independent Non-executive Director) has signed an appointment letter with the Company for a term of three years with effect from their respective date of appointment. The above appointments are subject to the provisions of retirement and rotation of directors under the Company's articles of association.

In accordance with Clause 84(1) of the Company's Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years and in accordance with Clause 83(3) of the Articles of Association, any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Accordingly, the Non-executive Director Mr. WANG Donglei, Independent Non-executive Directors Mr. YUNG Tse Kwong, Steven and Mr. LEE Kong Wai, Conway will be subject to re-election on the forthcoming 2012 annual general meeting. None of the Directors who are proposed for re-election or any other Directors of the Company has a service contract with us that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board make decisions objectively in the interests of the Company.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to entering into any significant transactions by the abovementioned officers.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG code on continuous professional development during the year ended 31 December 2012:

	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
Name of Director	**Read Materials**	**Attend Seminars/ Briefings**	**Read Materials**	**Attend Seminars/ Briefings**
Executive Directors				
WU Changjiang *(Note)*		✓		
MU Yu		✓		
Non-Executive Directors				
YAN Andrew Y	✓	✓	✓	
LIN Ho-Ping		✓		
HUI Ming Yunn, Stephanie *(Note)*		✓		
ZHU Hai		✓		
Independent Non-Executive Directors				
Alan Russell POWRIE *(Note)*		✓		
Karel Robert DEN DAAS *(Note)*		✓		
WANG Jinsui		✓		
YUNG Tse Kwong, Steven *(Note)*		✓		
LEE Kong Wai, Conway *(Note)*	✓	✓	✓	

Note:

Mr. WU Changjiang resigned on 24 May 2012.
Ms. HUI Ming Yunn, Stephanie resigned on 24 August 2012.
Mr. Alan Russell POWRIE resigned on 29 August 2012.
Mr. Karel Robert DEN DAAS resigned on 9 August 2012.
Mr. YUNG Tse Kwong, Steven was appointed on 8 November 2012.
Mr. LEE Kong Wai, Conway was appointed on 28 November 2012.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of the Remuneration Committee, Audit Committee and Nomination Committee are Independent Non-executive Directors.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Reporting Period, the Audit Committee held four meetings to review annual and interim financial results and reports in respect of the year ended 31 December 2011 and the interim period ended 30 June 2012 as well as significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors.

Rule 3.21 of the Listing Rules requires the Audit Committee to comprise a minimum of three members with Independent Non-executive Directors in majority and at least one member with appropriate professional qualifications or accounting or related financial management expertise.

During the year ended 31 December 2012, Mr. Karel Robert Den Daas and Mr. Alan Russell Powrie have resigned as Independent Non-executive Directors with effect from 9 August 2012 and 29 August 2012 respectively, therefore, were no longer a member and Chairman of the Audit Committee. Their resignations resulted in the Company's non-compliance with the requirements of Rule 3.10, Rule 3.10A and Rule 3.21 of the Listing Rules. Thereafter, the Board has appointed Mr. Yung Tse Kwong, Steven and Mr. Lee Kong Wai, Conway as Independent Non-executive Directors of the Company with effect from 8 November 2012 and 28 November 2012 respectively. They also participated in the Audit Committee. Accordingly, the Company is in compliance with the requirements of Rule 3.10, Rule 3.10A and Rule 3.21 of the Listing Rules again. At present, the Audit Committee has three members who are all Independent Non-executive Directors, namely Mr. Wang Jinsui, Mr. Yung Tse Kwong, Steven and Mr. Lee Kong Wai, Conway. Mr. Lee Kong Wai, Conway has been appointed as the Chairman of the Audit Committee.

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

The Remuneration Committee adopted the model set out in item (ii) under the Code Provision B.1.2(c) of the CG Code, i.e., making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management.

The Remuneration Committee met once during the year ended 31 December 2012 to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Executive Directors and senior management and other related matters.

Rule 3.25 of the Listing Rules requires an issuer to establish a Remuneration Committee chaired by Independent Non-executive Director and comprising a majority of Independent Non-executive Directors.

During the year ended 31 December 2012, Mr. Karel Robert Den Daas and Mr. Alan Russell Powrie have resigned as Independent Non-executive Directors with effect from 9 August 2012 and 29 August 2012 respectively, therefore, were no longer the Chairman and member of the Remuneration Committee. Their resignations resulted in the Company's non-compliance with the requirement of Rule 3.25 of the Listing Rules. Thereafter, the Board has appointed Mr. Yung Tse Kwong, Steven and Mr. Lee Kong Wai, Conway as Independent Non-executive Directors of the Company with effect from 8 November 2012 and 28 November 2012 respectively. They also participated in the Remuneration Committee. Accordingly, the Company is in compliance with the requirement of Rule 3.25 of the Listing Rules again. In addition, Mr. Wang Jinsui was appointed as the Chairman of the Remuneration Committee on 8 November 2012. As of the date of this report, the Remuneration Committee has five members, namely Mr. Yan Andrew Y[4], Mr. Zhu Hai, Mr. Wang Jinsui, Mr. Yung Tse Kwong, Steven and Mr. Lee Kong Wai, Conway. Mr. Wang Jinsui is the Chairman of the Remuneration Committee.

In addition to the information about remuneration disclosed in Note 8 and Note 9 to the financial statements on pages 124 to 127 of the annual report, the remuneration of the senior management of the Company other than the directors and chief executives falls in the following bands:

	Number of Members of Senior Management
Nil to HK$1,000,000 *(note 1)*	4
HK$1,000,001 to HK$1,500,000	3
HK$1,500,001 to HK$2,000,000	–
Over HK$2,000,000	1

Note 1: Two members of the senior management resigned during the Reporting Period.

4 Mr. YAN Andrew Y resigned as Chairman, Non-executive Director and from all positions in the Board Committee of the Company on 3 April 2013.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors.

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations.

The Nomination Committee met once during the year ended 31 December 2012 to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the Annual General Meeting.

Code Provision A.5.1 of the CG Code requires an issuer to establish a Nomination Committee chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

During the year ended 31 December 2012, Mr. Karel Robert Den Daas and Mr. Alan Russell Powrie have resigned as Independent Non-executive Directors with effect from 9 August 2012 and 29 August 2012 respectively, therefore, were no longer the members of the Nomination Committee. Their resignations resulted in the Company's non-compliance with the requirement of Code Provision A.5.1 of the CG Code. Thereafter, the Board has appointed Mr. Yung Tse Kwong, Steven and Mr. Lee Kong Wai, Conway as Independent Non-executive Directors of the Company with effect from 8 November 2012 and 28 November 2012 respectively. Mr. Yung Tse Kwong, Steven has also participated in the Nomination Committee. Accordingly, the Company is in compliance with the requirement of Code Provision A.5.1 of the CG Code again. In addition, Mr. Wang Jinsui resigned as the chairman of the Nomination Committee on 8 November 2012, but will remain as the member of the Nomination Committee. At present, the Nomination Committee has three members, namely Mr. Lin Ho-Ping, Mr. Wang Jinsui and Mr. Yung Tse Kwong, Steven. Mr. Yung Tse Kwong, Steven has been appointed as the chairman of the Nomination Committee.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

During the Reporting Period, the Company has held the Board meetings for nine times in total. The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2012 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**Annual General Meeting**
Mr. WU Changjiang *(Note)*	3/4				
Mr. MU Yu	9/9				1/1
Mr. YAN Andrew Y *(Chairman)*	9/9		0/1		0/1
Mr. LIN Ho-Ping	8/9	1/1			1/1
Ms. HUI Ming Yunn, Stephanie *(Note)*	7/7				0/1
Mr. ZHU Hai	8/9*		1/1		0/1
Mr. Alan Russell POWRIE *(Note)*	8/8	1/1	1/1	3/4	1/1
Mr. Karel Robert DEN DAAS *(Note)*	6/7	1/1	1/1	2/4	1/1
Mr. WANG Jinsui	9/9	1/1	1/1	4/4	1/1
Mr. YUNG Tse Kwong, Steven *(Note)*	1/1	0/0	0/0	1/1	
Mr. LEE Kong Wai, Conway *(Note)*	1/1	0/0	0/0	1/1	

Note:

Mr. WU Changjiang resigned on 24 May 2012.

Ms. HUI Ming Yunn, Stephanie resigned on 24 August 2012.

Mr. Alan Russell POWRIE resigned on 29 August 2012.

Mr. Karel Robert DEN DAAS resigned on 9 August 2012.

Mr. YUNG Tse Kwong, Steven was appointed on 8 November 2012 and joined the Remuneration Committee and Audit Committee on 8 November 2012.

Mr. LEE Kong Wai, Conway was appointed on 28 November 2012 and jointed the Audit Committee on 28 November 2012.

Remark:

* The Board Meeting held on 16 May 2012 was attended by Mr. Philip TANG, proxy for Mr. ZHU Hai.

The Chairman of the Board of the Company, Mr. Yan Andrew Y, did not attend the shareholders' annual general meeting held on 19 June 2012 as he was not in Hong Kong, resulting in the Company's non-compliance with the requirement under the Code Provision E.1.2 of the CG Code.

Apart from regular Board meetings, the Chairman also held a meeting with the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors during the year.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2012.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in "Independent Auditors' Report" on pages 74 to 75.

AUDITOR'S REMUNERATION

During the Reporting Period, the remuneration paid to the external auditor of the Company in respect of audit services amounted to RMB3,800,000. The external auditor did not provide any non-audit services for us.

INTERNAL CONTROLS

During the year under review, the Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

COMPANY SECRETARY

Ms. Lo Yee Har Susan and Ms. Kam Mei Ha Wendy of Tricor Services Limited, external service provider, have been engaged by the Company as its joint company secretaries. Their primary contact person at the Company is Mr. Tan Ying, vice-president and Chief Financial Officer of the Company.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors. Pursuant to the Listing Rules, all resolutions put forward at shareholders' meetings will be voted on by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholders' meeting.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Company's Articles of Association, an extraordinary general meetings may be convened by the Board upon requisition of one or more shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of the deposit of the requisition, the Board fails to proceed to convene such EGM, the requisitionist(s) himself (themselves) may do so in the same manner, while all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The requisitionist(s) must state the objects clearly in the requisition, sign the requisition and deposit the same to the Board or the Secretary or the primary contact person of the Company.

Putting Forward Proposals at General Meetings

There are no provisions allowing shareholders to put forward new resolutions at the annual general meetings under the Cayman Islands Companies Law (2012 Revision) or the Articles of Association of the Company. However, shareholders who wish to put forward proposals at general meetings may by means of convening an extraordinary general meeting following the procedures set out above.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquires to the Company.

Note: The Company normally will not deal with verbal or anonymous enquires.

Primary Contact Person

Shareholders may send their requisitions, proposed resolutions for the general meeting or enquiries to the Board as mentioned above to the primary contact person of the Company as set out below:

Name: the Chairman of NVC Lighting

Address: Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong

Fax: (852) 2262 7841

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and for investors' understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board as well as chairman of Remuneration Committee, Audit Committee and Nomination Committee and, in their absence, other members of the respective committees will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

However, the Chairman of the Board of the Company, Mr. Yan Andrew Y, was unable to attend the last annual general meeting held on 19 June 2012 as he was not in Hong Kong, resulting in the Company's non-compliance with the requirement under the Code Provision E.1.2 of the CG Code. The Chairman of the Board and chairman of each Committee will use their best endeavours to attend all future shareholders' meetings of the Company.

During the Reporting Period, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

To promote effective communication, the Company maintains a website at www.nvc-lighting.com.cn, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

GOING CONCERN

There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern.

By order of the Board
YAN Andrew Y
Chairman

Hong Kong
27 March 2013

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安 永

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To the shareholders of NVC Lighting Holding Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of NVC Lighting Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 76 to 184, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made 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 about whether the consolidated financial statements are free from material misstatement.

Auditors' responsibility *(continued)*

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 auditors' judgement, 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. 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 affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

27 March 2013

Consolidated Income Statement

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
REVENUE	5	**3,546,036**	3,797,998
Cost of sales		**(2,784,689)**	(2,823,912)
Gross profit		**761,347**	974,086
Other income and gains	5	**159,858**	150,486
Selling and distribution costs		**(254,092)**	(241,280)
Administrative expenses		**(315,580)**	(247,627)
Other expenses		**(231,429)**	(7,062)
Finance costs	7	**(4,677)**	(3,233)
Share of profits of an associate		**1,054**	753
PROFIT BEFORE TAX	6	**116,481**	626,123
Income tax expense	10	**(67,937)**	(52,092)
PROFIT FOR THE YEAR		**48,544**	574,031
Attributable to:			
Owners of the parent	11	**8,416**	547,835
Non-controlling interests		**40,128**	26,196
		48,544	574,031
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	13	**0.27 cents**	17.56 cents
Diluted	13	**0.27 cents**	17.28 cents

Details of the dividends proposed for the year ended 31 December 2012 are disclosed in note 12 to the financial statements.

	Note	2012 RMB'000	2011 RMB'000 (Restated)
PROFIT FOR THE YEAR		**48,544**	574,031
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**(1,132)**	(54,635)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**47,412**	519,396
Attributable to:			
Owners of the parent	11	**7,284**	493,200
Non-controlling interests		**40,128**	26,196
		47,412	519,396

Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**842,756**	821,590
Prepaid land lease payments	15	**52,202**	68,560
Goodwill	17	**21,161**	231,287
Other intangible assets	18	**307,069**	349,030
Investment in an associate	20	**6,362**	5,308
Deferred tax assets	30	**42,451**	30,026
Long-term deferred expenditure		**–**	350
Prepayments for purchase of property, plant and equipment	23	**23,331**	28,959
Total non-current assets		**1,295,332**	1,535,110
CURRENT ASSETS			
Inventories	21	**698,400**	702,480
Trade and bills receivables	22	**818,890**	884,874
Prepayments, deposits and other receivables	23	**94,005**	190,424
Other current assets	24	**16,079**	9,301
Short-term deposits	25	**379,233**	478,579
Cash and cash equivalents	25	**1,214,744**	786,012
		3,221,351	3,051,670
Non-current assets classified as held for sale	16	**17,606**	17,606
Total current assets		**3,238,957**	3,069,276
CURRENT LIABILITIES			
Trade payables	26	**431,606**	385,781
Other payables and accruals	27	**282,523**	223,769
Interest-bearing loans and borrowings	28	**94,387**	40,920
Government grants	29	**6,208**	109,690
Income tax payable		**24,975**	20,279
Total current liabilities		**839,699**	780,439
NET CURRENT ASSETS		**2,399,258**	2,288,837
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,694,590**	3,823,947

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	Notes	2012 RMB'000	2011 RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Government grants	29	**15,841**	22,049
Deferred tax liabilities	30	**96,016**	90,145
Total non-current liabilities		**111,857**	112,194
Net assets		**3,582,733**	3,711,753
EQUITY			
Equity attributable to owners of the parent			
Issued capital	31	**2**	2
Reserves	33	**3,473,648**	3,566,740
Proposed final dividend	12	**38,051**	89,607
		3,511,701	3,656,349
Non-controlling interests		**71,032**	55,404
Total equity		**3,582,733**	3,711,753

Yan Andrew Y
Director

Mu Yu
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

	Attributable to owners of the parent										
	Issued capital RMB'000 *(Restated)* (note 31)	Share premium RMB'000 *(Restated)* (note 33)	Shareholders' contribution RMB'000 *(Restated)* (note 33)	Statutory reserve RMB'000 *(Restated)* (note 33)	Employee equity benefit reserve RMB'000 *(Restated)* (note 33)	Foreign currency translation reserve RMB'000 *(Restated)* (note 33)	Retained profits RMB'000 *(Restated)* (note 33)	Proposed final dividend RMB'000 *(Restated)*	Total RMB'000 *(Restated)*	Non-controlling interests RMB'000 *(Restated)*	Total equity RMB'000 *(Restated)*
At 1 January 2011	2	2,175,799	6,416	66,235	14,118	(32,255)	957,036	78,221	3,265,572	25,049	3,290,621
Profit for the year	–	–	–	–	–	–	547,835	–	547,835	26,196	574,031
Other comprehensive income:											
Exchange differences on translation of foreign operations	–	–	–	–	–	(54,635)	–	–	(54,635)	–	(54,635)
Total comprehensive income for the year	–	–	–	–	–	(54,635)	547,835	–	493,200	26,196	519,396
Transfer to statutory reserve	–	–	–	18,688	–	–	(18,688)	–	–	–	–
Acquisition of non-controlling interest	–	(4,159)	–	–	–	–	–	–	(4,159)	4,159	–
Exercise of share options	–	43,094	–	–	(6,474)	–	–	–	36,620	–	36,620
Employee share option arrangements *(note 32)*	–	–	–	–	5,301	–	–	–	5,301	–	5,301
Adjustment to final 2010 dividend declared	–	2,289	–	–	–	–	–	(78,221)	(75,932)	–	(75,932)
Interim 2011 dividend *(note 12)*	–	(65,536)	–	–	–	–	–	–	(65,536)	–	(65,536)
Proposed final 2011 dividend *(note 12)*	–	(89,607)	–	–	–	–	–	89,607	–	–	–
Other	–	1,283	–	–	–	–	–	–	1,283	–	1,283
At 31 December 2011	2	2,063,163	6,416	84,923	12,945	(86,890)	1,486,183	89,607	3,656,349	55,404	3,711,753

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	Attributable to owners of the parent										
	Issued capital RMB'000 (note 31)	Share premium RMB'000 (note 33)	Shareholders' contribution RMB'000 (note 33)	Statutory reserve RMB'000 (note 33)	Employee equity benefit reserve RMB'000 (note 33)	Foreign currency translation reserve RMB'000 (note 33)	Retained profits RMB'000 (note 33)	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	2	2,063,163	6,416	84,923	12,945	(86,890)	1,486,183	89,607	3,656,349	55,404	3,711,753
Profit for the year	–	–	–	–	–	–	8,416	–	8,416	40,128	48,544
Other comprehensive income:											
Exchange differences on translation of foreign operations	–	–	–	–	–	(1,132)	–	–	(1,132)	–	(1,132)
Total comprehensive income for the year	–	–	–	–	–	(1,132)	8,416	–	7,284	40,128	47,412
Transfer to statutory reserve	–	–	–	950	–	–	(950)	–	–	–	–
Repurchase of shares	–	(39,009)	–	–	–	–	–	–	(39,009)	–	(39,009)
Exercise of share options	–	986	–	–	(137)	–	–	–	849	–	849
Employee share option arrangements *(note 32)*	–	–	–	–	1,800	–	–	–	1,800	–	1,800
Dividend paid to a non-controlling shareholder	–	–	–	–	–	–	–	–	–	(24,500)	(24,500)
Adjustment to final 2011 dividend declared	–	(172)	–	–	–	–	–	(89,607)	(89,779)	–	(89,779)
Interim 2012 dividend *(note 12)*	–	(25,793)	–	–	–	–	–	–	(25,793)	–	(25,793)
Proposed final 2012 dividend *(note 12)*	–	(38,051)	–	–	–	–	–	38,051	–	–	–
At 31 December 2012	2	1,961,124	6,416	85,873	14,608	(88,022)	1,493,649	38,051	3,511,701	71,032	3,582,733

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**116,481**	626,123
Adjustments for:			
Finance income	5	**(20,010)**	(21,021)
Finance costs	7	**4,677**	3,233
Share of profits of an associate	20	**(1,054)**	(753)
Loss on disposal of items of property, plant and equipment	6	**4,956**	924
Depreciation of items of property, plant and equipment	6	**95,389**	73,080
Amortisation of prepaid land lease payments	15	**2,139**	2,731
Amortisation of other intangible assets	18	**27,391**	24,970
Amortisation of long-term deferred expenditure	6	**350**	71
Impairment of property, plant and equipment	6	**949**	2,158
Impairment of trade receivables, other receivables and prepayments		**32,114**	4,498
Write-down of inventories to net realisable value	6	**16,494**	11,678
Impairment of other intangible assets	6	**15,895**	–
Impairment of goodwill	6	**210,126**	–
Government grants released to the income statement	29	**(46,422)**	(20,370)
Compensation for production halts, machinery relocation and installation	5	**(33,286)**	(459)
Gain on disposal of items of property, plant and equipment in relocation	5	**(13,986)**	–
Exchange gain, net	5	**(11,034)**	(11,059)
Equity-settled share option expense		**1,800**	5,301
		402,969	701,105
Increase in inventories		**(8,848)**	(263,959)
Decrease/(increase) in trade and bills receivables		**67,188**	(159,821)
Decrease/(increase) in other receivables and prepayments		**65,934**	(79,457)
(Increase)/decrease in other current assets		**(6,778)**	3,220
Increase in trade payables		**45,201**	46,522
Increase/(decrease) in other payables and accruals		**63,852**	(53,369)
Receipt of government grants	29	**59,564**	39,222
Cash generated from operations		**689,082**	233,463
Income tax paid		**(69,913)**	(76,818)
Net cash flows from operating activities		**619,169**	156,645

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	Notes	2012 RMB'000	2011 RMB'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**19,418**	18,896
Proceeds from disposal of items of property, plant and equipment		**280**	3,249
Purchases of items of property, plant and equipment		**(176,686)**	(427,573)
Payment for acquisition of land use rights	15	**–**	(3,421)
Additions to other intangible assets	18	**(1,328)**	(23,460)
Proceeds from sales of other intangible assets		**3**	–
Acquisition of a subsidiary		**–**	(2,000)
Receipt of government grants	29	**–**	5,264
Decrease/(increase) in short-time deposits	25	**99,278**	(82,216)
Net cash flows used in investing activities		**(59,035)**	(511,261)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options	32	**849**	36,620
Dividend paid to a non-controlling shareholder		**(24,500)**	–
Dividends paid		**(118,955)**	(141,539)
Repurchase of shares		**(39,009)**	–
New bank loans	28	**162,589**	40,920
Repayment of bank loans	28	**(109,351)**	–
Interest paid	7	**(4,677)**	(3,233)
Net cash flows used in financing activities		**(133,054)**	(67,232)
Net increase/(decrease) in cash and cash equivalents		**427,080**	(421,848)
Cash and cash equivalents at beginning of year		**786,012**	1,210,404
Effect of foreign exchange rate changes, net		**1,652**	(2,544)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,214,744**	786,012
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**1,124,861**	786,012
Non-pledged time deposits with original maturity of less than three months when acquired	25	**89,883**	–
Cash and cash equivalents as stated in the statement of financial position		**1,214,744**	786,012
Bank overdraft	28	**(14,387)**	(1,469)
Cash and cash equivalents as stated in the statement of cash flows		**1,200,357**	784,543

Statement of Financial Position

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**3,109**	–
Investments in subsidiaries	19	**736,514**	738,319
Total non-current assets		**739,623**	738,319
CURRENT ASSETS			
Due from subsidiaries	19	**268,326**	517,093
Other receivables and prepayments	23	**6,765**	5,547
Short-term deposits	25	**355,998**	428,901
Cash and cash equivalents	25	**217,924**	67,146
Total current assets		**849,013**	1,018,687
CURRENT LIABILITIES			
Due to subsidiaries	19	**47,839**	44,720
Other payables and accruals	27	**3,384**	3,830
Total current liabilities		**51,223**	48,550
NET CURRENT ASSETS		**797,790**	970,137
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,537,413**	1,708,456
Net assets		**1,537,413**	1,708,456
EQUITY			
Issued capital	31	**2**	2
Reserves	33	**1,499,360**	1,618,847
Proposed final dividend	12	**38,051**	89,607
Total equity		**1,537,413**	1,708,456

Yan Andrew Y
Director

Mu Yu
Director

1. Corporate Information

NVC Lighting Holding Limited (the "Company") was incorporated in the territory of the British Virgin Islands (the "BVI") as a limited liability company on 2 March 2006 and was redomiciled to the Cayman Islands on 30 March 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Level 28, Three Pacific Place, 1 Queen' s Road East, Hong Kong. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited.

The Company's substantial shareholders included NVC Inc., a company incorporated in the BVI and wholly owned by Mr. Wu Changjiang, SB Asia Investment Fund II L.P., Schneider Electric Asia Pacific Limited, Elec-Tech International Co., Ltd, Haitong International Securities Group Limited and GS Direct, L.L.C., which owned 18.79%, 18.50%, 9.22%, 8.32%, 6.79% and 5.65% equity interests in the Company, respectively, as at 31 December 2012.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the manufacture and sale of lamps, luminaires, lighting electronic products and related products.

The Company has subsidiaries in mainland China, Hong Kong, and the United Kingdom (the "UK").

The consolidated financial statements for the year ended 31 December 2012 are presented in Renminbi ("RMB"), which is different from the presentation currency of the consolidated financial statements for the year ended 31 December 2011 of United States dollars ("US$"). These financial statements are presented in RMB because management considers that a substantial majority of the Group's transactions are denominated in RMB and the Group primarily generates and expends cash in RMB. Accordingly, the change of presentation currency from US$ to RMB presents reliable and more relevant information about the Group's transaction. The comparative amounts to these consolidated financial statements have been adjusted to achieve comparability with the current year. The change of presentation currency and restatement of the comparative amounts from US$ to RMB had no material impact on the Group's consolidated financial statements for the years presented.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value. The consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

2.1 Basis of Preparation *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 Changes in Accounting Policy and Disclosures

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures -Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of amendments to IFRS 7, the adoption of the revised IFRSs has had no significant financial effect on these financial statements.

The IFRS 7 Amendments require additional disclosures about financial assets that have been transferred but not derecognised to enable users of the Group's financial statements to understand the relationship of those assets that have not been derecognised with their associated liabilities. In addition, the amendments require disclosures about the entity's continuing involvement in derecognised assets to enable users to evaluate the nature of, and risks associated with, such involvement.

2.3 Issued but not yet Effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities*[3]
IFRS 13	*Fair Value Measurement*[2]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
IAS 19 Amendments	*Employee Benefits*[2]
IAS 27 (Revised)	*Separate Financial Statements*[2]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	*Amendments to a number of IFRSs issued in May 2012*[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

2.3 Issued but not yet Effective International Financial Reporting Standards *(continued)*

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The Group expects to adopt the amendments from 1 January 2013.

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgment to determine which entities are controlled, compared with the requirements in IAS 27 and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12.

2.3 Issued but not yet Effective International Financial Reporting Standards *(continued)*

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contribution by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In June 2012, the IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12 which clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC 12 at the beginning of the annual period in which IFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

The amendments to IFRS 10 issued in October 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, IAS 27 (Revised), IAS 28 (Revised) and the subsequent amendments to these standards issued in June and October 2012 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

The IAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

2.3 Issued but not yet Effective International Financial Reporting Standards *(continued)*

The IAS 19 Amendments include a number of amendments that range from fundamental changes to simple clarifications and re-wording. The amendments introduce significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt the IAS 19 Amendments from 1 January 2013.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

Those amendments that are expected to have a significant impact on the Group's policies are as follows:

– IAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

– IAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Associate

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associate is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in an associate and is not individually tested for impairment.

The result of the associate is included in the Company's income statement to the extent of dividends received and receivable. The Company's investment in the associate is treated as non-current asset and is stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value, which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations and goodwill *(continued)*

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 Summary of Significant Accounting Policies *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person
  (i) has control or joint control over the Group;
  (ii) has significant influence over the Group; or
  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:
  (i) the entity and the Group are members of the same group;
  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  (iii) the entity and the Group are joint ventures of the same third party;
  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 Summary of Significant Accounting Policies *(continued)*

Property, plant and equipment *(continued)*

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	18 to 40 years
Leasehold improvements	5 years
Plant, machinery and equipment	3 to 10 years
Furniture and fixtures	2 to 5 years
Motor vehicles	4 to 8 years
Decoration expenditures	3 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 Summary of Significant Accounting Policies *(continued)*

Prepaid land lease payments

Prepaid land lease payments represent prepayments for acquiring rights to use land in Mainland China for 46 to 50 years. Land use rights granted are recognised initially at acquisition cost. Land use rights of the Group are held for its own use. They are stated at cost, less accumulated amortisation and any impairment losses. Amortisation is charged to the income statement on the straight-line basis over the period of the land use rights.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life on the straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment at least annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Computer software

Computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives ranging from five to ten years.

2.4 Summary of Significant Accounting Policies *(continued)*

Intangible assets (other than goodwill) *(continued)*

Customer relationships

Contractual customer relationships are stated at cost and are amortised on the straight-line basis over their estimated useful lives ranging from six months to five years.

Trademarks

Trademarks are accounted for as intangible assets with indefinite useful lives and are not amortised. They are stated at cost less any impairment provision.

Patents

The patents were granted for a period of 10 years by the relevant government agency with the option of renewal at the end of this period. Patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five to ten years.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project; and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to ten years, commencing from the date when the products are put into commercial production.

2.4 Summary of Significant Accounting Policies *(continued)*

Intangible assets (other than goodwill) *(continued)*

In-process research and development projects ("IPR&D projects")

IPR&D projects acquired from a business combination are initially recognised at fair value. Subsequent to the initial recognition, any subsequent expenditure incurred after the acquisition of the projects is accounted for as follows:

- Recognised as an expense when incurred if it is research expenditure;
- Recognised as an expense when incurred if it is development expenditure that does not satisfy the criteria for recognition as a development cost as described above;
- Added to the carrying amount of the acquired IPR&D projects if it is development expenditure that satisfies the recognition criteria for recognition as a development cost as described above.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. The Group had no financial leases during the current year or the prior year.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on the classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under IAS 39 are satisfied. The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold then to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

The Group had no held-to-maturity financial investments during the years ended 31 December 2012 and 2011.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments *(continued)*

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest earned whilst holding the available-for-sale financial investments are reported as interest income and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

The Group had no available-for-sale financial investments during the years ended 31 December 2012 and 2011.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost *(continued)*

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and interest-bearing bank loans and borrowings.

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.4 Summary of Significant Accounting Policies *(continued)*

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

The Group did not have any derivative financial instruments as at 31 December 2012.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 Summary of Significant Accounting Policies *(continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred income tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

Deferred income tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 Summary of Significant Accounting Policies *(continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Where the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary asset and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following basis:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer, usually on despatch of the goods, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

Interest income

Interest income is recognised on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Rental income

Rental income arising from operating leases is recognised on the straight-line basis over the lease terms.

Royalty income

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair values of share options are determined by management using the Black-Scholes valuation model (the "BS" model), or a binomial option pricing model, where appropriate.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 Summary of Significant Accounting Policies *(continued)*

Share-based payments *(continued)*

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Defined contribution plan for the People's Republic of China (the "PRC") employees

Pursuant to the relevant PRC laws and regulations, the employees of the Group's subsidiaries operating in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group's subsidiaries operating in Mainland China are required to contribute a certain percentage of the salaries of their employees to the central pension scheme. The only obligation of the Group with respect to the central pension scheme is to pay the ongoing required contributions. Contributions are charged to the income statement when they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 Summary of Significant Accounting Policies *(continued)*

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

(a) where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(b) receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of share premium within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currency translation

As disclosed in note 1 to the consolidated financial statements, the consolidated financial statements are presented in RMB, which is different from the Company's functional currency of US$. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are recognised in the income statement.

2.4 Summary of Significant Accounting Policies *(continued)*

Foreign currency translation *(continued)*

Differences arising on settlement or translation of monetary items are recognised in the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and certain subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve, a separate component of equity. On disposal of a subsidiary with a functional currency other than RMB, the component of other comprehensive income relating to that particular subsidiary is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and certain subsidiaries, whose functional currencies are not RMB, are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and certain subsidiaries, whose functional currencies are not RMB, which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the consolidated financial statements:

Non-current assets held for sale

On 19 December 2011, the board of directors resolved to sell the land and buildings of Zhangpu Phoebus Lighting Co., Ltd. ("Zhangpu Phoebus") with an aggregate carrying amount of RMB17,606,000. The board of directors considered the subsidiary met the criteria for classifying as held for sale at 19 December 2011 for the following reasons:

– The land and buildings are available for immediate sale and can be sold to any potential buyer in their current condition;

– The board of directors had a plan to sell and had entered into preliminary negotiations with a potential buyer. Should negotiations with this party not be successful in making a sale, a number of other potential buyers have been identified; and

– The board of directors expects negotiations to be finalised and the sale to be completed in one year.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Corporate income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty *(continued)*

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are set out in note 30 to the financial statements.

Recognition of a deferred tax liability for withholding taxes

The PRC New Corporate Income Tax Law, which became effective on 1 January 2008, states that the distribution of dividends by a foreign-invested enterprise established in Mainland China to its foreign investors, from its earnings after 31 December 2007, shall be subject to withholding corporate income taxes at a rate of 10%. The Group carefully evaluates the necessity of dividend distribution of its PRC subsidiaries out of profits earned after 31 December 2007 and makes decisions on such dividend distribution based on the senior management's judgement. Details are set out in note 30 to the financial statements.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rate and the expected period of benefits.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2012 was RMB21,161,000 (2011: RMB231,287,000). Further details are given in note 17 to the financial statements.

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty *(continued)*

Impairment of non-financial assets other than goodwill

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumption to be applied in preparing cash flow projection including whether these cash flow projections are discounted using appropriate rates. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test significantly.

Impairment provision for trade and other receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

Recognition of share-based compensation costs

As further disclosed in note 32 to the financial statements, the Company has granted share options to its employees. The directors have used the BS Model or a binomial option pricing model, where appropriate, to determine the total fair value of the options granted, which is expensed over the vesting period. Significant estimates, such as the risk-free rate, dividend yield, expected volatility and expected life of options, are required to be made by the directors as the parameters for applying the option pricing model. The Company engaged Jones Lang Lasalle ("Jones Lang"), an independent qualified appraiser, to perform an appraisal of the fair value of the Company's share options granted during the year ended 31 December 2010.

The grant of equity instruments might be conditional upon satisfying specified vesting conditions, mainly including the service period. Significant management judgement is required to take into account the vesting conditions and adjust the number of equity instruments included in the measurement of share-based compensation costs. Determining the number of equity instruments that eventually vest requires management to make assumptions regarding the profit forecast and likelihood of successful initial public offering, and hence it is subject to uncertainty.

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty *(continued)*

Useful lives of other intangible assets

The Group determines the estimated useful lives for its intangible assets based on their best estimate on the expected future cash flows from the assets. The useful lives of the Group's trademarks were estimated to be indefinite. Intangible assets with indefinite useful lives are tested for impairment at least annually and at other times when such an indication exists. Further details are set out in note 18 to the financial statements.

4. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) Lamp products segment

Lamp products represent a range of light bulbs and tubes for compact fluorescent lamps, high intensity discharge ("HID") lamps, fluorescent lamps, halogen lamps and light emitting diode ("LED") lamps;

(b) Luminaire products segment

Luminaire products represent a complete lighting unit that consists of a lighting fixture, a lamp (namely the light source such as a light bulb or tube) and a lighting electronic device. The luminaire products are sold as complete lighting units or units without lamps and lighting electronics, based on the need of end customers; and

(c) Lighting electronic products segment

Lighting electronic products represent electronic transformers, electronic and inductive ballasts for fluorescent and HID lamps, and HID ballast boxes.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on gross profit of reportable segments, which is a measure of normal gross profit without adjustments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. Operating Segment Information *(continued)*

	2012				
	Lamp products RMB'000	Luminaire products RMB'000	Lighting electronic products RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:					
Sales to external customers	1,311,542	1,940,435	294,059	–	3,546,036
Intersegment sales	88,454	–	90,864	(179,318)	–
Total revenue	1,399,996	1,940,435	384,923	(179,318)	3,546,036
Segment results	256,457	456,036	59,378	–	771,871
Elimination of intersegment results	(4,444)	–	(6,080)	–	(10,524)
Results derived from external customers	252,013	456,036	53,298	–	761,347
Finance income					20,010
Unallocated income:					
Government grants					46,422
Compensation for production halts, machinery relocation and installation					33,286
Gain on disposal of items of property, plant and equipment in relocation					13,986
Trademark licence fees					15,268
Distribution commission					6,430
Gain on sales of scrap materials					2,617
Compensation income claimed from suppliers					3,844
Rental income					2,176
Exchange gain, net					11,034
Others					4,785
					139,848
Unallocated expenses:					
Advertising and promotion expenses					(68,326)
Freight					(84,501)
Loss on disposal of items of property, plant and equipment					(4,956)
Donations					(1,175)
Research and development expenses, excluding the amortisation of deferred expenditures					(70,029)
Staff costs					(144,766)
Amortisation and depreciation					(52,348)
Impairment of trade receivables, prepayments and other receivables					(32,114)
Impairment of goodwill and other intangible assets					(221,997)
Equity-settled share option expense					(1,800)
Other unallocated head office and corporate expenses					(119,089)
					(801,101)
Finance costs					(4,677)
Share of profits of an associate					1,054

4. Operating Segment Information *(continued)*

	2012				
	Lamp products RMB'000	Luminaire products RMB'000	Lighting electronic products RMB'000	Eliminations RMB'000	Consolidated RMB'000
Profit before tax					116,481
Income tax expense					(67,937)
Profit for the year					48,544
Impairment loss of trade receivables and prepayments	870	25,269	–		26,139
Unallocated impairment loss/(reversal of impairment loss) of other receivables associated with head office and corporate assets					5,975
Total impairment loss of trade and other receivables and prepayments					32,114
Impairment loss of property, plant and equipment	(949)	–	–		(949)
Write-down of inventories to net realisable value	6,331	8,816	1,347		16,494
Depreciation and amortisation	58,809	37,964	5,846		102,619
Unallocated depreciation and amortisation associated with head office and corporate assets					23,586
Total depreciation and amortisation					126,205

4. Operating Segment Information *(continued)*

	2011				
	Lamp products RMB'000 *(Restated)*	Luminaire products RMB'000 *(Restated)*	Lighting electronic products RMB'000 *(Restated)*	Eliminations RMB'000 *(Restated)*	Consolidated RMB'000 *(Restated)*
Segment revenue:					
Sales to external customers	1,268,612	2,148,782	380,604	–	3,797,998
Intersegment sales	118,950	–	82,659	(201,609)	–
Total revenue	1,387,562	2,148,782	463,263	(201,609)	3,797,998
Segment results	412,642	544,653	66,861	–	1,024,156
Elimination of intersegment results	(45,467)	–	(4,603)	–	(50,070)
Results derived from external customers	367,175	544,653	62,258	–	974,086
Finance income					21,021
Unallocated income:					
Government grants					20,370
Compensation for production halts, machinery relocation and installation					459
Trademark licence fees					25,488
Distribution commission					51,280
Gain on sales of scrap materials					4,558
Rental income					3,069
Exchange gain, net					11,059
Others					13,182
					129,465
Unallocated expenses:					
Advertising and promotion expenses					(76,798)
Freight					(85,730)
Loss on disposal of items of property, plant and equipment					(924)
Loss on disposal of scrap materials					(2,693)
Donations					(1,083)
Research and development expenses, excluding the amortisation of deferred expenditures					(61,237)
Staff costs					(108,882)
Amortisation and depreciation					(43,859)
Equity-settled share option expense					(5,301)
Other unallocated head office and corporate expenses					(109,462)
					(495,969)
Finance costs					(3,233)
Share of profits of an associate					753

4. Operating Segment Information *(continued)*

	2011				
	Lamp products RMB'000 *(Restated)*	Luminaire products RMB'000 *(Restated)*	Lighting electronic products RMB'000 *(Restated)*	Eliminations RMB'000 *(Restated)*	Consolidated RMB'000 *(Restated)*
Profit before tax					626,123
Income tax expense					(52,092)
Profit for the year					574,031
Impairment loss of trade receivables	635	3,646	715		4,996
Unallocated impairment loss/(reversal of impairment loss) of other receivables associated with head office and corporate assets					(498)
Total impairment loss of trade and other receivables					4,498
Write-down of inventories to net realisable value	6,427	3,550	1,701		11,678
Depreciation and amortisation	52,906	30,699	5,756		89,361
Unallocated depreciation and amortisation associated with head office and corporate assets					13,251
Total depreciation and amortisation					102,612

4. Operating Segment Information *(continued)*

Geographical information

	2012		
	Mainland China RMB'000	**Overseas RMB'000**	**Consolidated RMB'000**
Revenue			
Sales to external customers	**3,319,086**	**226,950**	**3,546,036**
Non-current assets*	**1,192,310**	**60,571**	**1,252,881**

	2011		
	Mainland China RMB'000 *(Restated)*	Overseas RMB'000 *(Restated)*	Consolidated RMB'000 *(Restated)*
Revenue			
Sales to external customers	3,614,763	183,235	3,797,998
Non-current assets*	1,448,237	56,847	1,505,084

The above revenue information is based on the locations of the customers.

* Non-current assets for this purpose consist of property, plant and equipment, prepaid land lease payments, goodwill, other intangible assets, investment in an associate, long-term deferred expenditure and prepayments for purchase of property, plant and equipment.

Information about major customers

No revenue derived from sales to a single customer of the Group amounted to 10% or more of the Group's total revenue for the year ended 31 December 2012 (2011: None).

5. Revenue, Other Income and Gains

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	Notes	**2012** **RMB'000**	2011 RMB'000 *(Restated)*
Revenue			
Sales of goods		**3,546,036**	3,797,998
Other income			
Government grants	*(a)*	**46,422**	20,370
Compensation for production halts, machinery relocation and installation *(note 14)*		**33,286**	459
Trademark licence fees	*(b)*	**15,268**	25,488
Distribution commission	*(b)*	**6,430**	51,280
Bank interest income		**19,751**	20,760
Other interest income		**259**	261
Rental income		**2,176**	3,069
Others		**8,629**	13,182
		132,221	134,869
Gains			
Exchange gain, net		**11,034**	11,059
Gain on disposal of items of property, plant and equipment in relocation *(note 14)*		**13,986**	–
Gain on sales of scrap materials		**2,617**	4,558
		27,637	15,617
		159,858	150,486

Notes:

(a) Various government grants have been received by the Group's PRC subsidiaries to encourage export sales, research and development activities, recruitment of local workers and expansion of production capacity of energy-saving lamps. Government grants for which expenditure has not been undertaken and those associated with assets are recognised as deferred income in the statement of financial position (note 29).

(b) In the current year, the Group licensed the "NVC" trademark to a limited number of related companies at 3% of the related companies' sales as trademark licence fees and charged distribution commission to a limited number of related companies for their products sold through the Group's distribution network at 6% to 8% of the relevant sales. Since 1 April 2012, the Group has stopped providing its distribution network for selling products of related parties, accordingly no distribution commission has been recorded since then. Details of the related party transactions are set out in note 37 to the financial statements.

6. Profit Before Tax

The Group's profit before tax is arrived at after charging:

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
Cost of inventories sold		**2,768,195**	2,812,234
Depreciation		**95,389**	73,080
Amortisation of computer software, customer relationships and patents*	18	**21,711**	21,412
Research and development costs:			
Deferred expenditure amortised*	18	**5,680**	3,558
Current year expenditure		**70,029**	61,237
Less: Government grants released**		**(5,832)**	(919)
		64,197	60,318
		69,877	63,876
Impairment of goodwill***	17	**210,126**	–
Impairment of other intangible assets	18	**15,895**	–
Impairment of property, plant and equipment	14	**949**	2,158
Minimum lease payments		**15,532**	18,363
Amortisation of prepaid land lease payments	15	**2,139**	2,731
Amortisation of long-term deferred expenditure		**350**	71
Auditors' remuneration		**3,800**	3,352
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*:			
Wages and salaries		**404,711**	356,929
Equity-settled share option expense		**840**	1,410
Pension scheme contributions (defined contribution scheme)		**53,863**	34,863
Housing funds' contributions		**14,543**	12,724
Other welfare expenses		**29,406**	26,824
		503,363	432,750
Impairment of trade receivables	22	**1,952**	4,996
Impairment/(reversal of impairment) of prepayments and other receivables	23	**30,162**	(498)
Write-down of inventories to net realisable value	21	**16,494**	11,678
Bank interest income	5	**(19,751)**	(20,760)
Loss on disposal of items of property, plant and equipment		**4,956**	924

* The amortisation of computer software, customer relationships and patents and the amortisation of deferred development costs for the year are included in "Cost of sales" and "Administrative expenses" in the consolidated income statement.

** Various government grants have been received for setting up research activities in Guangdong Province, Mainland China, to support the development of energy-saving products and LED products. The government grants released have been deducted from the research and development costs to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in government grants in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

*** The impairment of goodwill is included in "Other expenses" in the consolidated income statement.

7. Finance Costs

An analysis of finance costs is as follows:

	2012 RMB'000	2011 RMB'000 (Restated)
Interest on bank loans	**4,144**	1,352
Other interest expenses	**533**	1,881
	4,677	3,233

8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2012 RMB'000	2011 RMB'000 (Restated)
Fees	**1,623**	1,745
Other emoluments:		
Salaries, allowances and benefits in kind	**2,762**	2,971
Performance-related bonuses*	**1,882**	1,510
Equity-settled share option expense	**960**	3,891
Pension scheme contributions	**94**	119
	5,698	8,491
	7,321	10,236

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2012 RMB'000	2011 RMB'000 (Restated)
Mr. Karel Robert den Daas[1]	**162**	248
Mr. Alan Russell Powrie[1]	**188**	290
Mr. Wang Jinsui	**275**	248
Mr. Yung Tse Kwong, Steven (appointed on 8 November 2012)	**60**	–
Mr. Lee Kong Wai, Conway (appointed on 28 November 2012)	**38**	–
	723	786

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

8. Directors' and Chief Executive's Remuneration *(continued)*

(b) Executive directors, non-executive directors and the chief executive

	2012					
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:						
Mr. Wu Changjiang[2]	–	1,141	1,680	925	28	3,774
Mr. Mu Yu	–	992	202	3	36	1,233
	–	2,133	1,882	928	64	5,007
Non-executive directors:						
Mr. Yan Andrew Y	254	–	–	16	–	270
Ms. Hui Ming Yunn, Stephanie[1]	158	–	–	–	–	158
Mr. Lin Ho-Ping, Brandon	244	–	–	16	–	260
Mr. Zhu Hai	244	–	–	–	–	244
	900	–	–	32	–	932
Chief executive						
Mr. Zhang Kaipeng[3]	–	629	–	–	30	659
	900	2,762	1,882	960	94	6,598

8. Directors' and Chief Executive's Remuneration *(continued)*

(b) Executive directors, non-executive directors and the chief executive *(continued)*

	2011					
	Fees RMB'000 *(Restated)*	Salaries, allowances and benefits in kind RMB'000 *(Restated)*	Performance-related bonuses RMB'000 *(Restated)*	Equity-settled share option expense RMB'000 *(Restated)*	Pension scheme contributions RMB'000 *(Restated)*	Total RMB'000 *(Restated)*
Executive directors:						
Mr. Wu Changjiang[2]	–	1,583	1,000	3,687	28	6,298
Mr. Wu Jiannong	–	421	330	–	63	814
Mr. Mu Yu	–	967	180	12	28	1,187
	–	2,971	1,510	3,699	119	8,299
Non-executive directors:						
Mr. Xia Lei	124	–	–	64	–	188
Mr. Yan Andrew Y	290	–	–	64	–	354
Ms. Hui Ming Yunn, Stephanie[1]	248	–	–	–	–	248
Mr. Lin Ho-Ping, Brandon	248	–	–	64	–	312
Mr. Zhu Hai	49	–	–	–	–	49
	959	–	–	192	–	1,151
	959	2,971	1,510	3,891	119	9,450

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

1 Mr. Karel Robert den Daas, Mr. Alan Russell Powrie and Ms. Hui Ming Yunn, Stephanie resigned as directors of the Company on 9 August 2012, 29 August 2012 and 24 August 2012, respectively.

2 Mr. Wu Changjiang resigned as a director and the chief executive of the Company on 24 May 2012 and was reappointed as the chief executive of the Company on 11 January 2013.

3 Mr. Zhang Kaipeng was appointed as the chief executive of the Company on 24 May 2012 and resigned on 25 November 2012.

9. Five Highest Paid Employees

The five highest paid employees during the year included two directors (2011: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2011: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2012 RMB'000	2011 RMB'000 *(Restated)*
Salaries, allowances and benefits in kind	**3,194**	3,554
Performance-related bonuses	**655**	855
Pension scheme contributions	**56**	126
	3,905	4,535

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2012	2011
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**–**	3
Over HK$2,000,000	**1**	–
	3	3

10. Income Tax

The Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies within the Group are domiciled and operate. No provision for Hong Kong profits tax or UK corporation income tax has been made as the Group has no assessable profits arising in Hong Kong or the UK during the year ended 31 December 2012 (2011: Nil).

	2012	2011
	RMB'000	RMB'000
		(Restated)
Group:		
Current – Mainland China:		
Charge for the year	**74,373**	79,335
Underprovision/(overprovision) in prior years	**236**	(4,354)
Deferred	**(6,672)**	(22,889)
Total tax charge for the year	**67,937**	52,092

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory rates to the effective tax rates, are as follows:

Group – 2012

	Mainland China		Others		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	130,824		(14,343)		116,481	
Tax at the statutory tax rates	32,706	25.0	228	(1.6)	32,934	28.3
Tax exemption	(1,729)	(1.3)	–	–	(1,729)	(1.5)
Lower tax rates enacted by local authority	(33,120)	(25.3)	–	–	(33,120)	(28.4)
Income not subject to tax	(263)	(0.2)	–	–	(263)	(0.2)
Expenses not deductible for tax	62,676	47.9	147	(1.0)	62,823	53.9
Adjustments in respect to current income tax of previous years	246	0.2	(10)	0.1	236	0.2
Effect on opening deferred tax of change in tax rates	7,056	5.4	–	–	7,056	6.1
Tax charge at the Group's effective rate	67,572	51.7	365	(2.5)	67,937	58.4

10. Income Tax *(continued)*

Group – 2011

	Mainland China		Others		Total	
	RMB'000 *(Restated)*	%	RMB'000 *(Restated)*	%	RMB'000 *(Restated)*	%
Profit before tax	604,528		21,595		626,123	
Tax at the statutory tax rates	151,132	25.0	896	4.1	152,028	24.3
Tax exemption	(19,540)	(3.2)	–	–	(19,540)	(3.1)
Lower tax rates enacted by local authority	(63,048)	(10.4)	–	–	(63,048)	(10.1)
Income not subject to tax	(6,638)	(1.1)	–	–	(6,638)	(1.1)
Expenses not deductible for tax	5,367	0.9	–	–	5,367	0.9
Adjustments in respect to current income tax of previous years	(4,354)	(0.7)	–	–	(4,354)	(0.7)
Tax losses utilised from previous periods	–	–	(896)	(4.1)	(896)	(0.1)
Accumulated tax losses recognised in the current year	–	–	(3,792)	(17.6)	(3,792)	(0.6)
Effect on opening deferred tax of change in tax rates	(7,035)	(1.2)	–	–	(7,035)	(1.1)
Tax charge at the Group's effective rate	55,884	9.3	(3,792)	(17.6)	52,092	8.4

The Company's subsidiaries located in Mainland China are subject to enterprise income tax ("EIT") at the statutory tax rate of 25%.

10. Income Tax *(continued)*

Pursuant to the then effective PRC income tax laws and regulations, foreign-invested enterprises that were engaged in manufacturing activities with an operation period of over 10 years were eligible to apply for a two-year EIT exemption followed by a three-year 50% EIT reduction holiday. In accordance with the approval from the relevant tax authorities, the Group's PRC subsidiaries including Huizhou NVC Lighting Technology Co., Ltd. ("Huizhou NVC"), Chongqing NVC Lighting Co., Ltd. ("Chongqing NVC"), Jiangshan Phoebus Lighting Electron Co., Ltd. ("Jiangshan Phoebus"), Zhangpu Phoebus and Shanghai Arcata Electronics Co., Ltd. ("Shanghai Arcata") enjoyed the above tax holiday starting from 2006, 2007, 2007, 2007 and 2008, respectively. Chongqing NVC, a subsidiary located in the west of China, was recognised as a western development enterprise by the local tax authority in 2009 and is entitled to the preferential tax rate of 15% from 2009 to 2020 according to a local tax policy on western development issued in 2011. Zhejiang Jiangshan Sunny Electron Co., Ltd. ("Sunny"), Jiangshan Phoebus and Huizhou NVC were all recognised as high-tech enterprises by the PRC tax authority and entitled a preferential tax rate of 15% for three years starting from year 2008, 2011 and 2009, respectively. Sunny extended effective period of high-tech enterprise from years 2011 to 2013. Huizhou NVC has not obtained the high-tech enterprise certificate yet upon the expiry on 31 December 2011. A summary of the applicable tax rates for the Group's PRC subsidiaries is set out below:

	2012	2011
Huizhou NVC	**25%**	15%
Chongqing NVC	**15%**	7.5%
Zhejiang NVC Lamps Co., Ltd. ("Zhejiang NVC")	**25%**	25%
Jiangshan Phoebus	**15%**	12.5%
Zhangpu Phoebus	**25%**	12.5%
Sunny	**15%**	15%
Shanghai Arcata	**12.5%**	12.5%
NVC Lighting (Chongqing) Co., Ltd. ("Chongqing Lighting")	*	N/A

* Chongqing Lighting has not started normal operation by the reporting date of the consolidated financial statements.

11. Profit Attributable to Owners of the Parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2012 included a loss of RMB15,646,000 (2011: profit of RMB13,168,000) which has been dealt with in the financial statements of the Company (note 33).

12. Dividends

	2012	2011
	RMB'000	RMB'000
		(Restated)
Interim – HK1 cent (2011: HK2.5 cents) per ordinary share	**25,793**	65,536
Proposed final – HK1.5 cents (2011: HK3.5 cents) per ordinary share	**38,051**	89,607
	63,844	155,143

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 3,150,396,000 (2011: 3,120,083,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2012 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

13. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent *(continued)*

The calculations of basic and diluted earnings per share are based on:

	2012 RMB'000	2011 RMB'000 *(Restated)*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**8,416**	547,835

	Number of shares 2012 '000	 2011 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,150,396**	3,120,083
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	49,380
	3,150,396	3,169,463

14. Property, Plant and Equipment

Group

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Decoration expenditures RMB'000	Total RMB'000
31 December 2012								
At 31 December 2011 and at 1 January 2012:								
Cost	376,893	32,798	421,378	39,377	28,174	98,047	8,758	1,005,425
Accumulated depreciation and impairment	(38,562)	(14,717)	(97,262)	(21,016)	(9,285)	–	(2,993)	(183,835)
Net carrying amount	338,331	18,081	324,116	18,361	18,889	98,047	5,765	821,590
At 1 January 2012, net of accumulated depreciation	338,331	18,081	324,116	18,361	18,889	98,047	5,765	821,590
Additions	1,242	6,653	81,256	6,431	6,391	79,110	–	181,083
Impairment	–	–	(949)	–	–	–	–	(949)
Depreciation provided during the year	(12,489)	(7,499)	(61,493)	(6,742)	(5,183)	–	(2,919)	(96,325)
Disposals	(55,228)	–	(9,313)	(257)	(481)	(23)	–	(65,302)
Transfers	89,205	–	37,115	888	–	(127,208)	–	–
Exchange realignment	2,463	49	36	67	44	–	–	2,659
At 31 December 2012, net of accumulated depreciation and impairment	363,524	17,284	370,768	18,748	19,660	49,926	2,846	842,756
At 31 December 2012:								
Cost	398,052	39,534	525,210	45,830	35,457	49,926	8,758	1,102,767
Accumulated depreciation and impairment	(34,528)	(22,250)	(154,442)	(27,082)	(15,797)	–	(5,912)	(260,011)
Net carrying amount	363,524	17,284	370,768	18,748	19,660	49,926	2,846	842,756

14. Property, Plant and Equipment *(continued)*

Group

	Buildings RMB'000 *(Restated)*	Leasehold improvements RMB'000 *(Restated)*	Plant and machinery RMB'000 *(Restated)*	Furniture and fixtures RMB'000 *(Restated)*	Motor vehicles RMB'000 *(Restated)*	Construction in progress RMB'000 *(Restated)*	Decoration expenditures RMB'000 *(Restated)*	Total RMB'000 *(Restated)*
31 December 2011								
At 31 December 2010 and at 1 January 2011:								
Cost	243,677	27,414	275,980	40,253	21,389	74,745	8,758	692,216
Accumulated depreciation	(29,870)	(8,723)	(62,849)	(23,184)	(6,115)	–	(74)	(130,815)
Net carrying amount	213,807	18,691	213,131	17,069	15,274	74,745	8,684	561,401
At 1 January 2011, net of accumulated depreciation	213,807	18,691	213,131	17,069	15,274	74,745	8,684	561,401
Additions	57,281	5,929	113,647	8,297	8,817	162,824	–	356,795
Assets held for sale	(11,483)	(251)	–	–	–	–	–	(11,734)
Impairment	–	–	(1,945)	(185)	(28)	–	–	(2,158)
Depreciation provided during the year	(11,338)	(6,263)	(42,475)	(6,644)	(5,200)	–	(2,919)	(74,839)
Disposals	–	–	(2,557)	(282)	(262)	(1,072)	–	(4,173)
Transfers	93,531	–	44,365	180	374	(138,450)	–	–
Exchange realignment	(3,467)	(25)	(50)	(74)	(86)	–	–	(3,702)
At 31 December 2011, net of accumulated depreciation and impairment	338,331	18,081	324,116	18,361	18,889	98,047	5,765	821,590
At 31 December 2011:								
Cost	376,893	32,798	421,378	39,377	28,174	98,047	8,758	1,005,425
Accumulated depreciation and impairment	(38,562)	(14,717)	(97,262)	(21,016)	(9,285)	–	(2,993)	(183,835)
Net carrying amount	338,331	18,081	324,116	18,361	18,889	98,047	5,765	821,590

14. Property, Plant and Equipment *(continued)*

As a consequence of the Jiangshan city landscaping plan, the Group was required to relocate its production centre in Jiangshan City to Jiangshan Economic Development Zone (the "Relocation"). The Group entered into relocation and compensation agreements with the local government in September 2009, pursuant to which the local government agreed to pay the Group a total amount of RMB123 million to compensate the Group for the Relocation. Compensation amount for land, buildings and equipment was determined based on the land and property valuation reports issued by a PRC independent appraiser dated 24 March 2009 and 10 April 2009, respectively, and compensation for production halts and machinery relocation and installation was determined with reference to local relocation compensation standard and total square of relocation area. Out of the total agreed compensation, RMB103 million has been received, and the remaining relocation compensation of RMB20 million would be paid no later than 30 June 2013.

On 30 July 2012, the existing land use rights and buildings with attached machinery and equipment in the original site of the Group's production centre in Jiangshan City were returned to the local government. As at 30 July 2012, the carrying amounts of the relevant buildings, the attached machinery and equipment and land use rights disposed of were RMB54,814,000, RMB5,252,000 and RMB15,494,000, respectively, with a total compensation amount of RMB89,546,000.

Company

	Motor vehicle RMB'000
31 December 2012	
At 1 January 2012, net of accumulated depreciation	**–**
Additions	**3,262**
Depreciation provided during the year	**(153)**
At 31 December 2012, net of accumulated depreciation	**3,109**
At 31 December 2012:	
Cost	**3,262**
Accumulated depreciation	**(153)**
Net carrying amount	**3,109**

15. Prepaid Land Lease Payments

	Group 2012 RMB'000	Group 2011 RMB'000 (Restated)
Carrying amount at 1 January	**71,149**	76,331
Additions	**–**	3,421
Disposals*	**(15,494)**	–
Recognised during the year	**(2,139)**	(2,731)
Assets held for sale *(note 16)*	**–**	(5,872)
Carrying amount at 31 December	**53,516**	71,149
Current portion included in prepayments, deposits and other receivables *(note 23)*	**(1,314)**	(2,589)
Non-current portion	**52,202**	68,560

The leasehold lands are situated in Mainland China, and are held under medium-term leases ranging from 46 to 50 years.

* On 30 July 2012, land use rights with a carrying amount of RMB15,494,000 was disposed of upon completion of the Relocation as detailed in note 14 to the financial statements.

16. Non-Current Assets Classified as Held for Sale

In 2011, the board of directors resolved to dissolve Zhangpu Phoebus and, on 19 December 2011, resolved to sell the land and buildings of Zhangpu Phoebus. Zhangpu Phoebus produced energy-saving lamps and shared the same customer base with Sunny and Jiangshan Phoebus. The Group decided to cease the operations of Zhangpu Phoebus and transfer its business to Sunny and Jiangshan Phoebus. As at 31 December 2012, negotiations for the sale of the land and buildings were still in progress and the land and buildings of Zhangpu Phoebus with carrying amounts set out below were classified as non-current assets held for sale.

	2012 **RMB'000**	2011 RMB'000 *(Restated)*
Non-current assets		
Property, plant and equipment	**11,734**	11,734
Prepaid land lease payments	**5,872**	5,872
	17,606	17,606

The non-current assets belong to the lamp products segment. The fair values of the non-current assets held for sale have been appraised by a PRC independent appraiser and the fair values are in excess of the above carrying amounts.

17. Goodwill

Group

	2012 **RMB'000**	2011 RMB'000 *(Restated)*
At 1 January		
Cost	**231,287**	231,287
Accumulated impairment	**(210,126)**	–
Net carrying amount	**21,161**	231,287
Cost at 1 January, net of accumulated impairment	**231,287**	231,287
Impairment during the year	**(210,126)**	–
At 31 December	**21,161**	231,287

17. Goodwill *(continued)*

Impairment testing of goodwill

Except for the insignificant goodwill acquired from the business combination of Huizhou Huixin Hardware Co., Ltd, goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

Lamp products cash-generating unit in Sunny and Jiangshan Pheobus

The carrying amount of goodwill allocated to the lamp products cash-generating unit in Sunny and Jiangshan Pheobus amounted to nil as at 31 December 2012 (2011: RMB210,126,000).

The recoverable amount of the lamp products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 17.93% (2011: 23.02%). The growth rate used to extrapolate the cash flows of the lamp products unit beyond the five-year period is 2% (2011: 2%) which was the same as the long term average growth rate of the lighting industry. The projected cash flows have been updated to reflect the decreased demand for products. As a result of this analysis, management has recognised an impairment charge of RMB210,126,000 (2011: Nil) which is recorded in other expenses in the consolidated income statement during the year ended 31 December 2012.

Lighting electronic products cash-generating unit in Shanghai Arcata

The carrying amount of goodwill allocated to the lighting electronic products cash-generating unit in Shanghai Arcata amounted to RMB7,369,000 as at 31 December 2012 (2011: RMB7,369,000).

The recoverable amount of the electronic products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 20.08% (2011: 21.14%). The growth rate used to extrapolate the cash flows of the electronic products unit beyond the five-year period is 2% (2011: 2%) which was the same as the long term average growth rate of the lighting industry.

As at 31 December 2012, the value in use of the cash-generating unit exceeded its carrying amount, and hence the goodwill allocated to this cash-generating unit was not regarded as impaired (2011: Nil).

17. Goodwill *(continued)*

Impairment testing of goodwill *(continued)*

Spot luminaries products cash-generating unit in Chongqing NVC

The carrying amount of goodwill allocated to the spot luminaries products cash-generating unit in Chongqing NVC amounted to RMB10,999,000 as at 31 December 2012 (2011: RMB10,999,000).

The recoverable amount of the spot luminaries products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 19.68% (2011: 21.61%). The growth rate used to extrapolate the cash flows of the spot luminaries products unit beyond the five-year period is zero (2011: 2%) as the spot luminaries products cash-generating unit has reached its full production capacity.

As at 31 December 2012, the value in use of the cash-generating unit exceeded its carrying amount, and hence the goodwill allocated to this cash-generating unit was not regarded as impaired (2011: Nil).

Decorative fluorescent luminaries products cash-generating unit in Chongqing NVC

The carrying amount of goodwill allocated to the decorative fluorescent luminaries products cash-generating unit in Chongqing NVC amounted to RMB2,133,000 as at 31 December 2012 (2011: RMB2,133,000).

The recoverable amount of the the decorative fluorescent luminaries products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 20.56% (2011: 19.31%). The growth rate used to extrapolate the cash flows of the decorative fluorescent luminaries products unit beyond the five-year period is zero (2011: 2%) as the decorative fluorescent luminaries products cash-generating unit has reached its full production capacity.

As at 31 December 2012, the value in use of the cash-generating unit exceeded its carrying amount, and hence the goodwill allocated to this cash-generating unit was not regarded as impaired (2011: Nil).

17. Goodwill *(continued)*

The carrying amounts of goodwill allocated to the cash-generating units are as follows:

	2012					
Group	**Lamp products RMB'000**	**Lighting electronic products RMB'000**	**Spot luminaries products RMB'000**	**Decorative fluorescent luminaries products RMB'000**	**Other RMB'000**	**Total RMB'000**
Carrying amount of goodwill	**–**	**7,369**	**10,999**	**2,133**	**660**	**21,161**

	2011					
	Lamp products RMB'000 *(Restated)*	Lighting electronic products RMB'000 *(Restated)*	Spot luminaries products RMB'000 *(Restated)*	Decorative fluorescent luminaries products RMB'000 *(Restated)*	Other RMB'000 *(Restated)*	Total RMB'000 *(Restated)*
Carrying amount of goodwill	210,126	7,369	10,999	2,133	660	231,287

Assumptions were used in the value in use calculation of each cash-generating unit for 31 December 2012 and 31 December 2011. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast prices indices during the budget year for the countries from where raw materials are sourced.

The values assigned to the key assumptions on market development of lamp products, lighting electronic products, spot luminaries products and decorative fluorescent luminaries products, discount rates and raw materials price inflation are consistent with external information sources.

18. Other Intangible Assets

Group

	Trademarks RMB'000	Computer software RMB'000	Customer relationships RMB'000	Deferred development costs RMB'000	Patents RMB'000	Total RMB'000
31 December 2012						
Cost at 1 January 2012, net of accumulated amortisation	**270,000**	**5,368**	**11,642**	**32,134**	**29,886**	**349,030**
Additions – others	**–**	**1,328**	**–**	**–**	**–**	**1,328**
Amortisation provided during the year	**–**	**(1,005)**	**(6,985)**	**(5,680)**	**(13,721)**	**(27,391)**
Disposals	**–**	**(3)**	**–**	**–**	**–**	**(3)**
Impairment during the year	**–**	**–**	**(4,657)**	**(2,608)**	**(8,630)**	**(15,895)**
At 31 December 2012	**270,000**	**5,688**	**–**	**23,846**	**7,535**	**307,069**
At 31 December 2012:						
Cost	**270,000**	**9,612**	**37,327**	**37,008**	**71,964**	**425,911**
Accumulated amortisation and impairment	**–**	**(3,924)**	**(37,327)**	**(13,162)**	**(64,429)**	**(118,842)**
Net carrying amount	**270,000**	**5,688**	**–**	**23,846**	**7,535**	**307,069**
31 December 2011 *(Restated)*						
Cost at 1 January 2011, net of accumulated amortisation	270,000	3,054	18,628	15,268	43,590	350,540
Additions – internal development	–	–	–	20,424	–	20,424
Additions – others	–	3,036	–	–	–	3,036
Amortisation provided during the year	–	(722)	(6,986)	(3,558)	(13,704)	(24,970)
At 31 December 2011	270,000	5,368	11,642	32,134	29,886	349,030
At 31 December 2011 and at 1 January 2012:						
Cost	270,000	8,287	37,327	37,008	71,964	424,586
Accumulated amortisation	–	(2,919)	(25,685)	(4,874)	(42,078)	(75,556)
Net carrying amount	270,000	5,368	11,642	32,134	29,886	349,030

18. Other Intangible Assets *(continued)*

The useful lives of trademarks with a net carrying amount of RMB270,000,000 (2011: RMB270,000,000) are estimated by senior management to be indefinite as the trademarks are renewable at insignificant cost at the option of the Group. The trademarks are tested for impairment annually, and no impairment provision was recorded as at 31 December 2012 (2011: Nil).

During the year ended 31 December 2012, the Group recorded an impairment charge of RMB4,657,000 for customer relationships and RMB7,214,000 for patents as a result of a decline in forecasted sales and cash flows from the lamp products cash-generating unit. In addition, impairment was recognised for certain deferred development costs and patents with carrying amounts of RMB2,608,000 and RMB1,416,000, respectively, for the year ended 31 December 2012, because several techniques related to these deferred development costs and patents were replaced by newly developed techniques.

Impairment testing of intangible assets with indefinite useful lives

Trademarks with indefinite useful lives have been allocated to the following cash-generating unit for impairment testing:

Lighting products cash-generating unit in Huizhou NVC and Chongqing NVC

The recoverable amount of the lighting products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. Management adopted a growth rate of 11% and royalty rate of 3% by reference to past experience and external sources of information (2011: a growth rate of 11% and royalty rate of 3%). The discount rate applied to the cash flow projections is 16.77% (2011: 22.2%). The growth rate used to extrapolate the cash flows of the lighting products unit beyond the five-year period is 2% (2011: 2%) which was the same as the long term average growth rate of the lighting industry.

As at 31 December 2012, the value in use of the cash-generating unit exceeded its carrying amount, and hence the trademarks allocated to this cash-generating unit were not regarded as impaired (2011: Nil).

Assumptions were used in the value in use calculation of the lighting products cash-generating unit for 31 December 2012 and 31 December 2011. The following describes each key assumption on which management has based its cash flow projections to undertake the above impairment testing:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvement, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Growth rate estimate – Rate is based on published industrial research.

Royalty rate – Rate is based on published industrial research.

19. Investments in Subsidiaries

	Company 2012 RMB'000	2011 RMB'000 (Restated)
Unlisted shares, at cost	**736,514**	738,319
Impairment	**–**	–
	736,514	738,319

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB268,326,000 (2011: RMB517,093,000) and RMB47,839,000 (2011: RMB44,720,000), respectively, are unsecured, interest-free and are repayable on demand.

The Company and its subsidiaries are collectively referred to as the Group. Particulars of the Company's subsidiaries are as follows:

Company name	Place and date of establishment/ incorporation and place of operations	Nominal value of issued share capital/registered capital	Percentage of ownership interest attributable to the Company Direct	Indirect	Principal activities
Huizhou NVC Lighting Technology Co., Ltd.	PRC 29 April 2006/ Mainland China*	US$37,250,000 (equivalent to RMB266,499,070)	100%	–	Manufacture and sale of lamps, luminaires, lamp transformers, lighting electronic products and other appliances
Chongqing NVC Lighting Co., Ltd.	PRC 1 December 2006/ Mainland China	US$4,000,000 (equivalent to RMB30,401,455)	100%	–	Manufacture and sale of lamps, luminaires and other lighting electronic appliances
Zhejiang NVC Lamps Co., Ltd.	PRC 28 September 2007/ Mainland China	RMB20,000,000	–	51%	Manufacture and sale of lamps and related products
Zhejiang Jiangshan Sunny Electron Co., Ltd.	PRC 2 July 1994/ Mainland China	RMB10,000,000	–	100%	Manufacture and sale of light tubes for energy-saving lamps and related products

19. Investments In Subsidiaries *(continued)*

Company name	Place and date of establishment/ incorporation and place of operations	Nominal value of issued share capital/registered capital	Percentage of ownership interest attributable to the Company Direct	Indirect	Principal activities
Jiangshan Phoebus Lighting Electron Co., Ltd.	PRC 8 March 2006/ Mainland China	US$7,000,000 (equivalent to RMB48,976,780)	–	100%	Manufacture and sale of light tubes for energy-saving lamps and related products
Zhangpu Phoebus Lighting Co., Ltd.	PRC 9 May 2004/ Mainland China	US$3,000,000 (equivalent to RMB21,168,664)	–	100%	Manufacture and sale of light tubes for energy-saving lamps and related products
Shanghai Arcata Electronics Co., Ltd.	PRC 22 September 2005/ Mainland China	US$10,000,000 (equivalent to RMB67,144,295)	–	100%	Manufacture and sale of lamp transformers and other lighting electronic products
World Through Investments Limited ("World Through")	BVI 5 August 2005/ Mainland China	US$50,000 (equivalent to RMB4,039,527)	100%	–	Investment holding
NVC Lighting Limited ("UK NVC")	England and Wales 31 May 2007/ the UK	GBP2,000,000 (equivalent to RMB23,313,400)	100%	–	Trading of lamps, luminaires and other lighting products
Hong Kong TYU Technology Co., Ltd. ("Hong Kong TYU")	Hong Kong 17 July 2007/ Mainland China	HK$200,000 (equivalent to RMB193,468)	100%	–	Trading of lamps, luminaires and other lighting products
Hong Kong Max Rich Holdings Limited ("Max Rich")	Hong Kong 18 September 2008/ Mainland China	HK$1	–	100%	Investment holding
NVC Lighting (Chongqing) Co., Ltd.[1]	PRC 7 November 2011/ Mainland China	HK$200,000,000 (equivalent to RMB162,170,000)	–	100%	Research, development, manufacture and sale of lamps, luminaries and lighting electronic products

* Mainland China refers to the PRC excluding Hong Kong and Macau.

[1] Chongqing Lighting is registered as a wholly-foreign-owned subsidiary under the PRC law and the registered capital has not been paid up as at the reporting date of the financial statements.

20. Investment in an Associate

	Group 2012 RMB'000	2011 RMB'000 (Restated)
Share of net assets	**6,362**	5,308

Particulars of the associate are as follows:

Name	Place of registration	Percentage of ownership interest attributable to the Group	Principal activities
Mianyang Leici Electronic Technology Co., Ltd. * ("Leici")	PRC	35	Research and development, production and sale of magnetic electronic components, lighting electronics and photoelectric components

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

The Group's shareholding in the associate is held through a wholly-owned subsidiary of the Company.

The following table illustrates the summarised financial information of the Group's associate extracted from its management accounts:

	31 December 2012 RMB'000	31 December 2011 RMB'000 (Restated)
Assets	**63,767**	51,735
Liabilities	**(45,590)**	(36,570)

20. Investment in an Associate *(continued)*

	2012 RMB'000	2011 RMB'000 *(Restated)*
Revenue	**63,135**	91,832
Profit	**3,010**	2,150

21. Inventories

	Group	
	2012 **RMB'000**	2011 RMB'000 *(Restated)*
Raw materials	**179,911**	271,855
Work in progress	**11,963**	22,322
Finished goods	**506,526**	408,303
	698,400	702,480

The write-down of inventories recognised as an expense for the year ended 31 December 2012 amounted to RMB16,494,000 (2011: RMB11,678,000), which was recorded in "Cost of sales" in the consolidated financial statements.

22. Trade and Bills Receivables

	Group	
	2012	2011
	RMB'000	RMB'000
		(Restated)
Trade receivables	**710,739**	750,831
Impairment	**(18,393)**	(16,350)
Trade receivables, net	**692,346**	734,481
Bills receivable	**126,544**	150,393
	818,890	884,874

Trade receivables of the Group represented proceeds receivable from sales of goods. The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit periods generally range from 30 to 120 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balance. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of provision, is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
		(Restated)
Within 3 months	**532,034**	611,558
4 to 6 months	**85,397**	76,941
7 to 12 months	**26,390**	38,670
1 to 2 years	**45,037**	6,337
Over 2 years	**3,488**	975
	692,346	734,481

22. Trade and Bills Receivables *(continued)*

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
		(Restated)
At 1 January	**16,350**	14,447
Impairment losses recognised *(note 6)*	**1,952**	4,996
Amount written off as uncollectible	**(66)**	(2,834)
Exchange realignment	**157**	(259)
At 31 December	**18,393**	16,350

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB1,952,000 (2011: RMB4,996,000) with a carrying amount before provision of RMB4,188,000 (2011: RMB6,910,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments and only a portion of the receivables is expected to be recoverable.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
		(Restated)
Neither past due nor impaired	**671,920**	709,917
Less than 2 months past due	**14,484**	13,117
2 to 6 months past due	**4,663**	8,370
7 to 12 months past due	**1,077**	1,925
Over 1 year past due	**202**	1,152
	692,346	734,481

22. Trade and Bills Receivables *(continued)*

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The maturity profile of the bills receivable of the Group as at the end of the reporting period is as follows:

	2012	2011
	RMB'000	RMB'000
		(Restated)
Within 6 months	**126,544**	150,393

As at 31 December 2012, the fair value of trade and bills receivables approximates to their carrying amount largely due to the short-term maturity.

23. Prepayments, Deposits and Other Receivables

Group

		2012	2011
	Notes	**RMB'000**	RMB'000
			(Restated)
Non-current assets:			
Prepayments for purchase of property, plant and equipment		**23,331**	28,959
Current assets:			
Prepayments	*(a)*	**52,400**	105,351
Impairment	*(a)*	**(24,188)**	–
		28,212	105,351
Deposits and other receivables	*(b)*	**71,894**	85,200
Impairment	*(b)*	**(6,101)**	(127)
		65,793	85,073
		94,005	190,424

23. Prepayments, Deposits and Other Receivables *(continued)*

Company

	Note	2012 RMB'000	2011 RMB'000 *(Restated)*
Current assets:			
Prepayments		**595**	–
Other receivables	*(c)*	**6,170**	5,547
		6,765	5,547

Notes:

(a) Prepayments of the Group

The amount mainly represented prepayments for raw materials and the current portion of prepaid land lease payment. Included in the balance is RMB25,788,000 which bore an interest rate of 1% per month.

The breakdown of prepayments is as follows:

	2012 RMB'000	2011 RMB'000 *(Restated)*
Prepaid land lease payment – current portion	**1,314**	2,589
Prepayments to third parties	**26,898**	60,935
Amounts due from an entity over which the Company indirectly has significant influence through its associate	**–**	12,912
Amount due from an entity over which a close family member of Mr. Wu Changjiang, a substantial shareholder and a former director of the Company, has significant influence	**24,188**	28,915
	52,400	105,351
Impairment	**(24,188)**	–
Prepayments, net	**28,212**	105,351

The impairment related to an amount due from an entity over which a close family member of Mr. Wu Changjiang, a substantial shareholder and a former director of the Company, has significant influence.

As at 31 December 2012, the fair value of prepayments approximates to their carrying amount largely due to the short-term maturity.

23. Prepayments, Deposits and Other Receivables *(continued)*

Notes: (continued)

(b) Deposits and other receivables of the Group

The breakdown of deposits and other receivables is as follows:

	Notes	**2012 RMB'000**	2011 RMB'000 *(Restated)*
Deposits and receivables from third parties	*(i)*	**43,664**	14,724
Due from individuals		**4,147**	6,961
Amount due from Mr. Wu Changjiang, a substantial shareholder and a former director of the Company		**–**	2,006
Amounts due from other related parties	*(ii)*	**24,083**	61,509
		71,894	85,200
Impairment	*(iii)*	**(6,101)**	(127)
Deposits and other receivables, net		**65,793**	85,073

(i) Except for the bank interest receivable of RMB6,643,000, which is repayable on maturity of the related time deposits with original maturity of one to twelve months (31 December 2011: RMB6,069,000), the deposits and receivables from third parties are unsecured, non-interest-bearing and have no fixed terms of repayment.

(ii) The amounts due from other related parties (note 37) consist of the following:

	2012 RMB'000	2011 RMB'000 *(Restated)*
Entities over which a close family member of Mr. Wu Changjiang, a substantial shareholder and a former director of the Company, has significant influence	**23,990**	61,501
Other	**93**	8
	24,083	61,509

The amounts due from entities over which a close family member of Mr. Wu Changjiang, a substantial shareholder and a former director of the Company, has significant influence represented trademark licence fees and distribution commission receivable by the Group. The credit terms granted to these related companies range from 10 to 100 days. The balances are unsecured and non-interest-bearing.

23. Prepayments, Deposits and Other Receivables *(continued)*

Notes: (continued)

(b) Deposits and other receivables of the Group (continued)

(iii) The individually impaired other receivables mainly related to amounts due from entities over which a close family member of Mr. Wu Changjiang, a substantial shareholder and a former director of the Company, has significant influence.

An aged analysis of the deposits and other receivables as at the end of the reporting period, based on the transaction date and net of provisions, is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
		(Restated)
Within 1 year	**45,558**	81,612
1 to 2 years	**18,350**	3,105
Over 2 years	**1,885**	356
	65,793	85,073

As at 31 December 2012, the fair value of prepayments, deposits and other receivables approximate to their carrying amount largely due to the short-term maturity.

(c) Other receivables of the Company

	2012	2011
	RMB'000	RMB'000
		(Restated)
Receivables from third parties	**6,170**	5,547

The above balance represented interest receivables on time deposits. The amounts are unsecured and repayable on maturity of the related time deposits with original maturity of three to twelve months.

As at 31 December 2012, the fair value of other receivables approximate to their carrying amounts largely due to the short-term maturity.

24. Other Current Assets

	Group	
	2012	2011
	RMB'000	RMB'000
		(Restated)
Deductible valued-added tax	**16,079**	9,301

25. Cash and Short-Term Deposits

Group

	2012	2011
	RMB'000	RMB'000
		(Restated)
Cash and bank balances	**1,124,861**	786,012
Time deposits:		
Non-pledged time deposits	**464,421**	473,901
Pledged time deposits	**4,695**	4,678
	1,593,977	1,264,591
Less:		
Non-pledged time deposits with original maturity of more than three months when acquired	**(374,538)**	(473,901)
Pledged time deposits	**(4,695)**	(4,678)
	379,233	478,579
Cash and cash equivalents as stated in the consolidated statement of financial position	**1,214,744**	786,012

25. Cash and Short-Term Deposits *(continued)*

Company

	2012	2011
	RMB'000	RMB'000
		(Restated)
Cash and bank balances	**128,041**	67,146
Time deposits:		
Non-pledged time deposits	**445,881**	428,901
	573,922	496,047
Less:		
Non-pledged time deposits with original maturity of more than three months when acquired	**(355,998)**	(428,901)
Cash and cash equivalents as stated in the statement of financial position	**217,924**	67,146

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB1,252,083,000 (2011: RMB932,202,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three and twelve months depending on the immediate cash requirements of the Group, and earned interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. Pledged deposits are made to banks to secure the issuance of letters of credit, product quality as well as fulfilling contractual obligations at the requests of customers.

As at 31 December 2012, the fair values of cash and bank balances and short-term deposits approximate to their carrying amounts largely due to the short-term maturity.

26. Trade Payables

	Group 2012 RMB'000	2011 RMB'000 *(Restated)*
Trade payables to third parties	**404,561**	368,420
Trade payables to related parties	**27,045**	17,361
	431,606	385,781

Trade payables to related parties (as defined in note 37) include the following:

	Group 2012 RMB'000	2011 RMB'000 *(Restated)*
Entities controlled by Mr. Wu Jiannong, a director of Zhejiang NVC and the substantial shareholder of Signkey Group Limited ("Signkey"), a former substantial shareholder of the Company	**10,879**	11,371
An entity over which the Group indirectly has significant influence through an associate	**10,115**	5,169
Entities over which a close family member of Mr. Wu Changjiang, a substantial shareholder and a former director of the Company, has significant influence	**6,051**	821
	27,045	17,361

Trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

26. Trade Payables *(continued)*

An aged analysis of the trade payables as at the end of the reporting period, based on the transaction date, is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
		(Restated)
Within 3 months	**376,469**	371,361
4 to 6 months	**11,548**	10,952
7 to 12 months	**26,494**	538
1 to 2 years	**16,109**	652
Over 2 years	**986**	2,278
	431,606	385,781

27. Other Payables and Accruals

Group

	2012	2011
	RMB'000	RMB'000
		(Restated)
Other payables to third parties	**204,437**	167,329
Dividends payable	**3**	3,381
Advances from customers	**16,338**	19,673
Accruals	**60,777**	32,188
Amounts due to related parties	**968**	1,198
	282,523	223,769

27. Other Payables and Accruals *(continued)*

The amounts due to related parties (as defined in note 37) are as follows:

	2012 **RMB'000**	2011 RMB'000 *(Restated)*
Entities controlled by Mr. Wu Jiannong, a director of Zhejiang NVC and the substantial shareholder of Signkey, a former substantial shareholder of the Company	**956**	941
Other	**12**	257
	968	1,198

Company

	2012 **RMB'000**	2011 RMB'000 *(Restated)*
Other payables to third parties	**3,381**	449
Dividends payable	**3**	3,381
	3,384	3,830

Other payables of the Group and the Company as at 31 December 2012 are non-interest-bearing and have no fixed terms of repayment.

As at 31 December 2012, the fair values of other payables and accruals approximate to their carrying amounts largely due to the short-term maturity.

28. Interest-Bearing Loans and Borrowings

Group

	2012			2011		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000 *(Restated)*
Current						
Bank loans – unsecured[1]	**5.488-5.880**	**February-April 2013**	**80,000**	4.525-7.015	April 2012	39,451
Bank overdraft – unsecured[2]	**Base*+2.30**	**On demand**	**14,387**	Base*+2.10	On demand	1,469
Total			**94,387**			40,920

1 The bank loans included RMB-denominated loans of RMB20,000,000 at an interest rate of 5.600% per annum, RMB15,000,000 at an interest rate of 5.488% per annum, RMB25,000,000 at an interest rate of 5.824% per annum and RMB20,000,000 at an interest rate of 5.880% per annum.

2 The bank overdraft represents a GBP-denominated overdraft facility. The Group's overdraft facility, which is due for review in April 2013, amounted to GBP2,200,000 (2011: GBP2,200,000), of which GBP1,416,000 (2011: GBP151,000) had been utilised as the end of reporting period.

* Base means the Bank of England base rate.

The interest-bearing loans and borrowings are repayable within 1 year.

As at 31 December 2012, the fair value of interest-bearing loans and borrowings approximates to their carrying amount largely due to the short-term maturity.

29. Government Grants

	Group 2012 RMB'000	2011 RMB'000 (Restated)
At beginning of year	**131,739**	108,082
Received during the year	**59,564**	44,486
Released to the income statement	**(46,422)**	(20,370)
Utilised in the Relocation *(note 14)**	**(122,832)**	(459)
At end of year	**22,049**	131,739
Portion classified as current liabilities	**(6,208)**	(109,690)
Non-current portion	**15,841**	22,049

Various government subsidies have been granted to the Group's PRC subsidiaries as compensation for plant relocation, incentives for export sales, technology research and development, and recruitment of local workers, and as financial support for the establishment of energy-saving lamp tube production lines.

* Included in the balance at 31 December 2012 was an amount of nil (2011: RMB102,352,000) representing the compensation for the relocation of the Group's production centre in Jiangshan City (note 14). The compensation was recognised in the income statement upon completion of the Relocation on 30 July 2012.

The remaining balance at 31 December 2012 mainly represented government grants for the development of LED products and other energy-saving lamp production lines. The government grants are credited to the income statement over the estimated useful lives of the associated production lines.

There are no unfulfilled conditions or contingencies attached to these grants.

30. Deferred Tax

The movements in deferred tax assets and liabilities are as follows:

Deferred tax assets

Group

	2012			
	Fair value adjustments arising from business combinations RMB'000	**Deductible temporary differences RMB'000**	**Losses available for offsetting against future taxable profits RMB'000**	**Total RMB'000**
At 1 January 2012	**2,424**	**24,710**	**2,892**	**30,026**
Deferred tax credited/(charged) to the income statement during the year *(note 10)*	**(1,733)**	**13,417**	**859**	**12,543**
Exchange realignment	**–**	**(274)**	**156**	**(118)**
At 31 December 2012	**691**	**37,853**	**3,907**	**42,451**

Group

	2011			
	Fair value adjustments arising from business combinations RMB'000 *(Restated)*	Deductible temporary differences RMB'000 *(Restated)*	Losses available for offsetting against future taxable profits RMB'000 *(Restated)*	Total RMB'000 *(Restated)*
At 1 January 2011	3,357	13,423	–	16,780
Deferred tax credited/(charged) to the income statement during the year *(note 10)*	(933)	11,331	3,081	13,479
Exchange realignment	–	(44)	(189)	(233)
At 31 December 2011	2,424	24,710	2,892	30,026

30. Deferred Tax *(continued)*

The Group has accumulated tax losses arising in the PRC and the UK of approximately RMB18,198,000 as at 31 December 2012 (2011: RMB16,889,000). The tax losses arising in the PRC were generated by Zhangpu Phoebus, which are available for offsetting against future taxable profits in one to five years. Deferred tax assets have not been recognised in respect of losses arising from Zhangpu Phoebus of RMB2,403,000 (2011: RMB1,485,000). Tax losses of Zhangpu Phoebus are not available for offsetting against future taxable profits as the Group has decided to cease the operations of the subsidiary. The tax losses arising in the UK are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. Deferred tax assets have been recognised for tax losses arising in UK NVC as it is considered probable that taxable profits will be available against which tax losses of UK NVC can be utilised.

Deferred tax liabilities

Group

	Fair value adjustments arising from business combinations RMB'000	Taxable temporary differences arising from relocation RMB'000	Total RMB'000
At 1 January 2012	90,145	–	90,145
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	(12,729)	18,600	5,871
At 31 December 2012	77,416	18,600	96,016

30. Deferred Tax *(continued)*

Deferred tax liabilities *(continued)*

Group

	Fair value adjustments arising from business combinations RMB'000 *(Restated)*
At 1 January 2011	99,555
Deferred tax credited to the income statement during the year *(note 10)*	(9,410)
At 31 December 2011	90,145

Pursuant to the Corporate Income Tax Law of China, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% for the unremitted profits of PRC subsidiaries owned by enterprises domiciled in Hong Kong and 10% for that of PRC subsidiaries owned by enterprises domiciled elsewhere. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2012, the Group has not recognised deferred tax liabilities of RMB158,008,000 (2011: RMB134,342,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB1,596,854,000 (2011: RMB1,353,822,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. Share Capital

Shares

	2012		2011	
	US$	**RMB equivalent**	US$	RMB equivalent
Authorised:				
500,000,000,000 (2011: 500,000,000,000) ordinary shares of US$0.0000001 each	**50,000**	**341,385**	50,000	341,385
Issued and fully paid:				
3,128,448,000 (2011: 3,158,013,000) ordinary shares of US$0.0000001 each	**312.84**	**2,324.07**	315.80	2,344.29

During the year, the movements in share capital were as follows:

(a) The subscription rights attaching to 500,000 share options were exercised at the subscription price of HK$2.1 (equivalent to RMB1.85) per share (note 32), resulting in the issue of 500,000 shares of US$0.0000001 (equivalent to RMB0.0000007) each for a total cash consideration, before expenses, of RMB849,000. An amount of RMB137,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(b) A total of 30,065,000 shares were repurchased at a net aggregate consideration of approximately RMB39,009,000. All the repurchased shares were cancelled by the Company and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase was charged to the share premium account.

31. Share Capital *(continued)*

	Number of shares in issue	Issued capital RMB	Share premium account RMB'000	Total RMB'000
At 1 January 2011 *(Restated)*	3,064,213,000	2,283.84	2,175,799	2,175,801
Share options exercised	93,800,000	60.45	43,094	43,094
Acquisition of a non-controlling interest in a subsidiary	–	–	(4,159)	(4,159)
Adjustment to final 2010 dividend declared	–	–	2,289	2,289
Interim 2011 dividend *(note 12)*	–	–	(65,536)	(65,536)
Proposed final 2011 dividend *(note 12)*	–	–	(89,607)	(89,607)
Other	–	–	1,283	1,283
At 31 December 2011 and 1 January 2012 *(Restated)*	3,158,013,000	2,344.29	2,063,163	2,063,165
Share options exercised	500,000	0.31	986	986
Repurchased shares	(30,065,000)	(20.53)	(39,009)	(39,009)
Adjustment to final 2011 dividend declared	–	–	(172)	(172)
Interim 2012 dividend *(note 12)*	–	–	(25,793)	(25,793)
Proposed final 2012 dividend *(note 12)*	–	–	(38,051)	(38,051)
At 31 December 2012	3,128,448,000	2,324.07	1,961,124	1,961,126

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in the note 32 to the financial statements.

32. Pre-IPO Share Option Scheme

The Company operates a Pre-IPO share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Group's key employees, directors, consultants and strategic suppliers (collectively as "Participants"). The Scheme became effective on 15 October 2006 and was amended on 23 December 2009 and 24 March 2010. The Scheme was valid and effective for the period of time commencing on 15 October 2006 and expired on the day immediately prior to the date on which dealings commence in the ordinary shares on the Stock Exchange of Hong Kong Limited, after which period no further options will be granted under the Scheme, but the provisions of the Scheme shall in all other respects remain in full force and effect and options under the Scheme during its life may continue to be exercisable in accordance with the Scheme and their terms of issue.

The aggregate number of ordinary shares that may be issued pursuant to the Scheme shall not exceed 240,429,000 ordinary shares. An option shall not be granted if it would have the effect of causing the total number of ordinary shares subject to options granted under the Scheme to exceed the total number of ordinary shares reserved for issuance pursuant to the exercise of options granted under the Scheme. If, for any reason, any ordinary shares subject to issuance by exercising options under the Scheme are not issued or are re-acquired by the Company, for reasons including, but not limited to, termination or expiration or cancellation (with the consent of the Participants) of options, such ordinary shares shall again become available for grant under the Scheme.

The extent to which an eligible participant shall be entitled to be granted options pursuant to the Scheme shall be determined at the sole and absolute discretion of the board of directors, provided that the number of ordinary shares issued to or reserved for issuance to any one person pursuant to options under the Scheme and pursuant to other plans shall not exceed 3% of the outstanding issue, i.e., the number of ordinary shares outstanding on a fully-diluted basis including those ordinary shares which are issuable upon the exercise or conversion of outstanding securities of the Company, including the options previously granted under the Scheme and any options granted under other plans. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. Exercise price of share options was determined by the board of directors with reference to the market value of the Company's ordinary shares and the Company's equity value.

32. Pre-IPO Share Option Scheme *(continued)*

Terms of options

Subject to any accelerated termination as set forth below, each option under the Scheme shall expire on the date specified by the board of directors, provided that in no event shall the exercise period of an option exceed 10 years from its date of grant. The occurrence of any of the following events will result in the acceleration of the right and obligation to exercise options: (a) an optionee dies or becomes disabled while being an employee or director of the Company or an affiliate of the Company, (b) the employment agreement of an optionee being an employee or a director terminates due to retirement, termination by the Company or voluntary termination by the optionee, or (c) the optionee is a consultant or supplier to the Company or an affiliate of the Company and the consulting agreement or supply agreement of such optionee terminates or is terminated for any reason (each referred to as an "Accelerating Event"). In the case of an Accelerating Event, the executor or administrator of the optionee's estate or the optionee, as the case may be, shall have the right to exercise any options of the optionee to the extent that the options are exercisable at the date of the Accelerating Event within 90 days from the Accelerating Event. Any options held by the optionee, which were not exercisable at the date of the Accelerating Event, shall immediately terminate on such date.

Options granted to Participants under the Scheme shall vest immediately, or at a rate no more than 25% of each such grant for each year commencing from the date when the grantees can exercise such options granted to them, subject to proportional vesting on a quarterly basis.

In the event that any of the Participants is no longer employed by any of the Company or an affiliate of the Company without cause, not including death or disability, any unvested options held by such Participant shall be forfeited.

There has been no cancellation or modification to the Scheme for issued share options during the year.

32. Pre-IPO Share Option Scheme *(continued)*

The following share options were outstanding under the Scheme during the year:

	2012			2011		
	Number of options	HK$	Weighted average exercise price per share RMB equivalent	Number of options	HK$	Weighted average exercise price per share RMB equivalent
At 1 January	45,270,000	2.10	1.85	139,870,000	1.01	0.92
Exercised during the year	(500,000)	2.10	1.85	(93,800,000)	0.47	0.47
Lapsed during the year	(2,983,000)	2.10	1.85	(800,000)	2.10	1.85
At 31 December	41,787,000	2.10	1.85	45,270,000	2.10	1.85

The weighted average share price at the dates of exercise for share options exercised during the year was HK$2.81 per share (2011: HK$3.77 per share).

For the year ended 31 December 2012, 2,983,000 share options lapsed due to the resignation of five employees and one director.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2012 Number of options	Exercise price per share HK$	Exercise price per share RMB equivalent	Exercise period
31,637,000	2.10	1.85	3/24/2012 to 3/24/2016
7,150,000	2.10	1.85	3/24/2011 to 3/24/2016
3,000,000	2.10	1.85	3/24/2012 to 6/25/2017
41,787,000			

32. Pre-IPO Share Option Scheme *(continued)*

2011 Number of options	Exercise price per share HK$	 RMB equivalent	Exercise period
32,670,000	2.10	1.85	3/24/2012 to 3/24/2016
9,600,000	2.10	1.85	3/24/2011 to 3/24/2016
3,000,000	2.10	1.85	3/24/2012 to 6/25/2017
45,270,000			

The 500,000 share options exercised during the year ended 31 December 2012 resulted in the issue of 500,000 ordinary shares of the Company and new share capital of RMB0.31 and share premium of RMB986,000 (after issue expenses), as further detailed in note 31 to the financial statements.

At the end of the reporting period, the Company had 41,787,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 41,787,000 additional ordinary shares of the Company and additional share capital of US$4.18 (equivalent to RMB26.27) and share premium of US$11,273,000 (equivalent to RMB70,856,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 41,787,000 share options outstanding under the Scheme, which represented approximately 1.3% of the Company's shares in issue as at that date.

33. Reserves

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 80 to 81 of the financial statements.

	Notes	**2012** **RMB'000**	2011 RMB'000 *(Restated)*
Share premium	*(a)*	**1,961,124**	2,063,163
Shareholders' contribution		**6,416**	6,416
Statutory reserve	*(b)*	**85,873**	84,923
Employee equity benefit reserve		**14,608**	12,945
Foreign currency translation reserve		**(88,022)**	(86,890)
Retained profits		**1,493,649**	1,486,183
		3,473,648	3,566,740

33. Reserves *(continued)*

Notes:

(a) The share premium account includes the premium arising from the subscription of new ordinary shares.

(b) In accordance with the Company Law of the PRC, each of the subsidiaries of the Company that was registered in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with PRC GAAP, to the statutory reserve until the balance of the reserve funds reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital.

Company

2012

	Share premium RMB'000	Employee equity benefit reserve RMB'000	Accumulated losses RMB'000	Foreign currency translation reserve RMB'000	Total RMB'000
At 1 January 2012	2,067,321	12,945	(293,260)	(168,159)	1,618,847
Loss for the year	–	–	(15,646)	–	(15,646)
Total comprehensive income for the year	–	–	–	(3,465)	(3,465)
Repurchased shares	(39,009)	–	–	–	(39,009)
Employee share option arrangements *(note 32)*	–	1,800	–	–	1,800
Exercise of share options	986	(137)	–	–	849
Adjustment to final 2011 dividend declared	(172)	–	–	–	(172)
Interim 2012 dividend *(note 12)*	(25,793)	–	–	–	(25,793)
Proposed final 2012 dividend *(note 12)*	(38,051)	–	–	–	(38,051)
At 31 December 2012	1,965,282	14,608	(308,906)	(171,624)	1,499,360

33. Reserves *(continued)*

2011

	Share premium RMB'000 *(Restated)*	Employee equity benefit reserve RMB'000 *(Restated)*	Accumulated losses RMB'000 *(Restated)*	Foreign currency translation reserve RMB'000 *(Restated)*	Total RMB'000 *(Restated)*
At 1 January 2011	2,175,798	14,118	(306,428)	(76,839)	1,806,649
Profit for the year	–	–	13,168	–	13,168
Total comprehensive income for the year	–	–	–	(91,320)	(91,320)
Employee share option arrangements *(note 32)*	–	5,301	–	–	5,301
Exercise of share options	43,094	(6,474)	–	–	36,620
Adjustment to final 2010 dividend declared	2,289	–	–	–	2,289
Interim 2011 dividend declared *(note 12)*	(65,536)	–	–	–	(65,536)
Proposed final 2011 dividend *(note 12)*	(89,607)	–	–	–	(89,607)
Other	1,283	–	–	–	1,283
At 31 December 2011	2,067,321	12,945	(293,260)	(168,159)	1,618,847

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

34. Pledge of Assets

Except for the pledged deposits mentioned in note 25, no assets of the Group were pledged as at 31 December 2012 (2011: Nil).

35. Operating Lease Arrangements

(a) As lessor

The Group leases its plant and offices under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
		(Restated)
Within one year	**2,881**	2,146
In the second to fifth years, inclusive	**1,743**	826
	4,624	2,972

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years. There are no restrictions placed on the Group by entering into these leases.

At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
		(Restated)
Within one year	**10,925**	8,845
In the second to fifth years, inclusive	**12,361**	13,923
After five years	**–**	1,455
	23,286	24,223

36. Commitments

In addition to the operating lease commitments detailed in (note 35 (b)) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2012	2011
	RMB'000	RMB'000
		(Restated)
Contracted, but not provided for:		
Property, plant and equipment	**16,272**	54,476
Authorised, but not contracted for:		
Property, plant and equipment	**163,721**	141,186
Other intangible assets	**50**	60
Capital contributions to a joint venture	**–**	24,500
	163,771	165,746
	180,043	220,222

At the end of the reporting period, neither the Group nor the Company had any significant commitments.

37. Related Party Transactions

(a) **None of the shareholders is the controlling entity of the Company.**

(b) **Major related parties with which the Group had transactions during the year and the prior year are listed below:**

Associate
Leici

Entities controlled by Mr. Wu Jiannong, a director of Zhejiang NVC and the substantial shareholder of Signkey, a former substantial shareholder of the Company
Jiangshan Youhe Machinery Co., Ltd.
Jiangshan World Bright Crystal Co., Ltd.
Hangzhou Tongren Software Co., Ltd.
Quzhou Aushite Illumination Co., Ltd.

An entity jointly controlled by Mr. Wu Jiannong, a director of Zhejiang NVC and the substantial shareholder of Signkey, a former substantial shareholder of the Company
Jiangshan Liming Transportation Co., Ltd.

Entities over which a close family member of Mr. Wu Changjiang, a substantial shareholder and a former director of the Company, has significant influence
Zhongshan Sheng Di Ai Si Lighting Co., Ltd.
Chongqing Enlin Electronics Co., Ltd.
Shandong NVC Lighting Development Co., Ltd.
Huizhou NVC Lighting Environment Engineering Co., Ltd.
Chongqing En Wei Xi Industrial Development Co., Ltd.
Huizhou Huichengqu Changxin Hardware Machining Plant Co., Ltd.

An entity owned by a key management personnel of the Group
Huizhou Zhongda Technology Co., Ltd.

An entity over which the Group indirectly has significant influence through an associate
Chongqing Chidian Technology Co., Ltd.

37. Related Party Transactions *(continued)*

(c) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
Entities controlled by Mr. Wu Jiannong, a director of Zhejiang NVC and the substantial shareholder of Signkey, a former substantial shareholder of the Company:			
Purchases of raw materials and finished goods	(i)	**72,983**	79,487
Purchases of machinery	(i)	**3,866**	10,628
Maintenance expense	(i)	**2,180**	10,490
Consultation expense	(i)	**–**	3,209
Rental income	(i)	**–**	219
Supply of water and electricity	(i)	**–**	211
An entity jointly controlled by Mr. Wu Jiannong, a director of Zhejiang NVC and the substantial shareholder of Signkey, a former substantial shareholder of the Company			
Transportation expense	(i)	**–**	7,549
Entities over which a close family member of Mr. Wu Changjiang, a substantial shareholder and a former director of the Company, has significant influence:			
Sales of finished goods	(i)	**–**	3,356
Purchases of raw materials and finished goods	(i)	**10,841**	52,034
Purchase of parts	(i)	**27,010**	–
Distribution commission income	(ii)	**6,428**	49,803
Trademark licence fee income	(iii)	**15,191**	24,907
Interest income	(i)	**3,290**	1,671
An entity owned by a key management personnel of the Group:			
Purchases of raw materials and finished goods	(i)	**–**	6,562
An entity over which the Group indirectly has significant influence through an associate:			
Purchases of raw materials and finished goods	(i)	**40,934**	73,352

37. Related Party Transactions *(continued)*

(c) *(continued)*

Notes:

(i) The transactions were made at prices mutually agreed by both parties.

(ii) Distribution commission income arose from the usage of the Group's distribution network by related parties, and was charged at a rate of 6%-8% of the related parties' annual sales. The charge rate was mutually agreed by both parties.

(iii) Licence fee income arose from licensing the "NVC" brand to related parties, and was charged at 3% of the related parties' annual sales. The royalty rate was mutually agreed by both parties.

(d) Outstanding balances with related parties:

The detailed terms regarding the outstanding balances with related parties as at 31 December 2012 and 2011 are set out in notes 22, 23, 26 and 27 to the financial statements.

(e) Compensation of key management personnel of the Group:

	2012 **RMB'000**	2011 RMB'000 *(Restated)*
Short-term employee benefits	**13,478**	14,533
Equity-settled share option expenses	**1,026**	3,891
	14,504	18,424

Except for the Group's transactions with Chongqing Chidian Technology Co., Ltd. with an amount of RMB40,934,000, for the year ended 31 December 2012 (2011: RMB73,352,000), all the related party transactions listed above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

38. Financial Instruments by Category

The carrying amounts of each category of financial instruments as at the end of the reporting period are as follows:

Financial assets

All of the Group's and the Company's financial assets categorised as loans and receivables are detailed as below:

Group

	2012 Loans and receivables RMB'000	2011 Loans and receivables RMB'000 *(Restated)*
Trade and bills receivables	**818,890**	884,874
Financial assets included in prepayments, deposits and other receivables	**65,793**	85,073
Short-term deposits	**379,233**	478,579
Cash and cash equivalents	**1,214,744**	786,012
Total	**2,478,660**	2,234,538

Company

	2012 Loans and receivables RMB'000	2011 Loans and receivables RMB'000 *(Restated)*
Due from subsidiaries	**268,326**	517,093
Financial assets included in other receivables and prepayments	**6,170**	5,547
Short-term deposits	**355,998**	428,901
Cash and cash equivalents	**217,924**	67,146
Total	**848,418**	1,018,687

38. Financial Instruments by Category *(continued)*

Financial liabilities

All of the Group's and the Company's financial liabilities carried at amortisation cost are as follows:

Group

	2012 Financial liabilities at amortised cost RMB'000	2011 Financial liabilities at amortised cost RMB'000 *(Restated)*
Trade payables	**431,606**	385,781
Financial liabilities included in other payables and accruals	**221,746**	191,581
Interest-bearing loans and borrowings	**94,387**	40,920
Total	**747,739**	618,282

Company

	2012 Financial liabilities at amortised cost RMB'000	2011 Financial liabilities at amortised cost RMB'000 *(Restated)*
Due to subsidiaries	**47,839**	44,720
Financial liabilities included in other payables and accruals	**3,384**	3,830
Total	**51,223**	48,550

39. Fair Value

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Financial assets

Group

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		*(Restated)*
Trade and bills receivables	**818,890**	884,874	**818,890**	884,874
Financial assets included in prepayments, deposits and other receivables	**65,793**	85,073	**65,793**	85,073
Short-term deposits	**379,233**	478,579	**379,233**	478,579
Cash and cash equivalents	**1,214,744**	786,012	**1,214,744**	786,012
	2,478,660	2,234,538	**2,478,660**	2,234,538

Company

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		*(Restated)*
Due from subsidiaries	**268,326**	517,093	**268,326**	517,093
Financial assets included in other receivables and prepayments	**6,170**	5,547	**6,170**	5,547
Short-term deposits	**355,998**	428,901	**355,998**	428,901
Cash and cash equivalents	**217,924**	67,146	**217,924**	67,146
	848,418	1,018,687	**848,418**	1,018,687

39. Fair Value *(continued)*

Financial liabilities

Group

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		*(Restated)*
Trade payables	**431,606**	385,781	**431,606**	385,781
Financial liabilities included in other payables and accruals	**221,746**	191,581	**221,746**	191,581
Interest-bearing loans and borrowings	**94,387**	40,920	**94,387**	40,920
	747,739	618,282	**747,739**	618,282

Company

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		*(Restated)*
Due to subsidiaries	**47,839**	44,720	**47,839**	44,720
Financial liabilities included in other payables and accruals	**3,384**	3,830	**3,384**	3,830
	51,223	48,550	**51,223**	48,550

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

As at 31 December 2012 and 2011, the fair values of cash and cash equivalents, short-term deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, interest-bearing loans and borrowings and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short-term maturities of these instruments.

40. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing loans and borrowings, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, commodity price risk, foreign currency risk and liquidity risk. The directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts conservative strategies in its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes.

The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised below:

(a) Credit risk

The major concentration of credit risk arises from the Group's exposure to a substantial number of trade and bills receivables and prepayments, deposits and other receivables from debtors. The Group has policies in place to ensure that the sales of products are made to customers with an appropriate credit limit, and has strict control over credit limits of trade and other receivables.

In 2011, the Group entered into a number of one-year insurance contracts with China Export & Credit Insurance Corporation, which covered up to 85% and 90% of any uncollectible amount derived respectively from the domestic sales and overseas sales between the period from 1 November 2011 to 30 November 2012 subject to a maximum compensation amount of RMB25,200,000 for domestic sales and US$25,000,000 (equivalent to RMB158,395,000) for overseas sales. The Group purchased such insurance in order to minimise the exposure to credit risk as the Group expands its business. The insurance contracts for overseas sales are renewed in 2012 and extended to 30 November 2013 with the compensation limit increased to US$30,000,000 (equivalent to RMB188,565,000) and the Group is renewing insurance contracts for domestic sales to extend the expiry date to 30 November 2013.

Cash and short-term deposits are mainly deposited with registered banks in Mainland China and Hong Kong. The Group has policies to limit its credit exposure to any financial institution. The carrying amounts of trade and bills receivables, prepayments, deposits and other receivables and cash and short-term deposits included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

40. Financial Risk Management Objectives and Policies *(continued)*

(b) Commodity price risk

The Group is exposed to fluctuations in the prices of raw materials which are influenced by global changes as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes. The Group, has, however, increased its inventories of certain key raw materials to ensure adequate supplies.

(c) Foreign currency risk

The Group has transactional currency exposure. This exposure mainly arises from sales by an operating unit in a currency other than the unit's functional currency. The Group's PRC entities sell their products to overseas customers. These sales are predominately conducted in US$. As a result, the Group is exposed to movements in the exchange rate between US$ and RMB.

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

2012

	Increase/ (decrease) in foreign currency exchange rate %	Increase/ (decrease) in profit before tax RMB'000
If RMB weakens against US$	5%	(4,613)
If RMB strengthens against US$	(5%)	4,613

40. Financial Risk Management Objectives and Policies *(continued)*

(c) Foreign currency risk *(continued)*

2011

	Increase/ (decrease) in foreign currency exchange rate %	Increase/ (decrease) in profit before tax RMB'000
If RMB weakens against US$	5%	(1,313)
If RMB strengthens against US$	(5%)	1,313

Bank balances and short-term deposits of the Group denominated in HK$ amounted to RMB209,221,000 as at 31 December 2012. As the HK$ is pegged to US$, the directors consider that these bank balances are not subject to foreign currency risk.

(d) Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of its financial instruments, financial assets and liabilities and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings. The directors have reviewed the Group's working capital and capital expenditure requirements and determined that the Group does not have any significant liquidity risk.

40. Financial Risk Management Objectives and Policies *(continued)*

(d) Liquidity risk *(continued)*

The maturity profile of the Group's non-derivative financial liabilities based on the contractual undiscounted payments is as follows:

31 December 2012

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000
Trade payables	–	431,606	–	431,606
Financial liabilities included in other payables and accruals	–	217,246	4,500	221,746
Interest-bearing loans and borrowings	14,387	25,000	55,000	94,387
Total	14,387	673,852	59,500	747,739

31 December 2011 *(Restated)*

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000
Trade payables	–	385,781	–	385,781
Financial liabilities included in other payables and accruals	–	188,546	3,035	191,581
Interest-bearing loans and borrowings	1,469	19,451	20,000	40,920
Total	1,469	593,778	23,035	618,282

41. Capital Management

The primary objective of the Group's capital management is to maintain the Group's stability and growth. The Group regularly reviews and manages its capital structure and makes adjustments to it, taking into consideration changes in economic conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditure and projected strategic investment opportunities.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity attributable to owners of the parent. Net debt includes interest-bearing loans and borrowings less cash and short-term deposits. The Group's policy is to maintain a gearing ratio at a reasonable level.

The gearing ratios as at the end of the Reporting Periods were as follows:

	2012 **RMB'000**	2011 RMB'000 *(Restated)*
Interest-bearing loans and borrowings	**94,387**	40,920
Total debt	**94,387**	40,920
Less: Cash and short-term deposits	**(1,593,977)**	(1,264,591)
Net debt	**N/A**	N/A
Total equity attributable to owners of the parent	**3,511,701**	3,656,349
Gearing ratio	**–**	–

42. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 27 March 2013.

In this annual report, unless the context otherwise requires, the following words and expressions shall have the following meanings.

"Chang Xin Hardware"	Huizhoushi Huichengqu Chang Xin Hardware Machining Plant* (惠州市惠城區長鑫五金加工廠), an individual industrial and commercial household entity owned and operated by Ms. Yin Yan, Mr. Wu Changjiang's cousin. The entity was liquidated during the year ended 31 December 2011, thus was no longer a connected party of the Group during the Reporting Period.
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this report to "China" and the "PRC" do not apply to Taiwan, the Macau Special Administrative Region and the Hong Kong Special Administrative Region.
"Chongqing Enlin"	Chongqing Enlin Electronics Co., Ltd.* (重慶恩林電器有限公司), a limited liability company incorporated in the PRC, in which Ms. Chen Min, Mr. Wu Changjiang's mother-in-law holds a 36.2% equity interest.
"Chongqing En Wei Xi"	Chongqing En Wei Xi Industrial Development Co., Ltd.* (重慶恩緯西實業發展有限公司), a limited liability company incorporated in the PRC and is owned as to 49.67% by Mr. Wu Xianming, Mr. Wu Changjiang's father-in-law.
"Chongqing Lighting"	NVC Lighting (Chongqing) Co., Ltd.* (重慶雷士實業有限公司), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 7 November 2011 and our indirect wholly-owned subsidiary.
"Chongqing NVC"	Chongqing NVC Lighting Co., Ltd.* (重慶雷士照明有限公司), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 1 December 2006 and our direct wholly-owned subsidiary.
"Code"	The Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, renamed as Corporate Governance Code and Corporate Governance Report with effect from 1 April 2012.
"Company" or "our Company"	NVC Lighting Holding Limited (雷士照明控股有限公司), a company incorporated in the BVI on 2 March 2006 and subsequently redomiciled to the Cayman Islands on 30 March 2010 as an exempted company with limited liability under the laws of the Cayman Islands.
"Corresponding Period"	means the year ended 31 December 2011 or the year ended 31 December 2012 (as the context may require).
"Director(s)"	the director(s) of the Company.
"EMC model"	EMC model, i.e. contract energy management, an energy-saving investment model which uses the fees for energy saved to pay for all of the costs in an energy-saving project. This model enables users to apply the income from energy saving in the future to upgrade the factories and facilities, lower current operation costs and increase the energy utilization efficiency.

"Energy-saving lighting products"	CALI (the China Association of Lighting Industry) 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 "Interim Measures on Funding Management of Fiscal Subsidies for Promotion of High-Efficiency Products" as well as the SA (the Standardisation Administration of the PRC) standards, which is in line with the CQC (the China Quality Certification Centre) List.
"GBP"	Pound sterling, the lawful currency of the United Kingdom.
"Group"	our Company and its subsidiaries.
"Hangzhou Tongren"	Hangzhou Tongren Software Co., Ltd.* (杭州同人軟件有限公司), a limited liability company incorporated in the PRC and is owned as to 51% by Zhejiang Tonking Investment Co., Ltd.* (浙江同景投資有限公司).
"HID"	high intensity discharge.
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong.
"Huizhou NVC"	Huizhou NVC Lighting Technology Co., Ltd.* (惠州雷士光電科技有限公司), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 29 April 2006 and our direct wholly-owned subsidiary.
"Jiangshan Liming"	Jiangshan Liming Transportation Co., Ltd.* (江山市黎明貨運有限公司), a limited liability company incorporated in the PRC and is owned as to 50% by Zhejiang Tonking Investment Co., Ltd.* (浙江同景投資有限公司). These shares were transferred to a third party in December 2011, thus the entity was no longer a connected party of the Group during the Reporting Period.
"Jiangshan Phoebus"	Jiangshan Phoebus Lighting Electron Co., Ltd.* (江山菲普斯照明有限公司), a limited liability company incorporated in the PRC on 8 March 2006 and our indirect wholly-owned subsidiary.
"Jiangshan Youhe"	Jiangshan Youhe Machinery Co., Ltd.* (江山市友和機械有限公司), a limited liability company incorporated in the PRC and is owned as to 80% by Quzhou Aushite Illumination Co., Ltd.* (衢州奧仕特照明有限公司), 39% equity interest of which is owned by Mr. Wu Jiannong and 51% equity interest of which is owned by Zhejiang Tonking Investment Co., Ltd.* (浙江同景投資有限公司) in which Mr. Wu Jiannong holds an 86% equity interest.
"LED"	light-emitting diode.
"Listing Date"	20 May 2010.
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

"Mianyang Leici"	Mianyang Leici Electronic Technology Co., Ltd.* (綿陽雷磁電子科技有限公司), a limited liability company incorporated in the PRC, 35% of its equity interest being held by Huizhou NVC and its remaining equity interest being held by China Electronics Technology Group Corporation No. 9 Academy* (中國電子科技集團第九研究所) (as to 36%), Wen Jiatao (文家濤) (as to 15%) and Zhao Qiyi (趙七一) (as to 14%).
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.
"ODM"	original design manufacturing, a type of manufacturing under which the manufacturer is responsible for the design and production of the products and the products are marketed and sold under the customer's brand name.
"OEM"	original equipment manufacturing whereby products are manufactured in accordance with the customer's design and specification and are marketed under the customer's brand name.
"Professional Engineering Customers"	professional engineering customers mainly represent professional engineering projects in connection with railways, highways, airports, subways, tunnels, bridges, municipal lighting, energy efficiency remodification and reconstruction and construction of urban infrastructure.
"Quzhou Aushite"	Quzhou Aushite Illumination Co., Ltd.* (衢州奧仕特照明有限公司), a limited liability company incorporated in the PRC, 39% equity interest of which is owned by Mr. Wu Jiannong and 51% equity interest of which is owned by Zhejiang Tonking Investment Co., Ltd.* (浙江同景投資有限公司).
"Reporting Period"	the year ended 31 December 2012.
"RMB"	Renminbi, the lawful currency of the PRC.
"Shanghai Arcata"	Shanghai Arcata Electronics Co., Ltd.* (上海阿卡得電子有限公司), a limited liability company incorporated in the PRC on 22 September 2005 and our indirect wholly-owned subsidiary.
"Shandong NVC"	Shandong NVC Lighting Development Co., Ltd.* (山東雷士照明發展有限公司), a limited liability company incorporated in the PRC and is owned as to 48% by Ms. Chen Min, Mr Wu Changjiang's mother-in-law.
"Sheng Di Ai Si"	Zhongshan Sheng Di Ai Si Lighting Co., Ltd.* (中山市聖地愛司照明有限責任公司), a limited liability company incorporated in the PRC and is owned as to 40.93% by Ms. Chen Min, Mr. Wu Changjiang's mother-in-law.

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
"Signkey"	Signkey Group Limited* (世紀集團有限公司), a limited liability company incorporated in the BVI, 85% equity interest of which is owned by Mr. Wu Jiannong.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.
"Sunny"	Zhejiang Jiangshan Sunny Electron Co., Ltd.* (浙江江山三友電子有限公司), a limited liability company incorporated in the PRC on 2 July 1994 and our indirect wholly-owned subsidiary.
"UK NVC"	NVC Lighting Limited (formerly known as NVC (Manufacturing) Limited), a private company incorporated in England and Wales on 31 May 2007, and our direct wholly-owned subsidiary.
"US$" or "US Dollar"	United States dollars, the lawful currency of the United States.
"we", "us" or "our"	our Company or our Group (as the context may require).
"World Bright"	Jiangshan World Bright Crystal Co., Ltd.* (江山世明水晶玻璃有限公司), a limited liability company incorporated in the PRC, 30% equity interest of which is owned by Signkey and 70% equity interest of which is owned by Quzhou Aushite.
"World Through"	World Through Investments Limited* (世通投資有限公司), a limited liability company incorporated in the BVI on 5 August 2005 and our wholly-owned subsidiary.
"Zhangpu Phoebus"	Zhangpu Phoebus Lighting Co., Ltd.* (漳浦菲普斯照明有限公司), a limited liability company incorporated in the PRC on 9 May 2004 and our indirect wholly-owned subsidiary.
"Zhejiang NVC"	Zhejiang NVC Lamps Co., Ltd.* (浙江雷士燈具有限公司), a limited liability company incorporated in the PRC on 28 September 2007, a 51% equity interest of which is held by Huizhou NVC and the remaining 49% equity interest of which is held by Zhejiang Tonking Investment Co., Ltd.* (浙江同景投資有限公司).

* *denotes English translation of the name of a Chinese company or entity, or vice versa, and is provided for identification purposes only*

Olympic Council of Asia

OCA Lighting and Service Cooperation Partner
Guangzhou 2010 Asian Games Lighting Product Supplier
2013 6th East Asian Games Lighting and Service Exclusive Supplier

雷士照明

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