2014
Annual Report

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 Directors	WANG Donglei WANG Dongming XIAO Yu XIONG Jie
Non-executive Directors	LIN Ho-Ping ZHU Hai LI Wei
Independent Non-executive Directors	LEE Kong Wai, Conway WU Ling WANG Xuexian WEI Hongxiong
Joint Company Secretaries	LO Yee Har, Susan LEUNG Ching Ching
Authorized Representatives	LO Yee Har, Susan WANG Dongming
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 54, Hopewell Centre 183 Queen's Road East Hong Kong
Corporate Website	www.nvc-lighting.com.cn
Investor Relations	Email: ir@nvc-lighting.com
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 of 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 our 3,705 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 research and development centre in Huizhou. 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 and healthy and comfortable lighting products to the general public through our own research and development system and continuous innovations. Our products serve many fields including interior, business, office, construction, industry, lamp and lighting electronics and household (including LED series). 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 the well-known projects such as the 2008 Beijing Olympic Games, the Shanghai World Expo 2010, Tianjin Subway, Wuhan-Guangzhou Highspeed Railway and Shanghai Hongqiao Transport Hub, etc. and also by the world-class hotels such as Hilton, Sheraton and Intercontinental, and the domestic sales outlets of famous automotive brands such as Bentley, BMW and Toyota as well as the garment brands such as Metersbonwe, Septwolves, K-Boxing and Erdos. In 2011, we became the lighting and service cooperative partner of the Olympic Council of Asia ("OCA"). We entered into an agreement to become an "Official Cooperative Partner of International Swimming Federation ("FINA")" in 2013 and became the senior sponsor for the 2014 Qingdao International Horticultural Exposition.

"To become a world brand and the best player in the industry" is our ultimate goal. The Group has devoted itself to beautify 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.

Financial Highlights

For the year ended 31 December

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000 *(Restated)*	2010 RMB'000 *(Restated)* *(Note 3)*
Revenue	**3,471,014**	3,773,816	3,546,036	3,797,998	3,192,069
Gross profit	**741,576**	797,403	761,347	974,086	928,764
Gross profit margin *(Note1)*	**21.4%**	21.1%	21.5%	25.6%	29.1%
(Loss)/profit before tax	**(314,587)**	354,458	116,481	626,123	557,016
(Loss)/profit margin before tax *(Note 1)*	**(9.1%)**	9.4%	3.3%	16.5%	17.4%
(Loss)/profit for the year *(Note 2)*	**(328,068)**	282,107	48,544	574,031	500,026
Net (loss)/profit margin *(Note1)*	**(9.5%)**	7.5%	1.4%	15.1%	15.7%
(Loss)/profit for the year attributable to:					
Owners of the parent	**(354,153)**	244,884	8,416	547,835	482,730
Non-controlling interests	**26,085**	37,223	40,128	26,196	17,296

Note 1: Gross profit margin equals to gross profit divided by revenue; (Loss)/profit margin before tax equals to (loss)/profit before tax divided by revenue; net (loss)/profit margin equals to (loss)/profit for the year divided by revenue.

Note 2: (Loss)/profit for the year represents profit before netting off profit for the year attributable to non-controlling interests.

Note 3: The amounts for 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

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000 *(Restated)*	2010 RMB'000 *(Restated)* *(Note 2)*
Non-current assets	**1,304,846**	1,312,316	1,295,332	1,535,110	1,237,049
Current assets	**3,206,593**	3,456,658	3,238,957	3,069,276	2,914,001
Current liabilities	**1,043,726**	900,279	839,699	780,439	656,820
Net current assets	**2,162,867**	2,556,379	2,399,258	2,288,837	2,257,881
Total assets less current liabilities	**3,467,713**	3,868,695	3,694,590	3,823,947	3,494,275
Non-current liabilities	**101,104**	108,070	111,857	112,194	207,675
Total equity	**3,366,609**	3,760,625	3,582,733	3,711,753	3,290,620
Including:					
Equity attributable to owners of the parent	**3,247,462**	3,676,870	3,511,701	3,656,349	3,260,096
Non-controlling interests	**119,147**	83,755	71,032	55,404	26,504
Current ratio *(Note 1)*	**3.07**	3.84	3.86	3.93	4.44

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

Note 2: The amounts for 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.

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board") of NVC Lighting Holding Limited (the "Company"), I hereby present to you the 2014 annual report of the Company and its subsidiaries (collectively referred to as the "Group").

Response to Challenges

2014 is a year of setbacks and challenges for the Group. Due to Mr. WU Changjiang's (吳長江) unreasonable refusal to comply with the relevant Board resolutions removing him from the Group, the operations of certain subsidiaries of the Group were suspended for over two months, and this had an adverse impact on the normal operations as well as the operating results of the Group during the Reporting Period. Certain pledges and guarantees, which were entered into by Mr. WU Changjiang purportedly on behalf of a subsidiary of the Group, but without the Board's knowledge, also contributed to the Group recording a loss for the Reporting Period. The new management of the Group made prompt decisions in response to the matters stated above, with the establishment of the Emergency Committee and the Independent Investigation Committee, as well as the appointment of external service providers to conduct a forensic review of the irregularities in connection with the alleged wrongdoing of Mr. WU Changjiang, coupled with an internal controls assessment of the Company and its key subsidiaries. These steps were aimed at ensuring the effective and continuous operations of the Company and to safeguard the interests of the shareholders, employees, distributors and suppliers of the Company.

Prospects

With the flourishing LED development in 2015, the Group is well-poised to operate in full swing again. Backed up by the strongholds of our brand effects, leadership in the industry, outstanding market network, operational team, abundant product lines, and excellent management and technology teams, plus the cooperation with ETIC, we will achieve the integration of upstream, midstream and downstream resources to create more competitive LED lighting products in the market, with the aim of becoming one of the top three lighting enterprises in the world.

Consolidate Existing Channels and Develop Professional and Household Sectors

With full channel coverage and brand image, the Group will consolidate its current channels and actively develop the fourth-tier town centres to improve the relatively low coverage in township market at present. NVC will increase the investment in the development of new outlets as well as the enhancement and reformation of existing outlets. The promotion activities for group purchase, order placement, exchange and promotion will be organized from time to time. Furthermore, through the segmentation of sales centers for retail, small and medium engineering, key accounts (KA), professional engineering and industrial lighting, the Group will cover the professional market on top of the traditional network channels, make in-depth exploration of engineering projects in the market, and develop and promote specific products for professional clients. Moreover, the Group also set up a company in January 2015 specializing in household lighting appliances and kick off the household product business so as to gradually achieve a comprehensive coverage of the lighting sector.

Expand Overseas Markets and Build up a Medium-to-high-end Brand Image

Going forward, our development of overseas markets will focus on the in-depth exploration of the existing key markets, build up a set of successful and replicable pattern to continuously expand into other regions. In respect of the existing key markets, the Group will continue to reinforce the development and promotion of LED lighting products and expedite the transformation from traditional products to LED lighting products. At the same time, the Group will reinforce the expansion of overseas retail and wholesale channels, and increase the exposure of NVC brand by means of exclusive outlets and the scheme of "store-in-store", in order to build up the Group's medium-to-high-end brand image. In 2015, the Group will conduct seven promotion events in Riyadh (Saudi Arabia), Dammam, United Arab Emirates, Qatar, Aman, Indonesia and Mongolia and promote the NVC brand to the global audience through sponsoring the FINA Diving World Series.

Promote the Implementation of Internet O2O Strategy in Line with Market Development Trend

On 19 November 2014, NVC Lighting and ETIC jointly announced the first O2O lighting and smart household e-commerce platform in Beijing and our key Internet O2O development strategy. At present, the Group has commenced the operation of its own online flagship store, which authorized the operational centers to operate the online exclusive outlet in different phases. The Group will first aim at easing the flow of traffic for end-users, then construct technical platforms as the O2O testing point. Finally the Group will carry out full website integration and achieve a win-win outcome with the distributors. It is expected that the O2O e-commerce channel will share mutual benefits with the traditional sales strategy and become the new business growth model of the Group.

Strict Implementation of Anti-counterfeit for Protecting Interests of Consumers and Clients

Together with the law-enforcement authorities in Chongqing, Zhongshan, Beijing, Shanghai and Shenzhen, the Group has launched an anti-counterfeit movement in 2014. Various depots for counterfeit NVC products in the PRC were cracked down. Nearly 100 suspects were arrested in a series of major case of severe tort involving tens of millions Renminbi, which has drawn great attention of the entire industry, leading to tremendous response in both upstream and downstream. The Group has become the "Anti-counterfeit Guard" and provided other enterprises with the legalized and standardized model in protecting the Company's interests. The anti-counterfeit movement will continue in 2015 to protect the legal interests of consumers and clients.

Chairman's Statement

Acknowledgement

Our stable development for more than 10 years depends entirely on the wholehearted contributions and persistent support from the Board and all staff members. I would like to express my heartfelt thanks to the long-term support of all shareholders, clients, suppliers and distributors. In the future, we will strive forward steadily as in the past with full responsibility to all shareholders, clients, suppliers and distributors, with an aim to make NVC Lighting a world-wide respected brand and secure satisfactory results to repay the support from various sectors.

WANG Donglei
Chairman

Hong Kong, 13 May, 2015

Market Review

The global economic growth rate slowed further in 2014 with rugged economic recovery. Japan and the Eurozone remained burdened with slumped economy while emerging markets like Russia experienced drastic depreciation in Rubles and China faced slowdown in economic growth. However, the momentum of economic recovery was strong in the U.S.A. with increasing U.S. dollars exchange rate. The third round of Quantitative Easing Monetary Policy ended as scheduled.

According to the information from National Bureau of Statistics of China, various indices of real estate industry which is closely related to the lighting industry recorded a downward trend in 2014. The saleable area of China's real estate market and the area of housing under construction decreased by 7.6% and 10.7% respectively, as compared with the Corresponding Period, which created impact on the downstream lighting industry. However, LED lighting products were still the main development trend of the lighting industry in 2014. The gradual elimination of incandescent lights worldwide and the global consensus on low-carbon economy development expedited the popularity of LED lighting products. China has also gradually become the market with the largest production scale for LED lighting products in the world. Based on the statistics from CSA (China Solid State Lighting Alliance) Research, the scale of China's semiconductor lighting industry reached RMB350.7 billion in 2014, representing an increase of 36% from RMB257.6 billion in 2013. In particular, the scale of mid-upstream epitaxial wafer was approximately RMB13.8 billion, midstream packaging was approximately RMB51.7 billion and downstream application rose up to RMB285.2 billion.

In 2014, China's traditional lighting enterprises expedited their transformation to LED lighting. With a maturing LED lighting technology development, the abundant supply of LED lighting products available in the market created pressure on the traditional lighting products. On the other hand, the sudden explosive growth in the last two years led to excessive LED lighting supply and triggered competitions on distribution channels and pricing. As a result, competition in the industry was aggravated. The lighting industry entered the critical period of shuffle effect. In addition, e-commerce became a hot topic within the industry. With the well developed Internet technology and mobile equipment, the global e-commerce providers took the stage. Major lighting brands in China took the initiative to construct e-commerce platforms and recorded good results. Meanwhile, the O2O model in the lighting industry has emerged, which is a breakthrough on the original multi-agency model to reduce the transaction cost and becomes the new direction for the transformation of the traditional marketing model in the lighting industry.

Business Review

Mr. WU Changjiang's Actions

In 2014, the majority of the members of the Board were informed by Mr. WU Changjiang that he had signed a series of licensing agreements purportedly on behalf of Huizhou NVC, without the Board's approval or knowledge. Subsequently, on 8 August 2014, Mr. WU Changjiang was removed by the Board from the office of Chief Executive Officer. His unreasonable refusal to comply with the relevant Board resolutions resulted in the suspension of operations of NVC China and Chongqing NVC for more than two months, which adversely affected the Group's normal operations and the operating results during the Reporting Period. Mr. WU Changjiang also entered into certain pledge and guarantee agreements purportedly on behalf of NVC China, without the Board's knowledge to secure bank loans of other companies. The Company has reasonable ground to believe that at least some of those companies may be associates of Mr. WU Changjiang. As a result of those purported pledge and guarantee agreements, approximately RMB551 million and RMB54 million of NVC China's funds were withdrawn and frozen, respectively, by relevant PRC banks. This has contributed to the Group recording a loss for the Reporting Period. Based on inquiries made by the Company, it has been informed that the arrest of Mr. WU Changjiang was approved by the Huizhou Municipal People's Procuratorate on 12 January 2015. Regarding Mr. WU Changjiang's alleged wrongdoing, please refer to a series of announcements of the Company on 8 August 2014, 14 August 2014, 20 August 2014, 28 August 2014, 10 September 2014, 8 October 2014, 27 October 2014, 6 November 2014, 19 November 2014, 21 January 2015, 6 February 2015, 14 April 2015 and 18 May 2015 respectively.

Following the removal of Mr. WU Changjiang from the office of chief executive officer, the Group's new management established an Emergency Committee and an Independent Investigations Committee, and appointed external service providers to conduct a forensic review of the irregularities in connection with the alleged wrongdoing of Mr. WU Changjiang and an internal controls assessment of the Company and its key subsidiaries. In addition, in August 2014, the Company decided to suspend the operations of NVC China in Chongqing and to establish the headquarters at the Company's Huizhou offices. This action was taken to ensure the efficient and continuous operation of the Company and to protect the interests of shareholders, employees, distributors and suppliers of the Company.

Sales and distribution

In respect of the market management, the Group maintained 36 exclusive regional distributors during the Reporting Period. As at 31 December 2014, the exclusive regional distributors of the Group had a total of 3,705 exclusive outlets (in the provincial capital cities with a 100% coverage rate, in the prefecture-level cities with a 96.5% coverage rate, in the county-level cities with a 67.5% coverage rate and in the town centers with a 2.7% coverage rate), representing an increase of 406 outlets as compared with the Corresponding Period, mainly in the county-level cities and town centers. Apart from this, the exclusive regional distributors also developed many exhibition walls, exhibition counters and metalware outlets. In terms of internal management, the Group adjusted the management structure, set up the retail and core engineering sales centers, professional engineering sales centers, key accounts (KA) sales centers and industrial lighting sales centers in order to carry out various development and promotion to different clients, provide specific services and promote the coverage of the Company's products to more regions. Meanwhile, in order to expand the business scope, we announced the major layout of the Internet O2O development strategy, so as to capture the opportunities in the Internet era and enhance competitiveness. Mr. WU Changjiang's unreasonable refusal to comply with the Board's resolutions resulted in the suspension of the operation of Chongqing NVC and NVC China for more than two months. Consequently, the total turnover of NVC brand products in China decreased 8.2% from the Corresponding Period to RMB1,951,973,000.

As for the non-NVC brands in the PRC market, the Group focused on providing the energy- saving lamp enterprises with products including energy-saving light tubes and accessories. During the Reporting Period, the market price and the sales orders of the Group's fluorescent lighting products were affected by the impact of LED lighting products. As a result, the total turnover of the non-NVC brand products in China decreased 17.8% from the Corresponding Period to RMB320,507,000.

In respect of the NVC brand in the international market during the Reporting Period, the Group increased its investment and development in key markets such as South America, Middle East, Australia, India and Southeast Asia. Five brand exclusive outlets were set up in Dammam of Saudi Arabia, Indonesia (2 outlets), Kenya and Chile. By sponsoring the FINA Diving World Series, we conducted the in-depth brand promotion in Dubai, Russia, Aman and Mongolia. Especially, the promotion of the LED lighting products expedited the transformation from the use of traditional products to LED lighting products in various regions. During the Reporting Period, the total turnover of NVC brand products in international market was RMB441,286,000, representing an increase of 20.6% as compared with the Corresponding Period, in which the turnover of LED lighting products was RMB251,316,000, representing an increase of 300.2% as compared with the Corresponding Period and comprising 57.0% of the international sales revenue from NVC brand products as compared with 17.2% in the Corresponding Period.

For the non-NVC brands in the international market, the Group mainly provided famous international lighting enterprises with energy-saving lamps, energy-saving light tubes and accessories in the form of ODM. At the same time, in line with the market trend, the Group took the initiative for the transformation to LED energy-saving products through technological improvement and product development. During the Reporting Period, the total turnover of non-NVC brand products in the international market was RMB757,248,000, representing a decline of 15.0% as compared with the Corresponding Period.

Product research, development and design

During the Reporting Period, the research and development of the Group concentrated in the LED lighting sector. Through analysing the layout and positioning of the LED lighting products, the Group kept on making breakthroughs in industrial design, quality enhancement and cost control and launched various new LED lighting products for indoor and outdoor lightings. Furthermore, the Group filed new applications for 50 patents, with 81 patents approved and granted during the Reporting Period. The Group invested RMB50,521,000 in the research and development projects, accounting for 1.5% of the Group's revenue, the percentage of which was basically equivalent to the Corresponding Period.

Brand promotion and honors

During the Reporting Period, the Group continued to promote the brand image of NVC through advertisement, media reports, public relations and public welfare activities. Meanwhile, through nationwide large-scale anti-counterfeit activities, the Group made a great achievement, enhanced the brand image and protected the benefits of consumers and clients.

During the Reporting Period, the Group received the "Top 100 Enterprises of Good Financial Capacity", "China Light Industry Research and Development and Innovation Advanced Enterprise", "China Light Industry E-commerce Advanced Enterprise", "The Most Influential Brand", "2014 Top 500 Most Valuable Brands in China", "Iconic Brand of China's Lighting Industry" and "2014 Designers' Top 10 Lighting Brands Awards". Moreover, the Group was ranked No. 1 on the list of the suppliers' first choice under the category of lighting appliances for the top 500 real estate development enterprises in China for the year 2013 to 2014. In March 2014, the Group won the tender for the lighting project of the International Horticultural Exposition and became the senior sponsor for the 2014 Qingdao International Horticultural Exposition.

Financial Review

Revenue

Revenue represents the invoiced value of goods sold, after allowances for returns and trade discounts. During the Reporting Period, the progress of replacing traditional lighting products with LED lighting products has been expedited. The turnover of LED lighting products reached RMB1,228,131,000, representing an increase of 65.8% as compared with the Corresponding Period, which was the major contribution of the Group's results. However, as the result of suspension of production and sales of some subsidiaries, each product line recorded a lower turnover in the second half of the year. Due to the above reasons, the Group's revenue was RMB3,471,014,000 during the Reporting Period, representing a decline of 8.0% as compared with the Corresponding Period.

Revenue by product segments

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

	Years ended 31 December		
	2014	2013	Growth rate
	RMB'000	RMB'000	
Luminaire products	**2,108,622**	2,122,477	(0.7%)
Lamp products	**1,149,045**	1,379,551	(16.7%)
Lighting electronic products	**213,347**	271,788	(21.5%)
Total	**3,471,014**	3,773,816	(8.0%)

During the Reporting Period, turnover of luminaire products slightly decreased by 0.7%. Despite the high growth rate of LED luminaire products, luminaire turnover was largely affected by the operation suspension of some subsidiaries which produce and supply luminaire products. The sales of lamp products decreased by 16.7%, which is mainly attributable to the unsaturated production capacity of lamp products under the fluorescent category (with energy-saving lamp and energy-saving light tubes accounting for larger proportion) due to insufficient orders and decline in sales prices as a result of the impact by LED lighting products. Sales orders from major customers also decreased. The sales of lighting electronic products decreased by 21.5%, which is mainly attributed to the decline of market demand for traditional accessories of luminaire products. At present, LED lighting electronic products account for a smaller proportion and will be the major transformation direction in the future.

Revenue by geographical locations, NVC brand sales and non-NVC brand sales

The table below sets forth the revenue by geographical locations, 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.

	Years ended 31 December		
	2014	2013	Growth rate
	RMB'000	RMB'000	
Sales revenue from PRC			
NVC brand	**1,951,973**	2,127,066	(8.2%)
Non-NVC brand	**320,507**	389,826	(17.8%)
Subtotal	**2,272,480**	2,516,892	(9.7%)
Sales revenue from international market			
NVC brand	**441,286**	365,962	20.6%
Non-NVC brand	**757,248**	890,962	(15.0%)
Subtotal	**1,198,534**	1,256,924	(4.6%)
Total	**3,471,014**	3,773,816	(8.0%)

Revenue by LED lighting products and non-LED lighting products

The table below sets forth our revenue from LED lighting products and non-LED lighting products and the growth rate of each item.

	Years ended 31 December		
	2014	2013	Growth rate
	RMB'000	RMB'000	
LED lighting products	**1,228,131**	740,589	65.8%
Non-LED lighting products	**2,242,883**	3,033,227	(26.1%)
Total	**3,471,014**	3,773,816	(8.0%)

During the Reporting Period, turnover of LED lighting products increased by 65.8% as compared with the Corresponding Period, representing an increase from 19.6% of the total turnover in the Corresponding Period to 35.4%. The sales of LED lighting products from the PRC recorded a turnover of RMB963,693,000 and increased by 42.3% as compared with the Corresponding Period, representing an increase from 26.9% of the total turnover in the PRC in the Corresponding Period to 42.4%. Turnover of non-LED lighting products decreased by 26.1% as compared with the Corresponding Period, representing a decrease from 80.4% of the total sales revenue in the Corresponding Period to 64.6%, which mainly attributed to the remarkable decline in sales orders resulting from the impact of market demand and the suspension of production and sales of some subsidiaries. Each product line recorded a lower turnover.

Cost of sales

Cost of sales mainly consists of the cost of raw materials, outsourced manufacturing costs, labor costs and indirect costs. Major raw materials of the Group include iron, aluminum and alloys, fluorescent powder, glass tubes, electronics components and LED packaged chips. 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:

	Years ended 31 December			
	2014		2013	
	RMB'000	Percentage in revenue (%)	RMB'000	Percentage in revenue (%)
Raw materials	2,071,170	59.7%	2,233,877	59.2%
Outsourced manufacturing costs	206,345	5.9%	208,412	5.5%
Labor costs	260,805	7.5%	336,621	8.9%
Indirect costs	191,118	5.5%	197,503	5.3%
Total	2,729,438	78.6%	2,976,413	78.9%

During the Reporting Period, the cost of sales as a percentage in revenue decreased from 78.9% to 78.6%, resulting in an increase in gross profit margin from 21.1% to 21.4%, which is mainly due to changes in product mix and the enhancement in cost control.

Gross profit and gross profit margin

Gross profit is calculated as the net value of sales revenue less cost of sales.

During the Reporting Period, gross profit was RMB741,576,000, representing a decrease of 7.0% as compared with the Corresponding Period, gross profit margin increased from 21.1% in the Corresponding Period to 21.4%. The gross profit and gross profit margin by segments are as follows:

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

	Years ended 31 December			
	2014		2013	
	RMB'000	**(%)**	RMB'000	(%)
Luminaire products	**503,554**	**23.9%**	467,122	22.0%
Lamp products	**198,744**	**17.3%**	281,422	20.4%
Lighting electronic products	**39,278**	**18.4%**	48,859	18.0%
Total	**741,576**	**21.4%**	797,403	21.1%

During the Reporting Period, gross profit margin of luminaire products increased by 1.9% to 23.9% as compared with the Corresponding Period, which is mainly attributable to a faster growth in gross profit margin of LED luminaire products resulted from the adjustment of LED pricing strategy. Price was relatively low in the initial stage in order to open up the market and gain the market share. However, price increased as the market and technology matured. On the other hand, the upstream and downstream integration effects of ETIC were gradually emerging and the costs of LED chips declined. Gross profit margin of lamp products decreased by 3.1% to 17.3% as compared with the Corresponding Period, which is mainly attributable to unsaturated production capacity due to insufficient orders and decline in sales prices. Gross profit margin of lighting electronic products increased by 0.4% to 18.4% as compared with the Corresponding Period, mainly attributable to the changes in product mix.

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

	Years ended 31 December			
	2014		2013	
	RMB'000	**(%)**	RMB'000	(%)
Gross profit from PRC sales:				
NVC brand	**465,841**	**23.9%**	472,621	22.2%
Non-NVC brand	**34,951**	**10.9%**	75,371	19.3%
Subtotal	**500,792**	**22.0%**	547,992	21.8%
Gross profit from international sales:				
NVC brand	**101,780**	**23.1%**	83,517	22.8%
Non-NVC brand	**139,004**	**18.4%**	165,894	18.6%
Subtotal	**240,784**	**20.1%**	249,411	19.8%
Total	**741,576**	**21.4%**	797,403	21.1%

(iii) The table below sets forth the gross profit and gross profit margins of LED lighting products and non-LED lighting products:

	Years ended 31 December			
	2014		2013	
	RMB'000	**(%)**	RMB'000	(%)
LED lighting products	**309,727**	**25.2%**	121,240	16.4%
Non-LED lighting products	**431,849**	**19.3%**	676,163	22.3%
Total gross profit	**741,576**	**21.4%**	797,403	21.1%

During the Reporting Period, gross profit margin of LED lighting products increased by 8.8% to 25.2% as compared with the Corresponding Period, which is attributable to the adjustment in LED pricing strategy of LED lighting products. In order to open up the market and gain the market share in the initial stage, pricing was relatively low. Price increased as the market and technology matured. On the other hand, the upstream and downstream integration effects of ETIC were gradually emerging and the purchasing costs of LED chips declined. Gross profit margin of non-LED lighting products declined by 3.0% to 19.3% as compared with the Corresponding Period, mainly attributable to the impact of LED lighting products and decline in gross profit margin of fluorescent lamp and batten products.

Other income and gains

Other income and gains mainly consist of trademark license fees, rental income, gain on sale of scrap materials, government grants and interest income (please refer to note 5 to the financial statements on page 130 of this annual report for the composition of other income and gains). We received various types of government grants as tax subsidies and incentives for research and development activities and expansion of production capacity of energy-saving lamps. Government subsidies are provided by relevant authorities at their discretion, and may not necessarily be recurring in nature. We licensed our trademark to a limited number of related companies and a third party company at one to three percent of the companies' sales as trademark license fees. During the Reporting Period, other income and gains were RMB64,449,000, representing a decrease of 29.6% as compared with the Corresponding Period. The decrease was primarily due to the lower government subsidies as compared with the Corresponding Period.

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, our selling and distribution costs were RMB386,785,000, representing an increase of 42.8% as compared with the Corresponding Period. The increase mainly reflected the increase in labor costs as well as the increase in advertising and promotion fees. Our selling and distribution costs as a percentage in revenue increased from 7.2% to 11.1%.

Administrative expenses

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

During the Reporting Period, our administrative expenses were RMB426,285,000, representing an increase of 64.7% as compared with the Corresponding Period. The increase is mainly attributable to the increases in staff costs, the legal consultation fees and the bad debt provision. Our administrative expenses as a percentage in revenue increased from 6.9% to 12.3%.

Other expenses

Other expenses include modification loss of trade receivables, losses on disposal of property, plant and equipment, donation, exchange loss and other miscellaneous expenses. Our other expenses increased substantially to RMB18,878,000, mainly due to increases in modification loss of trade receivables, losses on disposal of property, plant and equipment and exchange loss as compared with the Corresponding Period.

Impairment loss of other receivables due from a company

Details of impairment loss of other receivables due from a company amounting to RMB285,360,000 are disclosed in note 7 to the financial statements on page 131 of this annual report.

Finance costs

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

Share of (loss)/profit of associates

This item represents the Group's share of net profit or net loss in the associates during the Reporting Period.

Income tax expense

During the Reporting Period, the Group's income tax expense decreased by 81.4% to RMB13,481,000 as compared with the Corresponding Period, which is mainly attributable to the substantial decrease in taxable profit of the Group and the change in tax rate for deferred tax assets of a subsidiary.

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

Due to the factors mentioned above, our net loss for the year (including profit attributable to non-controlling interests) was RMB328,068,000 during the Reporting Period.

Exchange differences on translation of foreign operations

During the Reporting Period, our exchange differences on translation of foreign operations were RMB848,000. These exchange differences primarily arose from the translation of the financial statements of the Company and the overseas subsidiaries which are denominated in foreign currencies.

Loss attributable to owners of the parent for the year

Due to the factors mentioned above, loss attributable to owners of the parent was RMB354,153,000 during the Reporting Period.

Profit attributable to non-controlling interests for the year

During the Reporting Period, profit attributable to non-controlling interests was RMB26,085,000.

Cash Flow and Liquidity

Cash flow

The table below sets out selected cash flow data from our consolidated statement of cash flows.

	31 December	
	2014	2013
	RMB'000	RMB'000
		(Restated)
Net cash flows (used in)/from operating activities	**(383,017)**	76,938
Net cash flows from/(used in) investing activities	**317,874**	(213,417)
Net cash flows used in financing activities	**(56,298)**	(138,916)
Net decrease in cash and cash equivalents	**(121,441)**	(275,395)
Cash and cash equivalents at beginning of year	**918,905**	1,200,357
Effect of foreign exchange rate changes, net	**(770)**	(6,057)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**796,694**	918,905
Bank overdraft	**–**	17,117
Cash and cash equivalents as stated in the consolidated statement of financial position	**796,694**	936,022

At the end of the Reporting Period, the cash and bank balances of the Group were mainly denominated in RMB, HK$, GBP and US$. 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.

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	
	2014	2013
	RMB'000	RMB'000
		(Restated)
CURRENT ASSETS		
Inventories	**689,333**	651,707
Trade and bills receivables	**1,218,824**	1,268,212
Prepayments, deposits and other receivables	**342,140**	81,176
Other current assets	**34,369**	16,919
Restricted bank balance and short-term deposits	**125,233**	502,622
Cash and cash equivalents	**796,694**	936,022
Total current assets	**3,206,593**	3,456,658
CURRENT LIABILITIES		
Trade payables	**598,055**	510,352
Other payables and accruals	**383,758**	319,754
Interest-bearing loans and borrowings	**40,948**	47,117
Government grants	**2,137**	1,909
Income tax payable	**18,828**	21,147
Total current liabilities	**1,043,726**	900,279
NET CURRENT ASSETS	**2,162,867**	2,556,379

As at 31 December 2014 and 31 December 2013, net current assets of the Group amounted to RMB2,162,867,000 and RMB2,556,379,000, respectively, and the current ratio was 3.07 and 3.84, respectively. In light of our current liquidity position, the unutilised banking facilities available to the Group 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 table below sets out our gearing ratio as at the end of the Reporting Period.

	31 December	
	2014	2013
	RMB'000	RMB'000
Interest-bearing loans and borrowings	**40,948**	47,117
Total debt	**40,948**	47,117
Less: cash and short-term deposits (excluding restricted bank balance)	**(867,799)**	(1,438,644)
Net debt	**N/A**	N/A
Total equity attributable to owners of the parent	**3,247,462**	3,676,870
Gearing ratio	**N/A**	N/A

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 (excluding restricted bank balance).

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 2014, 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 89.7 days, while it was 82.8 days in 2013.

More details about the inventories are provided in note 23 to the financial statements on page 161 of this annual report.

Trade and bills receivables

Our trade receivables 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 180 days for major customers. 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. Trade receivables are non-interest-bearing.

For the year ended 31 December 2014, 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 139.3 days, while it was 102.7 days in 2013.

More details about the trade and bills receivables are provided in note 24 to the financial statements on pages 162 to 164 of this annual report.

Trade payables

During the year ended 31 December 2014, 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 74.1 days, while it was 57.8 days in 2013.

More details about the trade payables are provided in note 28 to the financial statements on pages 171 to 172 of this annual report.

Interest-Bearing Loans and Borrowings

	31 December					
	2014			2013		
	Contractual Interest rate (%)	**Maturity**	**RMB'000**	Contractual Interest rate (%)	Maturity	RMB'000
Current						
Bank loan – secured[1]	Base*+1.90	On demand	40,948	–	–	–
Bank loans – unsecured	–	–	–	4.98	April 2014	30,000
Bank overdraft – unsecured	–	–	–	Base*+2.30	On demand	17,117
Total			40,948			47,117

1 The secured bank loan represented a GBP-dominated secured facility amounting to GBP5,000,000 (2013: Nil), of which GBP4,291,000 (2013: Nil) had been utilised as at the end of the Reporting Period. The bank loan was secured by the pledge over certain trade receivables amounting to RMB40,948,000 and short-term deposits amounting to RMB54,100,000. In accordance with the contract, the loan was repayable upon the collection of the factored trade receivables and carried a floating interest rate based on the Base plus 1.90%.

* "Base" means the Bank of England base rate.

As at 31 December 2014, the fair value of interest-bearing loans and borrowings approximated to their carrying amounts largely due to the short-term maturity.

Capital expenditure

We funded our capital expenditure with cash generated from operations and bank loans. Our capital expenditure is primarily related to expenditure on property, plant and equipment, prepaid land lease payments and other intangible assets. During the Reporting Period, the Group's capital expenditure amounted to RMB72,465,000, which included, investment of RMB34,816,000 in machinery equipments, moulds and non-productive equipments, an increase of RMB14,241,000 in plant construction, an increase of RMB6,875,000 in furniture and fixtures, an increase of RMB9,414,000 in construction in progress and an increase of RMB5,637,000 in intangible assets which were mainly computer software and development expenses.

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.

Capital Commitments

The details of capital commitments are referred to in note 39 to the financial statements on page 185 of this annual report.

Merger, Acquisition and Investment

During the Reporting Period, the Company's subsidiary, Huizhou NVC, invested RMB39,200,000 (paid-up capital of RMB23,520,000) to acquire 49% equity interest of Huizhou Thorled-Opto Co., Ltd., which principally engaged in the development, manufacture and sales of a range of LED packaged products with registered capital of RMB80,000,000. Other than that, the Group did not acquire, merge or dispose of any subsidiary and associate during the Reporting Period.

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 2014.

Litigation

(a) The Group as a plaintiff

A subsidiary of the Company entered into several purported pledge and guarantee agreements in 2013 and 2014 with certain banks in China, providing guarantees to the banks for their lendings to certain borrowers. As at 31 December 2013, RMB160,000,000 of the Group's bank deposits were pledged to the banks under the Purported Pledge and Guarantee Agreements. Additional time deposits of RMB415,500,000 were pledged to the banks under the Purported Pledge and Guarantee Agreements entered into in 2014. Counter guarantees were provided by a borrower of the bank loans (the "Borrower") to the Group. In 2014, RMB24,576,000 of the pledged deposits were returned to the Group and RMB550,924,000 had been withdrawn by the banks due to default of the bank loans under the purported pledge and guarantee agreements.

From December 2014 onwards, the Group has instituted a series of legal proceedings ("First Proceedings") against Mr. WU Changjiang, a former director and former chief executive officer of the Company, Mrs. WU Lian, Mr. WU Xianming, Mrs. Chen Min, Lei Li Jie, Wu Ji (the "Borrower"), Jiang Te and Chongqing Hua Biao Lighting Manufacturing Co., Ltd ("Hua Biao") (collectively the "Defendants in the First Proceedings"), in the Intermediate People's Court of Huizhou (the "Huizhou Court") for damages. In addition, as indicated in 8 letters of counter guarantee issued by Wu Ji with dates in 2013 and 2014, Wu Ji provided counter guarantees to the Group to reimburse any losses for provision of pledges and guarantees on the bank loans borrowed by certain PRC companies. An aggregate amount of RMB550,924,000 was recognised as other receivables due from a company as at 31 December 2014. The Directors are of the opinion that an amount of RMB265,564,000 is recoverable and a provision for the unrecoverable amount of RMB285,360,000 had been made and included in "Impairment loss of other receivables due from a company" in the consolidated statement of profit or loss of the Group for the year ended 31 December 2014.

(b) The Group as a defendant

Under one of the Purported Pledge and Guarantee Agreements, a subsidiary of the Group entered into a purported guarantee agreement with a bank, purportedly providing guarantee to the bank on a bank loan granted by the bank to its borrower. In addition, the bank loan was secured by the pledge of a piece of land owned by Wu Ji.

The bank loan was in default in 2014 and the bank has taken legal actions against the borrower and the guarantors to recover the loan balance. A court order was issued to freeze deposits of RMB62,000,000 of the subsidiary. As a result of the court order, deposit of the subsidiary in the amount of RMB54,128,000 had been frozen by the bank as at 31 December 2014.

The RMB54,128,000 of bank balance being frozen was recorded in "Restricted bank balance and short-term deposits" on the consolidated statement of financial position of the Group as at 31 December 2014 and disclosed as a restricted bank balance. The Directors consider that the likelihood of the Group sustaining losses from the guarantee is remote as the loan had sufficient underlying securities and the subsidiary is only one of the guarantors for the loan. The Directors believe that the frozen bank balance of RMB54,128,000 as included in "Restricted bank balance and short-term deposits" will be released upon the conclusion of the legal proceedings and no provision is considered necessary as at 31 December 2014. In addition, the Directors are of the opinion that no provision on the shortfall of RMB7,872,000 between the court order of RMB62,000,000 and the frozen bank balance of RMB54,128,000 is considered necessary as at 31 December 2014.

Contingent Liabilities

(a) As at 31 December 2014, contingent liabilities not provided for in the financial statements were as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Purported guarantees given to banks in connection with facilities granted to:		
A PRC company/several PRC companies	**62,000**	152,600

As at 31 December 2014, the banking facilities purportedly guaranteed by the Group to a PRC company (2013: several PRC companies) was utilised to the extent of approximately RMB60,000,000 (2013: RMB152,600,000).

(b) The Group is currently a defendant in a lawsuit brought by a PRC bank alleging that the Group should assume guarantee liabilities (as disclosed in (a) above, for year ended 31 December 2014) according to a purported guarantee agreement entered into by NVC China and the PRC bank. The Directors consider that the likelihood of the Group sustaining losses from the purported guarantee is remote and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

Pledge of Assets

As at 31 December 2014, the following assets of the Group were pledged, as applicable:

(1) Certain trade receivables of UK NVC with carrying amounts of RMB40,948,000 were pledged to secure the bank borrowings of UK NVC.

(2) In accordance with purported pledge and guarantee agreement entered into by NVC China, a wholly-owned subsidiary of the Company, in 2013, RMB160,000,000 were purportedly pledged to banks to secure several bank loans borrowed by several PRC companies.

(3) In accordance with an agreement of deposits, a deposit with a carrying amount of RMB54,100,000 (31 December 2013: Nil) was pledged to a bank to secure a bank loan of a subsidiary of the Group.

(4) In accordance with several letters of guarantee, deposits with carrying amounts of RMB10,428,000 (31 December 2013: RMB5,692,000) were pledged for issuing letters of guarantee.

(5) Deposits with carrying amounts of RMB1,500,000 (31 December 2013: RMB500,000) were pledged for application of assets preservation.

Comparative Amounts

As at 31 December 2013, an amount of RMB160,000,000 should be reclassified from cash and cash equivalents to short-term deposits in accordance with several purported pledge and guarantee agreements entered into between the Group and several PRC banks. The Directors have also identified that an amount of RMB253,130,000 should be reclassified from cash and cash equivalents to short-term deposits.

Except for the prior year reclassification adjustments mentioned above, certain comparative amounts have been reclassified to conform with the current year's presentation.

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 U.S. dollars. As a result, we are exposed to fluctuations in the exchange rate between the U.S. dollars and 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 difficulties or negative impacts 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 changes 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.

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 loans. 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 prepayments, 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 carrying amounts of trade and bills receivables, prepayments, deposits and other receivables 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 2014, we entered into a number of one-year insurance contracts with China Export & Credit Insurance Corporation, which covered up to 85% of uncollectible receivables from PRC sales and 90% uncollectible receivables from international sales between the period from 1 December 2014 to 30 November 2015 with a maximum compensation amount of RMB32,000,000 for PRC sales and US$30,000,000 (equivalent to approximately RMB183,570,000) for international sales. 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 when they become due.

Employees

As at 31 December 2014, the Group had approximately 8,414 employees in total (31 December 2013: 8,785). 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.

Directors and Senior Management

Executive Directors

Mr. WANG Donglei (王冬雷), aged 51, is an Executive Director, the Chairman and the Chief Executive Officer. 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 ETIC. At present, Mr. WANG also holds positions in 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 Donglei is the elder brother of Mr. WANG Dongming and Mr. WANG Sheng.

Mr. WANG 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 24.73% of the shares of ETIC. ETIC held 27.03% of the total issued shares of the Company as of 31 December 2014.

Mr. WANG Dongming (王冬明), aged 44, is an Executive Director. Mr. WANG joined the Group in June 2013. Mr. WANG has more than 16 years' of experience in electrical and finance industry, and has many years of experience in manufacturing, finance and business management. He was the vice finance manager of China Infrastructure Materials Corporation* (中國基建物資總公司) and the general manager of its Shenzhen subsidiary, respectively, from 1992 to 2000. From 2000 to 2013, Mr. WANG acted as an executive director, a vice general manager, the chief financial officer of ETIC, which is listed on the Shenzhen Stock Exchange in China, and the general manager of lighting division of ETIC. Mr. WANG is currently an executive director of Elec-Tech International (H.K.) Company Limited. Mr. WANG graduated from Shaanxi Institute of Finance and Economics (陝西財經學院) with a bachelor degree in finance and accounting in 1992. Mr. WANG Dongming is the younger brother of Mr. WANG Donglei and Mr. WANG Sheng.

Mr. XIAO Yu (肖宇), aged 55, is an Executive Director. Mr. XIAO joined the Group in May 2014 as a Non-executive Director and re-designated as an Executive Director in August 2014. Mr. XIAO graduated from Dalian Institute of Technology (later renamed as Dalian University of Technology) with a bachelor's degree in 1985 and also graduated with an EMBA's degree from School of Economics and Management of Tsinghua University in 2008. He holds the engineer's qualification certificate. From July 1986 to June 1996, Mr. XIAO worked in Beijing Beinei Group* (北京北內集團) as the deputy chief coordinator and the party secretary of the Communist Party of China of the Central Coordination Office, during which he was awarded the titles of Beijing Model Worker and Beijing Excellent Young Intellectual. He was the chairman and general manager of Westar (Zhongshan) Electrical Appliance Manufacturing Co., Ltd.* (威斯達電器(中山)製造有限公司), a subsidiary of Elec-Tech International Group from July 1996 to August 2004, was the deputy general manager of the Elec-Tech International Group and the chairman of Westar (Zhongshan) Electrical Appliance Manufacturing Co., Ltd.* (威斯達電器(中山)製造有限公司) from September 2004 to February 2008, and was senior vice president of ETIC. From May 2008 to the present, he has successively served as the consultant to the president of Elect-Tech International Group, the chairman and general manager of Elec-Tech Photoelectric Technology (Dalian) Co., Ltd.* (大連德豪光電科技有限公司) and the general manager of Elec-Tech Photoelectric Technology (Wuhu) Co., Ltd.* (蕪湖德豪潤達光電科技有限公司). Currently, Mr. XIAO works in different subsidiaries of Elect-Tech International Group as: a director of Zhuhai East Yingcheng Precision Die-casting Co., Ltd.* (珠海市東部穎承精密壓鑄有限公司), a director of Appliance of America (Zhuhai) Limited* (北美電器(珠海)有限公司), an executive director of Elec-Tech Photoelectric Technology (Dalian) Co., Ltd.* (大連德豪光電科技有限公司) and an executive director of Leitong Photoelectric Device (Huizhou) Co., Ltd.* (惠州雷通光電器件有限公司). Mr. XIAO has extensive experience in production management. He once served as a senior officer in companies listed in Mainland China for several years and therefore has in-depth knowledge and understanding on corporate governance and corporate management.

Mr. XIONG Jie (熊傑), aged 48, is an Executive Director. Mr. XIONG joined the group in August 2014. Mr. XIONG has many years of experience in product manufacturing and business management. He served as a business representative of Jiangsu Local Industrial Supply and Marketing Corporation* (江蘇省地方工業供銷公司) from 1988 to 1992 and worked as the Secretary to the General Manager, Section Chief of the GM Office and Section Chief of Operational Work Division of Jiangsu Provincial Petroleum Corporation* (江蘇省石油總公司) from 1992 to 1997. From 2000 to 2006, he worked as the Director of the Human Resource Department of the Air-conditioning Business Division, Director of the Operation and Management Department of the Refrigeration Appliances Group, Director of the Management Department of the Commercial Air-conditioning Business Division of Guangdong Midea Group* (廣東美的集團), Director of the Operation and Management Department of Guangzhou Valin Group* (廣州華凌集團), Assistant to the General Manager and Director of the Management Department of Chongqing Midea General Refrigeration Equipment Co., Ltd.* (重慶美的通用製冷設備有限公司). From August 2006 onwards, he worked as the Director of the Operation and Management Department, Assistant to the President of ETIC, General Manager and Vice President of Appliance of America (Zhuhai) Limited* (北美電器(珠海)有限公司), General Manager and Vice President of New Energies Business Department, General Manager of Elec-Tech Photoelectric Technology Dalian Co., Ltd.* (大連德豪光電科技有限公司). He was the Executive Vice President of ETIC from April 2014 to December 2014. Mr. XIONG completed a graduate program and obtained a MBA degree from the National University of Singapore in July 1999.

Non-executive Directors

Mr. LIN Ho-Ping (林和平), aged 43, is a Non-executive Director. Mr. LIN joined the Group in October 2006. He joined SAIF Advisors Ltd. ("SAIF") in 2001 and is currently a general partner and a managing director of SAIF as well as the president and chief investment officer of SPQ Asia Capital Ltd. (an affiliate 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 was previously 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 50, is a Non-executive Director. Mr. ZHU joined the Group in October 2011. He has over 18 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.

Directors and Senior Management

Mr. LI Wei (李偉), aged 44, is a Non-executive Director. Mr. LI joined the group in May 2014. Mr. LI graduated from Department of Economics, Renmin University of China in June 1995 with a Master's degree in economics. He is a certified public accountant in China and a sponsor representative approved by China Securities Regulatory Commission. From June 2006 to July 2008, Mr. LI was the general manager of the headquarter of investment banking division of Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司). From July 2008 to the present, he is the managing director of the headquarter of investment banking division of China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司). Mr. LI has many years' of experience in investment banking services of financial institutions and profound knowledge on domestic and overseas economies and capital market. His long involvement in investment banking business has enabled him to acquire insightful understanding and extensive experience in corporate development strategies, corporate governance and financial management.

Independent Non-executive Directors

Mr. LEE Kong Wai, Conway (李港衛), aged 60, is an Independent Non-executive Director. 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 and New Zealand, 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: Chaowei Power Holdings Limited, West China Cement Limited, China Modern Dairy Holdings Ltd., GOME Electrical Appliances Holdings Limited, Tibet 5100 Water Resources Holdings Ltd., Yashili International Holdings Ltd., GCL New Energy Holdings Limited, WH Group Limited, China Rundong Auto Group Limited (all of which are listed on the main board of the Stock Exchange) and Citic Securities Company Limited (a company listed on main board of the Stock Exchange and the Shanghai Stock Exchange) and serves as a non-executive director and vice chairman of Merry Garden Holdings Limited (a company listed on the main board of 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 and also acted as an independent non-executive director of China Taiping Insurance holdings Company Limited (a company listed on main board of the Stock Exchange) from September 2009 to August 2013. Mr. LEE was 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 2008.

Ms. WU Ling (吳玲), aged 57, is an Independent Non-executive Director. Ms. WU joined the Group in June 2013. Ms. WU has nearly 10 years' of experience in semiconductor lighting industry. She acted as the director of Semiconductor Lighting Major Project Management Office of the Ministry of Science and Technology of the PRC (中國科技部半導體照明重大項目管理辦公室), a deputy director of the National Semiconductor Lighting Project Coordination and Leading Group Office (國家半導體照明工程協調領導小組辦公室) and the director of Beijing Semiconductor Lighting Technology Promotion Centre (北京半導體照明科技促進中心) in 2003, the secretary-general of China Solid State Lighting Alliance (國家半導體照明工程研發及產業聯盟) in 2004, a standing director of China Material Research Society (中國材料研究學會), a standing director of China Illuminating Engineering Society (中國照明學會) and a standing director of China Industry University Research Institute Collaboration Association (中國產學研合作促進會) in 2009. Ms. WU was also elected as the first chairwoman of International SSL Alliance (國際半導體照明聯盟) in 2010, the director-general of State Key Laboratory for Joint Innovation of Semiconductor Lighting (半導體照明聯合創新國家重點實驗室) in 2011 and the director-general of Beijing Innovation Alliance (首都創新大聯盟) in 2014, respectively.

Mr. WANG Xuexian (王學先), aged 50, is an Independent Non-executive Director. Mr. WANG joined the Group in May 2014. Mr. WANG graduated from Renmin University of China with a Master's degree in Civil Laws in January 1990. He is a lawyer in China, and his qualification for serving as an independent director has been approved by the Shanghai Stock Exchange. From January 1990 to the present, he has worked as an assistant professor and lecturer in Dalian University of Technology. He currently serves as a deputy professor of Dalian University of Technology, a lawyer of Heng Xin Law Office* (遼寧恒信律師事務所) in Liaoning, and an independent director of ETIC (a company listed on Shenzhen Stock Exchange of China, Stock Code: 002005) and Yantai Zhaojin Lifu Precious Metals Co., Ltd* (煙臺招金勵福貴金屬股份有限公司). Mr. WANG is also an arbitrator of the Dalian Arbitration Commission. Mr. WANG has extensive experience in law studies, teaching and the work of lawyers, once served as an independent director of several listed or unlisted companies in the Mainland China, and has in-depth knowledge and understanding on domestic and overseas laws, corporate management and corporate governance.

Directors and Senior Management

Mr. WEI Hongxiong (魏宏雄), aged 40, is an Independent Non-executive Director. Mr. WEI joined the Group in May 2014. Mr. WEI graduated from Xi'an Polytechnic University with a bachelor's degree in engineering. He is a statistician and patent agent in China. Mr. WEI is currently a full-time lawyer of China Commercial Law Firm in Guangdong* (廣東華商律師事務所) and a law expert of the Expert Pool of the Shenzhen Nanshan Science and Technology Commission. In 1998, he started to work in the Shantou Haojiang Development and Reform Bureau, mainly engaging in the planning and studies of economic and social development, and the feasibility studies and approval of major projects. From 2006 to the present, he has worked as a full-time lawyer. Mr. WEI once served as a deputy director of the Legal Services Commission of the Cultural Industry of the Shenzhen Lawyers Association, and was also a legal advisor of Shenzhen Intelligent Transportation Industry Association and Shenzhen Sanlian Crystal & Jade Culture Association. Mr. WEI is mainly engaged in corporate establishment and regulatory governance, restructuring and reorganization, issuance and listing of shares, acquisitions and mergers, investments in and financing for major projects, intellectual property rights and other law services. He once served as a long-term legal advisor of many enterprises, had/has been dealing with and participating in the restructuring and listing of many enterprises (A shares, red chips) and special law services such as those for the construction of major projects. He has many years' of experience in the provision of law services such as those for corporate governance, securities and capital market and intellectual property rights.

Senior Management

Mr. WANG Donglei (王冬雷), aged 51, is the chief executive officer of the Company. His biographical details are set out above under the paragraph headed "Executive Directors".

Mr. XIAO Yu (肖宇), aged 55, is a vice-president in charge of production and quality control department of the Company. His biographical details are set out above under the paragraph headed "Executive Directors".

Mr. XIONG Jie (熊傑), aged 48, is a vice-president in charge of personnel and administrative department of the Company. His biographical details are set out above under the paragraph headed "Executive Directors".

Directors and Senior Management

Mr. WANG Xiaobo (王曉波), aged 47, is a chief operating officer of the Company. Mr. WANG joined the Group in December 2014. Mr. WANG was Chairman of Nanjing Chuang Yi Jia Trading Co., Ltd.* (南京創一佳貿易有限公司), which he founded in Nanjing, Jiangsu in 2000 to become a distributor of the Group in the same year. Mr. WANG was Chairman of Jiangsu Chuang Yi Jia Lighting Co., Ltd.* (江蘇創一佳照明股份有限公司) which he founded in 2007. He has been engaged in the lighting products of NVC Lighting and others for over 14 years. Mr. WANG was graduated from Nanjing College of Information Technology (formerly called Nanjing Radio Technology Industrial College). From 2007 to 2014, Mr. WANG was consecutively elected the Influential Person of Enterprises in Jiangsu Provincial Construction Industry. In April 2010, Mr. WANG was elected the "First Anniversary Pacemaker Constructing Harmonious Socialism and Building up Socialism with Excellent Chinese Characteristics in Jianye District, Nanjing City". Mr. WANG resigned from the position of the chief operating officer of the Company in May 2015 and as at the date of this annual report, Mr. WANG is not holding any senior management position, including the position of the chief operating officer of the Company.

Mr. XU Fengyun (徐風雲), aged 44, is a vice-president of O2O and marketing management department of the Company. Mr. XU worked in our Company from 2011 to 2012 and joined our Company again in 2014. Prior to that, he worked at TCL Corporation Group, Rang Gurong (China) Investment Co., Ltd.* (讓•古戎（中國）投資有限公司) and Ruifeng Audio Technology Corporation Ltd.* (銳豐音響集團) from 1995 to 2010. He has 19 years of experience in marketing, branding and key projects management. He is the author of "To Seize the Nest"* (《打進鳥巢》) and "Biographies of Characters in the Three Kingdoms and Modern Business Management"* (《三國人物志與現代企業管理》). He was granted a number of special awards by international sports organizations such as the Olympic Council of Asia and the organizing committees of the Beijing Olympics, Shanghai World Expo, Asian Beach Games, Guangzhou Asian Games and Shenzhen Universiade. Mr. XU graduated from the Department of Journalism, Wuhan University.

Mr. WANG Sheng (王晟), aged 48, is a vice president of procurement logistics system of the Company. Mr. WANG has over 20 years' of experience in procurement management. Before joining the Group in 2014, Mr. WANG has taken up the posts of deputy general manager, vice president and vice chairman at ETIC from 1996 to 2014. In 2004, Mr. WANG obtained the master degree in Business Management at Zhongshan University. Mr. WANG is Mr. WANG Donglei's younger brother and Mr. WANG Dongming's elder brother.

Mr. TAN Ying (談鷹), aged 48, is a vice-president and the chief financial officer of the Company. Before joining the Group in 2006, Mr. TAN 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. HONG Xiaosong (洪曉松), aged 47, is a vice-president of our Research and Development Department of the Company. 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.

Joint Company Secretaries

Ms. LO Yee Har, Susan (盧綺霞), aged 56, 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.

Miss LEUNG Ching Ching (梁晶晶), aged 34, was appointed as a joint company secretary on 1 April 2014. Miss LEUNG is a manager of corporate services of Tricor Services Limited. Miss LEUNG has over 10 years' of experience in company secretarial industry, and provided services to clients ranging from private companies to public companies listed on the main board of the Stock Exchange. Miss LEUNG is currently named company secretary to three listed companies which are listed on the main board of the Stock Exchange. Miss LEUNG is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Miss LEUNG graduated from The Chinese University of Hong Kong and admitted to the bachelor's degree of Social Science. She also received a master of arts degree in Professional Accounting and Information System from City University of Hong Kong.

The Directors present their report together with the audited financial statements for the year ended 31 December 2014.

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 in the Group's principal activities. The analysis of the principal activities of the Group during the year ended 31 December 2014 is set out in the consolidated statement of profit or loss of the financial statements on page 86.

Results and Dividends

The Group's loss for the Reporting Period and the state of affairs of the Company and the Group as at 31 December 2014 are set out in the consolidated financial statements on pages 86 to 195 of this annual report.

An interim dividend of HK$1 cent per ordinary share was paid on 8 December 2014.

The Board proposed not to declare a final dividend for the year ended 31 December 2014.

No shareholder has waived or agreed to waive any dividends.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 26 June 2015 to Tuesday, 30 June 2015 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting, all transfer documents accompanied by relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Thursday, 25 June 2015.

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 2014, approximately HK$367 million was used for capital expenditure, approximately HK$367 million was used for the continual implementation of our branding strategies and enhancement of our sales network, approximately HK$147 million was used for enhancing our research and development efforts, approximately HK$333 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.

Report of Directors

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 30 to the financial statements on page 174 of this annual report. As at 31 December 2014, the Group's total current interest-bearing loans and borrowings amounted to RMB40,948,000 (2013: RMB47,117,000) and we had no non-current interest-bearing loans and borrowings.

Save as disclosed in the section headed "Connected Transactions, Potential Connected Transactions and Continuing Connected Transactions" below, 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 16 to the financial statements on pages 140 to 143 of this annual report.

Share Capital

Details of movements in the share capital for the Reporting Period are set out in note 32 to the financial statements on page 176 of this annual report.

Reserves

Details of movements in the reserves of the Company and the Group for the Reporting Period are set out in note 34 to the financial statements on pages 179 to 180 and the consolidated statement of changes in equity on pages 90 to 91 of this annual report.

Distributable Reserves

As at 31 December 2014, the Company's reserves available for distribution amounted to RMB1,502,531,000, none of which 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 and up to the date of this annual report are as follows:

Executive Directors

MU Yu	appointed on 1 October 2006 and retired on 29 May 2014
WU Changjiang	appointed on 21 June 2013 and removed from the office of Executive Director and the office of any committee under the Board on 29 August 2014
WANG Donglei	appointed on 11 January 2013 and re-designated as an Executive Director on 2 February 2015
WANG Dongming	appointed on 21 June 2013
XIAO Yu	appointed on 29 May 2014 and re-designated as an Executive Director on 8 August 2014
XIONG Jie	appointed on 8 August 2014

Non-executive Directors

LIN Ho-Ping	appointed on 4 October 2006
ZHU Hai	appointed on 20 October 2011
LI Wei	appointied on 29 May 2014

Independent Non-executive Directors

WANG Jinsui	appointed on 27 April 2010 and resigned on 2 February 2015
LEE Kong Wai, Conway	appointed on 28 November 2012
WU Ling	appointed on 21 June 2013
WANG Xuexian	appointed on 29 May 2014
WEI Hongxiong	appointed on 29 May 2014

Directors' and Senior Management's Biographies

Directors' and senior management's biographies are set out in the section headed "Directors and Senior Management" on pages 28 to 38 of this annual report.

Directors' Service Contracts

The relevant information on Directors' service contracts is set out in the section headed "Non-executive Directors and Re-election of Directors" in the "Corporate Governance Report" on page 70 of this annual report.

Directors' Interests in Contracts

Saved for the connected transactions, potential connected transactions and continuing connected transactions as disclosed below, 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 Reporting Period.

Confirmation of Independence from the Independent Non-executive Directors

The Company has received from each of the Independent Non-executive Directors, namely Mr. WANG Jinsui[1], Mr. LEE Kong Wai, Conway, Ms. WU Ling, Mr. WANG Xuexian and Mr. WEI Hongxiong, 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 were independent from their respective date of appointment to 31 December 2014 or their respective date of retirement and the existing Independent Non-executive Directors remain independent as at the date of this annual report.

1 Mr. WANG Jinsui resigned as the Independent Non-executive Director with effect from 2 February 2015.

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

As at 31 December 2014, 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 or underlying shares	Percentage of the total issued shares
LIN Ho-Ping	Beneficial owner	Share options *(Note 1)*	532,000 (L) *(Note 2)*	0.017%
	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.

Saved as disclosed above, as at 31 December 2014, 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's 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 2014, to the best knowledge of the Directors and chief executives of the Company, 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 or underlying shares	Percentage of the total issued shares
Elec-Tech International (H.K.) Company Limited	Beneficial owner	Ordinary shares	845,746,000 (L) *(Note 1)*	27.03%
ETIC	Interest of a controlled corporation	Ordinary shares	845,746,000 (L) *(Note 2)*	27.03%
SB Asia Investment Fund II L.P.	Beneficial owner	Ordinary shares	578,711,000 (L)	18.50%
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 3)*	9.22%
Schneider Electric SA	Interest of a controlled corporation	Ordinary shares	288,371,000 (L) *(Note 3)*	9.22%
GS Direct, L.L.C.	Beneficial owner	Ordinary shares	177,351,000 (L)	5.67%
The Goldman Sachs Group, Inc.	Interest of a controlled corporation	Ordinary shares	187,335,757 (L) *(Note 4)*	5.99%

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 ETIC, ETIC is deemed to be interested in all these shares.

3. These shares were 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.

4. These shares were held by GS Direct, L.L.C. (177,351,000 shares), Goldman Sachs (Asia) Finance (5,725,000 shares), Goldman Sachs International (3,987,000 shares), Goldman Sachs Asset Management, L.P. (272,000 shares) and Goldman, Sachs & Co. (757 shares), respectively. 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.

Saved as disclosed above, as at 31 December 2014, 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 was 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 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 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 2014, 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 2014	Number of Shares outstanding as at 31 December 2014	Exercise price (HK$ per share)	Date of grant	Expiry date	Percentage of the number of Shares outstanding as at 31 December 2014 to the total issued shares
WU Changjiang *(Note 1)*	Share options	Director	30,476,000	–	2.1	24 March 2010	24 March 2015	–
MU Yu *(Note 2)*	Share options	Director	97,000	–	2.1	24 March 2010	24 March 2016	–
LIN Ho-Ping	Share options	Director	532,000	532,000	2.1	24 March 2010	24 March 2015	0.017%
Others (including senior management)	Share options	Employees and others	7,000,000	6,200,000	2.1	24 March 2010	24 March 2016	0.20%
			1,000,000	–	2.1	24 March 2010	25 June 2017	–
			1,000,000	1,000,000	2.1	24 March 2010	8 February 2017	0.032%
			1,000,000	–	2.1	24 March 2010	31 December 2016	–
Total			41,105,000	7,732,000				0.25%

Notes:

1. Mr. WU Changjiang was removed from the office of chief executive officer of the Company with effect from 8 August 2014, and was removed as an Executive Director and from any position in any of the board committees of the Company on 29 August 2014.

2. Mr. MU Yu has retired as an Executive Director with effect from 29 May 2014.

For further details, please refer to note 33 to the financial statements on pages 177 to 178 of this 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, none of the share options was exercised.

During the Reporting Period, out of the share options granted under the Pre-IPO Share Option Scheme, 33,373,000 share options lapsed due to the resignation of three employees and two directors of the Company (being Mr. WU Changjiang and Mr. MU Yu). The lapsed share options are as follows:

Number of share options lapsed	Exercise Price (HK$ per share)	Date of grant	Expiry date
30,476,000	2.1	24 March 2010	24 March 2015
897,000	2.1	24 March 2010	24 March 2016
1,000,000	2.1	24 March 2010	25 June 2017
1,000,000	2.1	24 March 2010	31 December 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

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 in the connected transactions, potential connected transactions and continuing connected transactions as disclosed below and those disclosed in the following paragraphs by the Company, during the Reporting Period, 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.

Mr. WANG Donglei, an Executive Director, the Chairman and the Chief Executive Officer of the Company, 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 24.73% of the shares of ETIC, and ETIC in turn holds 27.03% of the shares (845,746,000 shares as at 31 December 2014) of the Company. Mr. WANG is also a director and chairman of ETIC. To the best knowledge of the Company, ETIC was established on 14 May 1996 with issued capital of RMB1,396,400,000 as at 31 December 2014. It was listed on the Shenzhen Stock Exchange in June 2004. Based on the annual report of ETIC dated 29 April 2015, its operating revenue for the year 2014 is approximately RMB4,154,734,000, its net profit is approximately RMB13,951,000 and total assets is approximately RMB12,936,000,000. The principal business of ETIC 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 is independent from the board of directors of ETIC and Mr. WANG Donglei does not control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of ETIC.

Controlling Shareholders and Their Pledge of Shares

During the Reporting Period, the Company did not have any controlling shareholders.

Connected Transactions, Potential Connected Transactions and Continuing Connected Transactions

Connected Transactions

Sales Transactions

From 2009 to 2013, Huizhou NVC authorised a PRC company, Shang Yang as its agent, to sell its professional engineering products for large-scale projects in Chongqing (the "Sales Transactions"). According to the financial records obtained by Huizhou NVC, as at the date of this announcement, the aggregate purchases made by Shang Yang from Huizhou NVC amounted to approximately RMB48 million.

In connection with the Sales Transactions, Huizhou NVC and Shang Yang entered into a sales agency agreement in or around January 2011 (the "Sales Agency Agreement"), the principal terms of which are set out below. Apart from the Sales Agency Agreement, no other written agreements between Huizhou NVC and Shang Yang relating to other sales arrangements have been located.

Sales Agency Agreement

Time of entering into the agreement:	in or around January 2011
Parties:	Huizhou NVC and Shang Yang
Sales agency:	Pursuant to the Sales Agency Agreement, Huizhou NVC authorises Shang Yang as its agent to sell its professional engineering products for large-scale projects in Chongqing. The sales target was originally set as RMB60 million.
Authorised Period:	From 1 January 2011 to 31 December 2011

The Company's ongoing investigations have indicated that Shang Yang was owned as to 48% by Ms. WU Lian, Mr. WU Changjiang's wife, from January 2009 to November 2014. Accordingly, at the time the Sales Transactions were entered into, Shang Yang was an associate of Mr. WU Changjiang and a connected person of the Company under the Listing Rules.

At the time of entering into the Sales Transactions, Mr. WU Changjiang did not disclose to the Board that Shang Yang was a connected person of the Company. In any event, the then-directors of the Company (excluding Mr. WU Changjiang) did not have cause to believe that the Sales Agency Agreement was not entered into in the ordinary and usual course of the Group's business, and that the terms of the Sales Agency Agreement were not on normal commercial terms, fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole. Having made all reasonable enquiries, the Board believes that the Group did not enter into any further transactions with Shang Yang after the year of 2013.

Potential Connected Transactions

Purported Pledge and Guarantee Agreements

In its announcements dated 8 October 2014, 19 November 2014 and 13 May 2015, the Company, among other things, provided details of certain pledge and guarantee agreements (the "Relevant Purported Pledge and Guarantee Agreements") entered into by Mr. WU Changjiang purportedly on behalf of NVC China relating to bank loans borrowed by Chongqing En Wei Xi, Lei Li Jie, Wu Ji and Jiang Te in 2013 and 2014. The information was provided in the event that the Relevant Purported Pledge and Guarantee Agreements are determined to be legally valid and enforceable and to be connected transactions.

The guarantee charge agreement dated 29 November 2013 (the "Guarantee Agreement 1")

Date of the Agreement:	29 November 2013
Parties:	NVC China and BOC Da Du Kou
Guarantee:	Pursuant to the Guarantee Agreement 1, NVC China purportedly agrees to charge RMB10.6 million, deposited with BOC Da Du Kou in a separate account, as guarantee for the underlying loan facility taken out by Chongqing En Wei Xi. The Company repeats its earlier statement that it is still seeking legal advice in relation to the legal validity of the Guarantee Agreement 1.
Underlying loan agreement:	A RMB10 million loan agreement dated 29 November 2013 between BOC Da Du Kou as the lender and Chongqing En Wei Xi as the borrower for a term of 12 months.

The guarantee charge agreement dated 3 December 2013 (the "Guarantee Agreement 2")

Date of the Agreement:	3 December 2013
Parties:	NVC China and BOC Da Du Kou
Guarantee:	Pursuant to the Guarantee Agreement 2, NVC China purportedly agrees to charge RMB89.4 million, deposited with BOC Da Du Kou, in a separate account, as guarantee for the underlying loan facility taken out by Lei Li Jie. The Company repeats its earlier statement that it is still seeking legal advice in relation to the legal validity of the Guarantee Agreement 2.
Underlying loan agreement:	A RMB84.6 million loan agreement dated 3 December 2013 between BOC Da Du Kou as the lender and Lei Li Jie as the borrower for a term of 12 months.

The guarantee charge agreement dated 18 July 2014 (the "Guarantee Agreement 3")

Date of the Agreement:	18 July 2014
Parties:	NVC China and BOC Da Du Kou
Guarantee:	Pursuant to the Guarantee Agreement 3, NVC China purportedly agrees to charge RMB73 million, deposited with BOC Da Du Kou in a separate account, as guarantee for the underlying loan facility taken out by Lei Li Jie. The Company repeats its earlier statement that it is still seeking legal advice in relation to the legal validity of the Guarantee Agreement 3.
Underlying loan agreement:	A RMB69 million loan agreement dated 18 July 2014 between BOC Da Du Kou as the lender and Lei Li Jie as the borrower for a term of 6 months.

The aggregated guarantee charge agreement dated 18 July 2014 (the "Aggregated Guarantee Agreement")

Date of the Agreement:	18 July 2014
Parties:	NVC China and BOC Da Du Kou
Guarantee:	Pursuant to the Aggregated Guarantee Agreement, NVC China purportedly agrees to deposit RMB173 million as guarantee for underlying loan facilities taken out by Chongqing En Wei Xi and Lei Li Jie, respectively from BOC Da Du Kou. NVC China will not, prior to the repayment of the respective loans taken out by Chongqing En Wei Xi and Lei Li Jie, request a withdrawal or return of the guarantee amount without the written consent of BOC Da Du Kou. The Company repeats its earlier statement that it is still seeking legal advice in relation to the legal validity of the Aggregated Guarantee Agreement.
Underlying loan agreement:	Each of the underlying loan agreements to Guarantee Agreement 1, Guarantee Agreement 2 and Guarantee Agreement 3, as specified above.

The pledge agreement dated 31 December 2013 (the "Pledge Agreement 1")

Date of the Agreement:	31 December 2013
Parties:	NVC China and ICBC Nanping
Pledge:	Pursuant to the Pledge Agreement 1, NVC China purportedly agrees to pledge RMB30 million, deposited with ICBC Nanping in a separate account, as security for the underlying loan facility taken out by Lei Li Jie. The Company repeats its earlier statement that it is still seeking legal advice in relation to the legal validity of the Pledge Agreement 1.
Underlying loan agreement:	A RMB30 million loan agreement dated 31 December 2013 between ICBC Nanping as the lender and Lei Li Jie as the borrower for a term of 12 months.

The pledge agreement dated 16 May 2014 (the "Pledge Agreement 2")

Date of the Agreement:	16 May 2014
Parties:	NVC China and Minsheng Chongqing
Pledge:	Pursuant to the Pledge Agreement 2, NVC China purportedly agrees to pledge RMB20.5 million, deposited with Minsheng Chongqing in a separate account, as security for the underlying loan facility taken out by Wu Ji. The Company repeats its earlier statement that it is still seeking legal advice in relation to the legal validity of the Pledge Agreement 2.
Underlying loan agreement:	A RMB20 million loan agreement dated 16 May 2014 between Minsheng Chongqing as the lender and Wu Ji as the borrower for a term of 5 months.

The pledge agreement dated 3 July 2014 (the "Pledge Agreement 3")

Date of the Agreement:	3 July 2014
Parties:	NVC China and Minsheng Chongqing
Pledge:	Pursuant to the Pledge Agreement 3, NVC China purportedly agrees to pledge RMB52 million, deposited with Minsheng Chongqing in a separate account, as security for the underlying loan facility taken out by Lei Li Jie. The Company repeats its earlier statement that it is still seeking legal advice in relation to the legal validity of the Pledge Agreement 3.
Underlying loan agreement:	A RMB50 million loan agreement dated 3 July 2014 between Minsheng Chongqing as the lender and Lei Li Jie as the borrower for a term of 6 months.

The pledge agreement dated 22 July 2014 (the "Pledge Agreement 4")

Date of the Agreement:	22 July 2014
Parties:	NVC China and Minsheng Chongqing
Pledge:	Pursuant to the Pledge Agreement 4, NVC China purportedly agrees to pledge RMB35 million, deposited with Minsheng Chongqing in a separate account, as security for the underlying loan facility taken out by Lei Li Jie. The Company repeats its earlier statement that it is still seeking legal advice in relation to the legal validity of the Pledge Agreement 4.
Underlying loan agreement:	A RMB34.1 million loan agreement dated 22 July 2014 between Minsheng Chongqing as the lender and Lei Li Jie as the borrower for a term of 6 months.

The pledge agreement dated 4 August 2014 (the "Pledge Agreement 5")

Date of the Agreement:	4 August 2014
Parties:	NVC China and Minsheng Chongqing
Pledge:	Pursuant to the Pledge Agreement 5, NVC China purportedly agrees to pledge RMB35 million, deposited with Minsheng Chongqing in a separate account, as security for the underlying loan facility taken out by Lei Li Jie. The Company repeats its earlier statement that it is still seeking legal advice in relation to the legal validity of the Pledge Agreement 5.
Underlying loan agreement:	A RMB34.1 million loan agreement dated 4 August 2014 between Minsheng Chongqing as the lender and Lei Li Jie as the borrower for a term of 6 months.

The pledge agreement dated 18 June 2014 (the "Pledge Agreement 6")

Date of the Agreement:	18 June 2014
Parties:	NVC China and ICBC Nanping
Pledge:	Pursuant to the Pledge Agreement 6, NVC China purportedly agrees to provide a pledge amount of RMB100 million as security for the underlying loan facility taken out by Jiang Te. The Company repeats its earlier statement that it continues to obtain legal advice in relation to the legal validity of the Pledge Agreement 6.
Underlying loan agreement:	A RMB100 million loan agreement dated 18 June 2014 between ICBC Nanping as the lender and Jiang Te as the borrower for a term of 12 months.

Chongqing En Wei Xi is an associate of Mr. WU Changjiang and accordingly a connected person of the Company. Recent investigations of the Company indicate that Jiang Te is an associate of Mr. WU Changjiang and therefore a connected person of the Company. Investigations are continuing as to the precise relationship between Wu Ji and Lei Li Jie (on the one hand) and Mr. WU Changjiang and the Company (on the other hand). The Company has reason to believe that Wu Ji and/or Lei Li Jie may be associates of Mr. WU Changjiang and may potentially be connected persons of the Company. If so, the Relevant Purported Pledge and Guarantee Agreements would constitute connected transactions of the Company under the Listing Rules, should they be determined to be legally valid.

The Relevant Purported Pledge and Guarantee Agreements are among the Purported Pledge and Guarantee Agreements described under "Events after the Reporting Period". The Board would like to reiterate that the entering into of the Relevant Purported Pledge and Guarantee Agreements was not carried out with the knowledge of the current Board. Accordingly, the Board is not presently aware of a fair and reasonable justification for the entering into of the Relevant Purported Pledge and Guarantee Agreements, nor has the Board been provided with a proper explanation which indicates that the Relevant Purported Pledge and Guarantee Agreements are in the interests of the Company or its shareholders as a whole. As mentioned under "Events after the Reporting Period", NVC China has commenced several proceedings in the PRC against Mr. WU Changjiang and other defendants in connection with the Purported Pledge and Guarantee Agreements. In those proceedings, NVC China's position is that the Purported Pledge and Guarantee Agreements are not legally valid or enforceable. Please refer to the Company's announcement dated 14 April 2015 for more information.

Continuing Connected Transactions Exempted from Independent Shareholders' Approval

Renewed framework trademark licensing agreement

We entered into a renewed framework trademark licensing agreement on 19 December 2012 with Sheng Di Ai Si, Chongqing Enlin and Shandong NVC, which are associates (as defined under the Listing Rules) of Mr. WU Changjiang, the former Executive Director and the then 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 are 3% of each licensee's sales (including value added tax) of products using licensed trademarks. The trademark licence fees were agreed following arm's length negotiations and were on normal commercial terms. The term of this renewed framework trademark licensing agreement is three years commencing on 1 January 2013 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 renewed framework trademark licensing agreement for the years ended 31 December 2013, 2014 and 2015 are US$4,000,000, US$4,350,000 and US$4,830,000, respectively.

During the Reporting Period, the actual amount of trademark licence fees received by us under the renewed framework trademark licensing agreement was RMB2,669,000 which did not exceed the annual cap.

Framework contract manufacturing agreement

We entered into a framework contract manufacturing agreement on 19 December 2012 with Shandong NVC, which is an associate (as defined under the Listing Rules) of Mr. WU Changjiang, the former Executive Director and the then substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which, Shandong NVC, as a contract manufacturer, produces and supplies to us residential luminaires based on our design and technical standards and labels those residential luminaires with our brands. Under the framework contract manufacturing agreement, the prices charged by Shandong NVC 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 1 January 2013. According to this agreement, Shandong NVC is not permitted to cooperate with other contract manufacturing clients whose products are identical or similar to ours during the contract period.

The maximum aggregate annual amounts payable to Shandong NVC under the framework contract manufacturing agreement for the years ended 31 December 2013, 2014 and 2015 are US$1,000,000, US$1,100,000 and US$1,200,000, respectively.

During the Reporting Period, the actual amount paid by us to Shandong NVC under the framework contract manufacturing agreement was RMB1,949,000 which did not exceed the annual cap.

Renewed framework contract manufacturing agreement

We entered into a renewed framework contract manufacturing agreement on 28 August 2013 with Chongqing En Wei Xi, which is an associate (as defined under the Listing Rules) of Mr. WU Changjiang, the former Executive Director and the then 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. 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 renewed framework contract manufacturing agreement is three years commencing on 1 January 2013. 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.

The maximum aggregate annual amounts payable to Chongqing En Wei Xi under the renewed framework contract manufacturing agreement for the years ended 31 December 2013, 2014 and 2015 are RMB50,000,000, RMB60,000,000 and RMB72,000,000, respectively.

During the Reporting Period, the actual amount paid by us to Chongqing En Wei Xi under the renewed framework contract manufacturing agreement was RMB17,016,000 which did not exceed the annual cap.

Framework finished products purchase agreement

We entered into a framework finished products purchase agreement on 28 August 2013 with Sheng Di Ai Si, which is an associate (as defined under the Listing Rules) of Mr. WU Changjiang, the then Executive Director and substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which, the Company agreed to purchase home furnishing lamp from Sheng Di Ai Si on a non-exclusive basis. The quality, quantity and technical standards of the lamp delivered by Sheng Di Ai Si must meet the Company's standards as set out in the sub-contract for each purchase order. The prices charged by Sheng Di Ai Si 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 1 January 2013.

The maximum aggregate annual amounts payable to Sheng Di Ai Si under the framework finished products purchase agreement for the years ended 31 December 2013, 2014 and 2015 are RMB30,000,000, RMB56,000,000 and RMB96,000,000, respectively.

During the Reporting Period, we did not have any transaction with Sheng Di Ai Si under the framework finished products purchase agreement.

Supply and demand cooperation agreement

On 13 February 2012, the Company entered into the supply and demand cooperation 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 the former substantial shareholder, Executive Director and 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.

During the Reporting Period, we did not have any transaction with Chongqing Enlin under the supply and demand cooperation agreement.

Renewed framework raw material purchase agreement

We entered into a renewed framework raw material purchase agreement dated 19 December 2012 with World Bright, Quzhou Aushite and Jiangshan Youhe, which are associates (as defined under the Listing Rules) of Mr. WU Jiannong, a director and a substantial shareholder (as defined under the Listing Rules) of Zhejiang NVC, a subsidiary of the Company, pursuant to which, we agreed to purchase raw materials (on a non-exclusive basis) including glass tubes from World Bright, phosphor powder from Quzhou Aushite and tools and accessories from Jiangshan Youhe. The quality, quantity and technical standards of the raw materials delivered by these suppliers must meet the Company's 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 the renewed framework raw material purchase agreement is three years commencing from 1 January 2013.

The maximum aggregate annual amounts payable by us to World Bright, Quzhou Aushite and Jiangshan Youhe under the renewed framework raw material purchase agreement for the years ended 31 December 2013, 2014 and 2015 are US$19,790,000, US$21,770,000 and US$23,940,000, respectively.

During the Reporting Period, the actual amount paid by us to World Bright, Quzhou Aushite and Jiangshan Youhe under the renewed framework raw material purchase agreement was RMB5,709,000, which did not exceed the annual cap.

Renewed framework equipment purchase agreement

We entered into a renewed framework equipment purchase agreement dated 19 December 2012 with Jiangshan Youhe, which is an associate (as defined under the Listing Rules) of Mr. WU Jiannong, a director and a substantial shareholder (as defined under the Listing Rules) of Zhejiang NVC, a subsidiary of the Company, pursuant to which we purchase manufacturing equipment and software from Jiangshan Youhe. The fees charged by Jiangshan Youhe will be agreed based on arm's length negotiations with reference to the prevailing market rates. The term of this renewed framework equipment purchase agreement is three years commencing on 1 January 2013.

The maximum aggregate annual amounts payable by us under the renewed framework equipment purchase agreement for the years ended 31 December 2013, 2014 and 2015 are US$1,360,000, US$900,000 and US$900,000, respectively.

During the Reporting Period, the actual amount paid by us under the renewed framework equipment purchase agreement was RMB471 which did not exceed the annual cap.

Trademark licensing agreement

Huizhou NVC, a wholly owned subsidiary of the Company entered into a trademark licensing agreement on 11 June 2013 with ETIC, which is a substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which, Huizhou NVC grants ETIC, a non-transferrable right to use certain registered trademarks of the Company, including "NVC" and "雷士", as well as granting ETIC the right to use the Company's registered trademark in combination with ETIC's own brand as "NVCETI" and "雷士德豪" on ETIC's LED lamp products. The licensing is worldwide but is exclusive only on certain ETIC's LED lamp products. The trademark licensing fee is agreed based on arm's length negotiations and is on normal commercial terms. The term of the trademark lisensing agreement is three years commencing on 11 June 2013.

The maximum aggregate annual amounts of trademark licence fees receivable by us under the trademark licensing agreement for the years ended 31 December 2013, 2014 and 2015 are RMB16,000,000, RMB27,000,000 and RMB55,000,000, respectively.

During the Reporting Period, the actual amount of trademark licence fees received by us under the trademark licensing agreement was RMB8,028,000 which did not exceed the annual cap.

Framework finished products and raw materials purchase agreement

We entered into a framework finished products and raw materials purchase agreement on 28 August 2013 with ETIC, which is a substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which, the Company agreed to purchase finished products and raw materials including but not limited to LED chips and LED lamp products from ETIC and its subsidiaries on a non-exclusive basis. The quality, quantity and technical standards of the products delivered by ETIC and its subsidiaries must meet the Company's standards as set out in the sub-contract for each purchase order. The prices charged by ETIC and its subsidiaries will be agreed following arm's length negotiations between the parties with reference to the prevailing market rates. The term of the framework agreement is three years commencing on 1 January 2013.

The maximum aggregate annual amounts payable to ETIC and its subsidiaries under the framework finished products and raw materials purchase agreement for the years ended 31 December 2013, 2014 and 2015 are RMB130,000,000, RMB170,000,000 and RMB170,000,000, respectively.

During the Reporting Period, the actual amount paid by us to ETIC and its subsidiaries under the framework finished products and raw materials purchase agreement was RMB108,096,000 which did not exceed the annual cap.

Framework sales agreement

We entered into a framework sales agreement on 28 August 2013 with ETIC, which is a substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which, the Company agreed to sell finished products including but not limited to LED luminaire products to ETIC on a non-exclusive basis. The quality, quantity and technical standards of the products delivered by the Group must meet ETIC and its subsidiaries' standards as set out in the sub-contract for each sales order. The prices paid by ETIC will be agreed following arm's length negotiations between the parties with reference to the prevailing market rates. The term of the framework agreement is three years commencing on 1 January 2013.

The maximum aggregate annual amounts receivable by us under the framework sales agreement for the years ended 31 December 2013, 2014 and 2015 are RMB50,000,000, RMB100,000,000 and RMB100,000,000, respectively.

During the Reporting Period, we did not have any transaction with ETIC arising from the framework sales agreement.

Confirmation on Continuing Connected Transaction

Pursuant to rule 14A.55 of the Listing Rules, the above Continuing Connected Transactions have been reviewed by the Independent Non-executive Directors, who confirmed that these Continuing Connected Transactions were entered into:

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

(ii) on normal commercial terms or better; and

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

The Company's auditor was engaged to report on the Group's the 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.56. A copy of the auditor's letter has been submitted by the Company to the Stock Exchange.

During the year ended 31 December 2014, the Group entered into certain transactions with "related parties" as defined under the applicable accounting standards, which include (1) transactions that could constitute connected transactions in the event that the Relevant Purported Pledge and Guarantee Agreements are determined to be legally valid, and (2) transactions that constitute continuing connected transactions for which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with. Details of the material related party transactions are disclosed in note 40 to the Consolidated Financial Statements of this Annual Report.

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 for the continuing connected transactions and the connected and potential 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 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 10 and note 11 to the financial statements on pages 133 to 136 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 are charged in the statements of profit or loss 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 RMB76,762,000. Details of the Group's contributions to the housing fund and pension scheme are set out in note 8 on pages 131 to 132 and note 10 on pages 133 to 135 to the financial statements of this annual report.

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 RMB898,000.

Major Customers and Suppliers

During the Reporting Period, the revenue from the sales to our top five customers accounted for less than 30% of the Group's total revenue and the purchases of goods and services from our top five suppliers accounted for less than 30% of the Group's total purchases.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

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

During the Reporting Period, the Company had complied with the applicable principles and codes provisions set out in the Corporate Governance Code, except for code provision A.2.1 during the period starting from 8 August 2014 to 31 December 2014. Please refer to Corporate Governance Report on pages 67 to 82 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 all of them 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 67 of this annual report.

Events after the Reporting Period

From the end of 2014 onwards, NVC China instituted several legal proceedings in the PRC against Mr. WU Changjiang and other defendants in connection with the Purported Pledge and Guarantee Agreements entered into by Mr. WU Changjiang purportedly on behalf of NVC China. In the proceedings, NVC China's position is that the Purported Pledge and Guarantee Agreements are not legally valid or enforceable.

Pursuant to PRC court orders issued in connection with these proceedings, some assets of the defendants have been frozen. In order to obtain such orders, as security, certain buildings with carrying amounts of RMB256,298,000 and certain lands with carrying amounts of RMB50,953,000 of the Group have been prohibited from being transferred, disposed of, pledged or donated for a period of two years commencing from January 2015.

In addition to the proceedings described above, the Group is also considering the possibility of taking additional actions to protect its interest, including actions in connection with the facts underlying the counter guarantees provided by Wu Ji.

Among other things, Mr. WU Changjiang entered into a guarantee agreement (the "Purported Guarantee Agreement") purportedly on behalf of NVC China with the Chongqing branch of a PRC bank (the "Bank"), on 7 March 2014. The Bank has commenced proceedings in the PRC against NVC China and other defendants in connection with the Purported Guarantee Agreement. NVC China is presently taking steps to defend the action, including challenging the legal validity and enforceability of the Purported Guarantee Agreement.

For further details of the Purported Pledge and Guarantee Agreements and the Purported Guarantee Agreement, please refer to the Company's announcement on 14 April 2015.

On 26 January 2015, Huizhou NVC, a subsidiary of the Group, established a company named "中山雷士燈飾科技有限公司" with three natural persons where Huizhou NVC holds 50% of the equity interest. The principal activities of 中山雷士燈飾科技有限公司 comprise the research, development, manufacture and sale of lamps, luminaries and LED products, with a registered capital of RMB15,000,000. With the establishment of 中山雷士燈飾科技有限公司, the Group intends to expand its business scope to household lighting appliances and achieve a comprehensive coverage of the lighting sector.

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
Chairman
WANG Donglei

Hong Kong
13 May 2015

The Board presents this Corporate Governance Report in the Group's annual report for the year ended 31 December 2014.

Corporate Governance Practices

The Board 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 CG Code.

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, during the Reporting Period, the Company had fully complied with the applicable principles and code provisions as set out in the CG Code, except for Code Provision A.2.1. which requires that the role of chairman and chief-executive officer should be separated and should not be performed by the same person. The details of deviation are set out in section headed "Chairman and Chief Executive Officer" below in this Corporate Governance Report.

Model Code for Securities Transactions

The Company has adopted the Model Code which was set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions.

Specific enquiry has been made to all Directors, and all of them have confirmed that they have complied with the Model Code throughout the year ended 31 December 2014.

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 ("Employees Written Guidelines").

The Company is not aware any incident of non-compliance of the Employees Written Guidelines by the employees.

Corporate Governance Report

Board of Directors

Board Composition

During the Reporting Period, the Board comprises the following Directors:

Executive Directors:	Mr. MU Yu *(Retired on 29 May 2014)* Mr. WU Changjiang *(Removed on 29 August 2014)* Mr. WANG Dongming Mr. XIAO Yu *(Appointed as Non-executive Director on 29 May 2014 and re-designated as Executive Director on 8 August 2014)* Mr. XIONG Jie *(Appointed on 8 August 2014)*
Non-executive Directors:	Mr. LIN Ho-Ping Mr. ZHU Hai Mr. WANG Donglei[1] *(Chairman and Interim Chief Executive Officer)* Mr. LI Wei *(Appointed on 29 May 2014)*
Independent Non-executive Directors:	Mr. WANG Jinsui[2] Mr. LEE Kong Wai, Conway Ms. WU Ling Mr. WANG Xuexian *(Appointed on 29 May 2014)* Mr. WEI Hongxiong *(Appointed on 29 May 2014)*

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 28 to 38 of this annual report.

Except for that Mr. WANG Dongming and Mr. WANG Donglei are brothers, none of other members of the Board is related to one another.

1 Mr. WANG Donglei has been appointed as the Chief Executive Officer with effect from 21 January 2015 and re-designated as Executive Director with effect from 2 February 2015.

2 Mr. WANG Jinsui has resigned as the Independent Non-executive Director with effect from 2 February 2015.

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.

During the Reporting Period, Mr. WANG Donglei assumed the roles of both Chairman and Chief Executive Officer during the period starting from 8 August 2014 to 31 December 2014. Mr. WU Changjiang was removed from the office of Chief Executive Officer of the Company on 8 August 2014. Mr. WANG Donglei was appointed as the interim Chief Executive Officer on the same day and was officially appointed as the Chief Executive Officer of the Company on 21 January 2015. Mr. WANG Donglei was originally the chairman and general manager of ETIC, which is the controlling corporation of the largest shareholder of the Company, Elec-Tech International (H.K.) Company Limited. Mr. WANG Donglei has many years of experience in product research and development, manufacturing and business management. The dual role arrangement provides strong and consistent market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with members of the Board and its other relevant committees, and there are four Independent Non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purposes of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

Independent Non-executive Directors

Mr. WANG Xuexian and Mr. WEI Hongxiong have been appointed as an Independent Non-executive Directors at the general annual meeting held on 29 May 2014.

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to 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 from each of the Independent Non-executive Directors, namely Mr. WANG Jinsui[1], Mr. LEE Kong Wai, Conway, Ms. WU Ling, Mr. WANG Xuexian and Mr. WEI Hongxiong, 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 were independent from their respective date of appointment to 31 December 2014 or their respective date of resignation.

1 Mr. WANG Jinsui resigned as the Independent Non-executive Director with effect from 2 February 2015.

Non-executive Directors and Re-election of 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, while 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.

Each of the Executive Directors has entered into a service contract with the Company for a term of three years with effect from their respective date of appointment unless terminated by not less than three months' written notice served by either the Executive Directors or the Company. Each of the Non-executive Directors and Independent Non-executive Directors 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 Article 83(3) of the Company's 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 and in accordance with Articles 84(1) and (2) of the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years, and any directors so to retire shall be those of the Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Accordingly, Mr. XIONG Jie, Mr. ZHU Hai, Mr. LEE Kong Wai, Conway, Mr. WANG Dongming and Ms. WU Ling will be subject to re-election on the forthcoming annual general meeting. None of the Directors who are proposed for re-election or any other Directors 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 leading and controlling of the Company and overseeing 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 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 and may request the joint company secretaries and senior management to provide services and advice. 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/her 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 any significant transactions entered into 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 Reporting Period:

Name of Director	Corporate Governance/ Updates on Laws, Rules and Regulations: Read Materials	Corporate Governance/ Updates on Laws, Rules and Regulations: Attend Seminars/ Briefings	Accounting/Financial/ Management or Other Professional Skills: Read Materials	Accounting/Financial/ Management or Other Professional Skills: Attend Seminars/ Briefings
Executive Directors				
MU Yu *(Note 1)*				
WU Changjiang *(Note 2)*				
WANG Dongming	✓			
XIAO Yu *(Note 3)*	✓			
XIONG Jie *(Note 4)*	✓			
Non-Executive Directors				
LIN Ho-Ping	✓			
ZHU Hai	✓			
WANG Donglei	✓			
LI Wei *(Note 5)*	✓			
Independent Non-Executive Directors				
WANG Jinsui	✓			✓
LEE Kong Wai, Conway	✓	✓		
WU Ling	✓		✓	✓
WANG Xuexian *(Note 6)*	✓			
WEI Hongxiong *(Note 7)*	✓			

Notes:

1. Mr. MU Yu retired on 29 May 2014.
2. Mr. WU Changjiang was removed on 29 August 2014.
3. Mr. XIAO Yu was appointed as a Non-Executive Director on 29 May 2014 and was re-designed as an Executive Director on 8 August 2014.
4. Mr. XIONG Jie was appointed on 8 August 2014.
5. Mr. LI Wei was appointed on 29 May 2014.
6. Mr. WANG Xuexian was appointed on 29 May 2014.
7. Mr. WEI Hongxiong was appointed on 29 May 2014.

Board Committees

The Board has established six committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee, Strategy and Planning Committee, Emergency Committee and Independent Investigation 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 Audit Committee, Remuneration Committee and Nomination Committee 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 Audit Committee, Remuneration 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 two meetings to review annual and interim financial results and reports in respect of the year ended 31 December 2013 and the interim period ended 30 June 2014 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.

As of the date of this report, the Audit Committee consists of three members, namely Mr. LIN Ho-Ping, Mr. LEE Kong Wai, Conway and Mr. WANG Jinsui[1]. Mr. LEE Kong Wai, Conway was the Chairman of the Audit Committee.

1 Mr. WANG Jinsui resigned as an Independent Non-executive Director with effect from 2 February 2015, therefore, he is no longer the member of Audit Committee. Mr. WANG Xuexian has been appointed as a member of Audit Committee by the Board on the same date.

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/her associates will participate in deciding his/her 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.

During the Reporting Period, the Remuneration Committee met twice 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 Reporting Period, Mr. WU Changjiang was removed from the position of Executive Director and the positions in committees under the Board with effect from 29 August 2014. Therefore, he is no longer the member of the Remuneration Committee. As of the date of this report, the Remuneration Committee consists of four members, namely Mr. ZHU Hai, Mr. LEE Kong Wai, Conway, Ms. WU Ling and Mr. WANG Jinsui[1]. Mr. WANG Jinsui[1] was the Chairman of the Remuneration Committee.

In addition to the information about remuneration disclosed in notes 10 and note 11 to the financial statements on pages 133 to 136 of this annual report, the remuneration of other senior management of the Company falls in the following bands:

	Number of Members of Senior Management
Nil to HK$1,000,000	3
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	–
Over HK$2,000,000	–

[1] Mr. WANG Jinsui resigned as an Independent Non-executive Director with effect from 2 February 2015, therefore, he is no longer the Chairman of the Remuneration Committee. Mr. WEI Hongxiong has been appointed as the Chairman of the Remuneration Committee on the same date.

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.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Board has set measurable objectives (in terms of gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services) to implement the Board diversity policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board diversity policy, as appropriate, to ensure its continued effectiveness from time to time.

During the Reporting Period, the Nomination Committee held one meeting 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. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

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.

As of the date of this report, the Nomination Committee consists of three members, namely Mr. WANG Donglei, Mr. LEE Kong Wai, Conway and Ms. WU Ling. Mr. WANG Donglei was the Chairman of the Nomination Committee.

Strategy and Planning Committee

The primary function of the Strategy and Planning Committee is to propose and formulate the strategic development plan of the Company for the Board's consideration.

During the Reporting Period, Mr. WU Changjiang was removed from the position of Executive Director and the positions in committees under the Board with effect from 29 August 2014. Therefore, he is no longer the member of the Strategy and Planning Committee. As of the date of this report, the Strategy and Planning Committee consists of four members, namely Mr. WANG Donglei, Mr. ZHU Hai, Ms. WU Ling and Mr. WANG Jinsui[1]. Mr. WANG Donglei has been appointed as the chairman of the Strategy and Planning Committee. During the Reporting Period, one meeting was convened by the Strategy and Planning Committee.

Emergency Committee

The Company established the Emergency Committee under the Board on 8 August 2014. Following the establishment of Emergency Committee, an emergency situation was declared. The Emergency Committee has been authorized by the Board, in the event of an emergency, to exercise the powers and perform the duties on behalf of the Board, which include without limitation, alternation to the internal organizational structure, appointment of management personnel, execution of business contracts, making financial payments and other matters, in compliance with applicable laws and regulations, the Listing Rules and the Company's Articles of Association; publication of announcements on behalf of the Board on the website of the Stock Exchange. As of the date of this annual report, the Emergency Committee consists of three members, namely Mr. WANG Donglei, Mr. XIAO Yu and Mr. WEI Hongxiong. During the Reporting Period, 20 meetings were convened by the Emergency Committee.

Independent Investigation Committee

To help proceed internal investigations into matters involving malpractice of Mr. WU Changjiang mentioned herein, the Company has established the Independent Investigations Committee under the Board. The Independent Investigations Committee has been authorized by the Board to exercise powers and perform duties on behalf of the Board in relation to the conduct of the Company's investigations into, among others, the alleged wrongdoing of Mr. WU Changjiang. The Independent Investigations Committee has also been authorized to consider and make recommendations to the Board with respect to any potential proceedings arising from the internal investigations. In connection with the Company's investigations of the alleged wrongdoing of Mr. WU Changjiang, the Internal Investigations Committee has instructed an external service provider to conduct a forensic review of related irregularities and an internal controls assessment of the Company and its key subsidiaries. As of the date of this annual report, the Independent Investigations Committee consists of four members, namely Mr. LIN Ho-Ping, Mr. LEE Kong Wai, Conway, Mr. WANG Xuexian and Mr. WEI Hongxiong. During the Reporting Period, three meetings were convened by the Independent Investigations Committee.

[1] Mr. WANG Jinsui resigned as an Independent Non-executive Director with effect from 2 February 2015, therefore, he is no longer the member of the Strategy and Planning 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 held twelve Board meetings 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 Reporting Period is set out in the table below:

	Attendance/Number of Meetings								
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategy and Planning Committee	Emergency Committee *(Note 1)*	Independent Investigation Committee *(Note 2)*	Annual General Meeting	Extraordinary General Meeting
MU Yu *(Note 3)*	2/2							0/1	
WU Changjiang *(Note 4)*	2/7		0/1					0/1	0/1
WANG Dongming	10/12							1/1	0/1
XIAO Yu *(Note 5)*	10/10					20/20			0/1
XIONG Jie *(Note 6)*	8/8								0/1
LIN Ho-Ping	12/12	2/2					3/3	0/1	1/1
ZHU Hai	12/12		2/2	1/1	1/1			1/1	0/1
WANG Donglei	12/12				1/1	20/20		1/1	1/1
LI Wei *(Note 7)*	9/10								0/1
WANG Jinsui	12/12	2/2	2/2		1/1			1/1	1/1
LEE Kong Wai, Conway	12/12	2/2	2/2	1/1			3/3	1/1	1/1
WU Ling	9/12		2/2	1/1	1/1			0/1	0/1
WANG Xuexian *(Note 8)*	9/10						3/3		1/1
WEI Hongxiong *(Note 9)*	10/10					20/20	3/3		1/1

Notes:

1. The Emergency Committee was established on 8 August 2014.
2. The Independent Investigation Committee was established on 10 September 2014.
3. Mr. MU Yu retired on 29 May 2014.
4. Mr. WU Changjiang was removed on 29 August 2014 and was no longer a member of Remuneration Committee and Strategy and Planning Committee.
5. Mr. XIAO Yu was appointed as a Non-Executive Director on 29 May 2014 and was re-designed as an Executive Director on 8 August 2014.
6. Mr. XIONG Jie was appointed on 8 August 2014.
7. Mr. LI Wei was appointed on 29 May 2014.
8. Mr. WANG Xuexian was appointed on 29 May 2014.
9. Mr. WEI Hongxiong was appointed on 29 May 2014.

The attendance record of Mr. WANG Dongming, Mr. LEE Kong Wai, Conway and Mr. ZHU Hai at the Board and Board Committee meetings by his/her alternate is set out below:

	Attendance/Number of Meetings								
Name of Director (Name of Alternate)	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategy and Planning Committee	Emergency Committee	Independent Investigation Committee	Annual General Meeting	Extraordinary General Meeting
WANG Dongming (WANG Donglei) *(Notes 1&2)*	2/12								
ZHU Hai (WANG Donglei) *(Note 1)*	1/12								
LEE KongWai, Conway (WANG Donglei) *(Note 1)*	1/12								

Notes:

1. Mr. WANG Donglei has been appointed by Mr. WANG Dongming, Mr. ZHU Hai and Mr. LEE Kong Wai Conway respectively as their alternate director for one day on 22 August 2014 for the purpose of attending and voting on their behalf at the Board meeting of the Company held on 22 August 2014. The appointment has expired upon conclusion of the Board meeting of the Company on 22 August 2014.

2. Mr. WANG Donglei has been appointed by Mr. WANG Dongming as his alternate director for one day on 28 August 2014 for the purpose of attending and voting on his behalf at the Board meeting of the Company held on 28 August 2014. The appointment has expired upon conclusion of the Board meeting of the Company on 28 August 2014.

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

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 2014.

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 the Independent Auditors' Report on pages 83 to 85 of this annual report. Shareholders are advised to read the qualified opinion included in the Independent Auditors' Report.

Auditors' Remuneration

The remuneration paid to the Company's external auditor of the Company in respect of audit services for the Reporting Period amounted to RMB4,300,000.

An analysis of the remuneration paid to the external auditor of the Company, Ernst & Young, in respect of audit services for the Reporting Period is set out below:

Service Category	**Fees Paid/ Payable** (RMB'000)
Audit Services	4,300

Internal Controls

During the Reporting Period, the Board, through the Audit Committee, 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

During the Reporting Period, Ms. KAM Mei Ha Wendy had resigned as a joint company secretary of the Company with effect from 1 April 2014 and Miss LEUNG Ching Ching had been appointed as the joint company secretary of the Company with effect from 1 April 2014. Currently, Ms. LO Yee Har Susan and Miss LEUNG Ching Ching of Tricor Services Limited, external service provider, have been engaged by the Company as its joint company secretaries. Its primary contact person at the Company is Mr. TAN Ying, the vice-president and Chief Financial Officer of the Company.

Shareholders' Rights

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at shareholders' 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 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 meeting (the "EGM") 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 company secretaries 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 general meetings under the Cayman Islands Companies Law (2013 Revision) or the Company's Articles of Association. However, shareholders who wish to put forward proposal at general meetings may convene an EGM following the procedures set out above.

Putting Forward Enquiries to the Board

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

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

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 Holding Limited
Address:	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Fax:	(852) 2956 2192

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 investor 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 Audit Committee, Remuneration 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.

During the Reporting Period, the Company did not make 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.

EY 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 86 to 195, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, 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.

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 qualified audit opinion.

Basis for qualified opinion

a. Impairment of other receivables

As set out in note 35 to the financial statements, a subsidiary of the Company entered into several pledge and guarantee agreements in 2013 and 2014 (the "Pledge and Guarantee Agreements") with certain banks in China, providing guarantees to the banks for their lendings to certain borrowers. As at 31 December 2013, RMB160,000,000 of the Group's bank deposits were pledged to the banks under the Pledge and Guarantee Agreements. Additional time deposits of RMB415,500,000 were pledged to the banks under the Pledge and Guarantee Agreements entered into in 2014. Counter guarantees of the same amounts were provided by a borrower of the bank loans (the "Borrower") to the Group. In 2014, RMB24,576,000 of the pledged deposits were returned to the Group and RMB550,924,000 had been withdrawn by the banks due to default of the bank loans under the guarantees.

The Group will take legal actions to claim the counter guarantees provided by the Borrower. As at 31 December 2014, an amount of RMB550,924,000 due from the Borrower was included in "Prepayments, deposits and other receivables" in the consolidated statement of financial position as set out in note 25 to the financial statements. The directors are of the opinion that an amount of RMB265,564,000 is recoverable and a provision for the unrecoverable amount of RMB285,360,000 had been made and included in "Impairment loss of other receivables due from a company" in the consolidated statement of profit or loss of the Group for the year ended 31 December 2014.

However, we are not able to obtain sufficient appropriate audit evidence to assess the likely outcome of the legal proceedings, and accordingly, we are not able to ascertain the recoverability of the net amount of RMB265,564,000 due from the Borrower as at 31 December 2014. We are also not able to obtain sufficient appropriate audit evidence to ascertain whether any losses in connection with the Pledge and Guarantee Agreements entered into in the year ended 31 December 2013 should have been provided for in the consolidated financial statements for the year ended 31 December 2013. Any adjustments to the recoverable amount of RMB265,564,000 due from the Borrower would have a consequential impact on the Group's net assets as at 31 December 2014 and the Group's net loss for the year then ended.

Any losses for the Pledge and Guarantee Agreements that should have been made in the year ended 31 December 2013 would have a consequential impact on the Group's net assets as at 31 December 2013 and 2014 and its profit/losses for the years.

Basis for qualified opinion *(continued)*

b. Provision for losses on a financial guarantee contract

As set out in note 35 to the financial statements, in addition to the Pledge and Guarantee Agreements as mentioned in the above paragraphs, a subsidiary of the Group entered into a guarantee agreement (the "Guarantee Agreement") with a bank in China, providing guarantee to the bank on a bank loan granted by the bank to its borrower. The bank loan was in default in 2014 and the bank has taken legal actions against the borrower and the guarantors to recover the loan balance. A court order was issued to freeze deposits of RMB62,000,000 of the subsidiary. As a result of the court order, deposit of the subsidiary in the amount of RMB54,128,000 had been frozen by the bank as at 31 December 2014. The directors consider that the likelihood of the Group sustaining losses from the guarantee is remote as the loan had sufficient underlying securities and the subsidiary is only one of the guarantors for the loan. The directors believe that the frozen bank balance of RMB54,128,000 as included in "Restricted bank balance and short-term deposits" will be released upon the conclusion of the legal proceedings and no provision is considered necessary as at 31 December 2014. In addition, the directors are of the opinion that no provision on the shortfall of RMB7,872,000 between the court order of RMB62,000,000 and the frozen bank balance of RMB54,128,000 is considered necessary as at 31 December 2014.

However, we are not able to obtain sufficient appropriate audit evidence to assess the likely outcome of the legal proceedings, and accordingly, we are unable to ascertain whether any provision on the frozen bank balance of RMB54,128,000 is required to be made by the Group and whether provision on the shortfall of RMB7,872,000 is required to be made by the Group as at 31 December 2014. Any provisions that should have been made would have a consequential impact on the Group's net assets as at 31 December 2014 and the Group's net loss for the year then ended.

Qualified opinion

In our opinion, except for the possible effects on the matters described in the basis for qualified 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 2014, and of the Group's loss 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

13 May 2015

Consolidated Statement of Profit or Loss

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	5	**3,471,014**	3,773,816
Cost of sales		**(2,729,438)**	(2,976,413)
Gross profit		**741,576**	797,403
Other income and gains	5	**64,449**	91,611
Selling and distribution costs		**(386,785)**	(270,855)
Administrative expenses		**(426,285)**	(258,783)
Other expenses	6	**(18,878)**	(2,618)
Impairment loss of other receivables due from a company	7	**(285,360)**	–
Finance costs	9	**(1,888)**	(2,701)
Share of (loss)/profit of associates		**(1,416)**	401
(LOSS)/PROFIT BEFORE TAX	8	**(314,587)**	354,458
Income tax expense	12	**(13,481)**	(72,351)
(LOSS)/PROFIT FOR THE YEAR		**(328,068)**	282,107
Attributable to:			
Owners of the parent	13	**(354,153)**	244,884
Non-controlling interests		**26,085**	37,223
		(328,068)	282,107
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	15	**RMB(11.32) cents**	RMB7.83 cents
Diluted	15	**RMB(11.32) cents**	RMB7.83 cents

Details of the dividends proposed for the year ended 31 December 2014 are disclosed in note 14 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
(LOSS)/PROFIT FOR THE YEAR		(328,068)	282,107
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(848)	(17,295)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(328,916)	264,812
Attributable to:			
Owners of the parent	13	(355,001)	227,589
Non-controlling interests		26,085	37,223
		(328,916)	264,812

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	16	802,244	882,133
Prepaid land lease payments	17	54,647	56,108
Goodwill	18	21,161	21,161
Other intangible assets	19	295,644	301,751
Investments in associates	21	28,867	6,763
Deferred tax assets	22	63,491	41,322
Trade receivables with maturity more than one year	24	31,095	–
Prepayments for purchase of property, plant and equipment	25	7,697	3,078
Total non-current assets		1,304,846	1,312,316
CURRENT ASSETS			
Inventories	23	689,333	651,707
Trade and bills receivables	24	1,218,824	1,268,212
Prepayments, deposits and other receivables	25	342,140	81,176
Other current assets	26	34,369	16,919
Restricted bank balance and short-term deposits	27	125,233	502,622
Cash and cash equivalents	27	796,694	936,022
Total current assets		3,206,593	3,456,658
CURRENT LIABILITIES			
Trade payables	28	598,055	510,352
Other payables and accruals	29	383,758	319,754
Interest-bearing loans and borrowings	30	40,948	47,117
Government grants	31	2,137	1,909
Income tax payable		18,828	21,147
Total current liabilities		1,043,726	900,279
NET CURRENT ASSETS		2,162,867	2,556,379
TOTAL ASSETS LESS CURRENT LIABILITIES		3,467,713	3,868,695

continued/...

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Government grants	31	15,152	13,576
Deferred tax liabilities	22	85,952	94,494
Total non-current liabilities		101,104	108,070
Net assets		3,366,609	3,760,625
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	2	2
Reserves	34	3,247,460	3,627,676
Proposed final dividend	14	–	49,192
		3,247,462	3,676,870
Non-controlling interests		119,147	83,755
Total equity		3,366,609	3,760,625

WANG Donglei
Director

XIONG Jie
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

		Attributable to owners of the parent											
	Notes	Issued capital RMB'000 (note 32)	Share premium* RMB'000 (note 34)	Equity reserve RMB'000	Shareholders' contribution RMB'000 (note 34)	Statutory reserve** RMB'000 (note 34)	Employee equity benefit reserve RMB'000 (note 34)	Foreign currency translation reserve RMB'000 (note 34)	Retained profits RMB'000 (note 34)	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013		2	1,965,282	(4,158)	6,416	85,873	14,608	(88,022)	1,493,649	38,051	3,511,701	71,032	3,582,733
Profit for the year		–	–	–	–	–	–	–	244,884	–	244,884	37,223	282,107
Other comprehensive income:													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(17,295)	–	–	(17,295)	–	(17,295)
Total comprehensive income for the year		–	–	–	–	–	–	(17,295)	244,884	–	227,589	37,223	264,812
Transfer to statutory reserve		–	–	–	–	11,666	–	–	(11,666)	–	–	–	–
Lapse of share options		–	1,158	–	–	–	(1,158)	–	–	–	–	–	–
Employee share option arrangements		–	–	–	–	–	486	–	–	–	486	–	486
Dividend paid to a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	(24,500)	(24,500)
Adjustment to final 2012 dividend declared	14	–	25	–	–	–	–	–	–	(38,051)	(38,026)	–	(38,026)
Interim 2013 dividend	14	–	(24,880)	–	–	–	–	–	–	–	(24,880)	–	(24,880)
Proposed final 2013 dividend	14	–	(49,192)	–	–	–	–	–	–	49,192	–	–	–
At 31 December 2013		2	1,892,393	(4,158)	6,416	97,539	13,936	(105,317)	1,726,867	49,192	3,676,870	83,755	3,760,625

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Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Notes	Issued capital RMB'000 (note 32)	Share Premium* RMB'000 (note 34)	Equity reserve RMB'000	Shareholders' contribution RMB'000 (note 34)	Statutory reserve** RMB'000 (note 34)	Employee equity benefit reserve RMB'000 (note 34)	Foreign currency translation reserve RMB'000 (note 34)	Retained profits RMB'000 (note 34)	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent											
At 1 January 2014		2	1,892,393	(4,158)	6,416	97,539	13,936	(105,317)	1,726,867	49,192	3,676,870	83,755	3,760,625
Loss for the year		-	-	-	-	-	-	-	(354,153)	-	(354,153)	26,085	(328,068)
Other comprehensive loss:													
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(848)	-	-	(848)	-	(848)
Total comprehensive loss for the year		-	-	-	-	-	-	(848)	(354,153)	-	(355,001)	26,085	(328,916)
Transfer to statutory reserve		-	-	-	-	17,382	-	-	(17,382)	-	-	-	-
Forfeiture of share options		-	-	-	-	-	(8,951)	-	8,951	-	-	-	-
Employee share option arrangements		-	-	-	-	-	252	-	-	-	252	-	252
Adjustment to final 2013 dividend declared	14	-	(607)	-	-	-	-	-	-	(49,192)	(49,799)	-	(49,799)
Interim 2014 dividend	14	-	(24,860)	-	-	-	-	-	-	-	(24,860)	-	(24,860)
Capital contribution from a non-wholly-owned subsidiary		-	-	-	-	-	-	-	-	-	-	9,307	9,307
At 31 December 2014		2	1,866,926	(4,158)	6,416	114,921	5,237	(106,165)	1,364,283	-	3,247,462	119,147	3,366,609

* The share premium account includes the premium arising from the subscription of new ordinary shares.

** In accordance with the Company Law of the People's Republic of China (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.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(314,587)**	354,458
Adjustments for:			
Finance income	*5*	**(24,203)**	(28,407)
Finance costs	*9*	**1,888**	2,701
Share of loss/(profit) of associates		**1,416**	(401)
Loss on disposal of items of property, plant and equipment	*8*	**3,286**	552
Depreciation of items of property, plant and equipment	*8*	**115,243**	109,052
Amortisation of prepaid land lease payments	*8*	**1,463**	1,530
Amortisation of other intangible assets	*8*	**8,353**	9,614
Impairment of property, plant and equipment	*8*	**1,399**	260
Impairment of trade receivables	*8*	**93,787**	9,524
Impairment/(reversal of impairment) of prepayments and other receivables	*8*	**288,534**	(7,374)
Write-down of inventories to net realisable value	*8*	**37,672**	26,981
Impairment of other intangible assets	*8*	**3,391**	–
Government grants released to the statement of profit or loss	*5*	**(15,130)**	(38,444)
Unrealised exchange difference		**8,470**	(9,197)
Equity-settled share option expense		**252**	486
		211,234	431,335
(Increase)/decrease in inventories		**(82,764)**	19,307
Increase in trade and bills receivables		**(52,356)**	(459,679)
(Increase)/decrease in prepayments and other receivables		**(549,136)**	16,682
Increase in trade receivables with maturity more than one year		**(31,095)**	–
Increase in other current assets		**(17,450)**	(840)
Increase in trade payables		**89,986**	78,728
Increase in other payables and accruals		**78,123**	36,241
Receipt of government grants	*31*	**16,934**	31,880
Cash (used in)/generated from operations		**(336,524)**	153,654
Income tax paid		**(46,493)**	(76,716)
Net cash flows (used in)/from operating activities		**(383,017)**	76,938

continued/...

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
Net cash flows (used in)/from operating activities		(383,017)	76,938
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		23,269	31,908
Proceeds from disposal of items of property, plant and equipment		23,888	7,777
Proceeds from disposal of prepaid land lease payments		–	286
Purchases of items of property, plant and equipment		(77,515)	(125,703)
Additions to other intangible assets	19	(5,637)	(4,441)
Proceeds from sales of other intangible assets		–	145
Increase in investments in associates		(23,520)	–
Decrease/(increase) in the restricted bank balance and short-term deposits	27	377,389	(123,389)
Net cash flows from/(used in) investing activities		317,874	(213,417)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution of non-controlling shareholders		9,307	–
Dividend paid to a non-controlling shareholder		–	(24,500)
Dividends paid		(74,665)	(61,715)
New bank loans	30	40,948	30,000
Repayment of bank loans	30	(30,000)	(80,000)
Interest paid	9	(1,888)	(2,701)
Net cash flows used in financing activities		(56,298)	(138,916)
Net decrease in cash and cash equivalents		(121,441)	(275,395)
Cash and cash equivalents at beginning of year		918,905	1,200,357
Effect of foreign exchange rate changes, net		(770)	(6,057)
CASH AND CASH EQUIVALENTS AT END OF YEAR		796,694	918,905
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances, unrestricted	27	796,694	936,022
Cash and cash equivalents as stated in the consolidated statement of financial position		796,694	936,022
Bank overdraft	30	–	(17,117)
Cash and cash equivalents as stated in the consolidated statement of cash flows		796,694	918,905

Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	**2,312**	2,660
Investments in subsidiaries	*20*	**695,393**	692,881
Total non-current assets		**697,705**	695,541
CURRENT ASSETS			
Due from subsidiaries	*20*	**452,114**	457,190
Other receivables and prepayments	*25*	**4,001**	3,277
Cash and cash equivalents	*27*	**215,391**	302,892
Total current assets		**671,506**	763,359
CURRENT LIABILITIES			
Due to subsidiaries	*20*	**59,312**	48,145
Other payables and accruals	*29*	**12,244**	4,002
Total current liabilities		**71,556**	52,147
NET CURRENT ASSETS		**599,950**	711,212
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,297,655**	1,406,753
Net assets		**1,297,655**	1,406,753
EQUITY			
Issued capital	*32*	**2**	2
Reserves	*34*	**1,297,653**	1,357,559
Proposed final dividend	*14*	**–**	49,192
Total equity		**1,297,655**	1,406,753

WANG Donglei
Director

XIONG Jie
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 Company's shares are listed on the Main Board of Stock Exchange of Hong Kong Limited.

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. Information on the Group's subsidiaries is provided in note 20. Information on other related party relationships and transactions is provided in note 40.

The financial statements are presented in Renminbi ("RMB"), which is different from the Company's functional currency (United States dollars). 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, RMB presents more reliable and more relevant information about the Group's transactions.

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. The financial statements have been prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

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 2014. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 Basis of Preparation *(continued)*

Basis of consolidation *(continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Share-based payment: Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective IFRSs*

[1] Effective from 1 July 2014

2.2 Changes in Accounting Policies and Disclosures *(continued)*

Except for the amendment to IFRS 1 which is only relevant to an entity's first IFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) These amendments provided a definition of an investment entity and an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

(b) These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

(c) These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group.

(d) IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payments occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with the requirements of IFRIC 21 in prior years.

(e) The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has no impact on the Group.

2.2 Changes in Accounting Policies and Disclosures *(continued)*

(f) The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has no impact on the Group.

(g) The amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

2.3 New and Revised IFRSs and New Disclosure Requirements Under the Hong Kong Companies Ordinance Not Yet Adopted

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 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	Regulatory Deferral Accounts[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopted IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015.

The Group is in the process of making an assessment of the impact of the above changes.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss 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 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Associates

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in associates are 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.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates.

The results of the associates are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in the associates are treated as non-current assets and are stated at cost less any impairment losses.

2.4 Summary of Significant Accounting Policies *(continued)*

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.

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 of 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations and goodwill *(continued)*

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.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 Summary of Significant Accounting Policies *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 and financial assets), 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 of disposal, 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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss 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)*

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
Decoration expenditures	3 to 5 years
Plant, machinery and equipment	3 to 10 years
Furniture and fixtures	2 to 5 years
Motor vehicles	4 to 8 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 statement of profit or loss 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.

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 statement of profit or loss on the straight-line basis over the period of the land use rights.

2.4 Summary of Significant Accounting Policies *(continued)*

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.

Change to a plan of sale

If an entity has classified an asset (or disposal group) as held for sale, but the asset is not available for immediate sale or the sale is not highly probable, the entity shall cease to classify the asset (or disposal group) as held for sale.

The entity shall measure a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of: a) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and b) its recoverable amount at the date of the subsequent decision not to sell.

The entity shall include any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale in profit or loss from continuing operations in the period in which the asset is not available for immediate sale or the sale is not highly probable.

2.4 Summary of Significant Accounting Policies *(continued)*

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.

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 5 to 10 years.

2.4 Summary of Significant Accounting Policies *(continued)*

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

Research and development costs

All research costs are charged to the statement of profit or loss 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.

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 statement of profit or loss 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 statement of profit or loss 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 are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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 statement of profit or loss. 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 in 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 statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss 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 statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

The Group had no held-to-maturity financial investments during the years ended 31 December 2014 and 2013.

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 statement of profit or loss 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 statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group had no available-for-sale financial investments during the years ended 31 December 2014 and 2013.

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred asset 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. An impairment exist if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. 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.

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 statement of profit or loss.

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets *(continued)*

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.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

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.

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 statement of profit or loss 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 statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 Summary of Significant Accounting Policies *(continued)*

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 statement of profit or loss.

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.

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 statement of profit or loss, 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 2014.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

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.

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 statement of profit or loss.

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 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

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 associates, 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.

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 statement of profit or loss 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 statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets 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 bases:

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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

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 in the employee benefit expense. 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 statement of profit or loss 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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

Other employee benefits

Defined contribution plan for 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 statement of profit or loss 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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

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 currencies

As disclosed in note 1 to the 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 statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss 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 statement of profit or loss. 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 measured. 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 statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

2.4 Summary of Significant Accounting Policies *(continued)*

Foreign currencies *(continued)*

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 statement of profit or loss.

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:

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

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.

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 22 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 22 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 rates to be applied and the expected period of benefits. Further details are set out in note 19 to the financial statements.

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 2014 was RMB21,161,000 (2013: RMB21,161,000). Further details are given in note 18 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 projections 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 33 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 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.

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 19 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 reportable segment profit, which is a measure of adjusted loss or profit before tax. The adjusted loss or profit before tax is measured consistently with the Group's loss or profit before tax except that interest income, finance costs, unallocated income and gains as well as head office and corporate expenses are excluded from such measurement.

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.

Since total assets and liabilities for each reportable segment are not regularly provided to the chief operating decision maker, the directors are of the opinion that the disclosure of such amounts is not necessary.

4. Operating Segment Information *(continued)*

	2014			
	Lamp products RMB'000	Luminaire products RMB'000	Lighting electronic products RMB'000	Consolidated RMB'000
Segment revenue:				
Sales to external customers	1,149,045	2,108,622	213,347	3,471,014
Intersegment sales	12,113	–	64,802	76,915
	1,161,158	2,108,622	278,149	3,547,929
Reconciliation				
Elimination of intersegment sales				(76,915)
Revenue				3,471,014
Segment results	197,787	503,553	43,726	745,066
Reconciliation				
Elimination of intersegment results				(3,490)
Interest income				24,203
Unallocated income and gains				40,246
Corporate and other unallocated expenses				(1,117,308)
Finance costs				(1,888)
Share of loss of associates				(1,416)
Loss before tax				(314,587)
Other segment information:				
Impairment loss/(reversal of impairment loss) of trade receivables and prepayments	5,426	87,782	978	94,186
Unallocated impairment loss/(reversal of impairment loss) of other receivables associated with head office and corporate assets				288,135
Total impairment loss of trade and other receivables and prepayments				382,321

4. Operating Segment Information *(continued)*

	2014			
	Lamp products RMB'000	Luminaire products RMB'000	Lighting electronic products RMB'000	Consolidated RMB'000
Impairment loss of property, plant and equipment	1,399	–	–	1,399
Impairment loss of intangible assets	3,391	–	–	3,391
Write-down of inventories to net realisable value	26,635	10,652	385	37,672
Depreciation and amortisation	41,090	48,180	5,544	94,814
Unallocated depreciation and amortisation associated with head office and corporate assets				30,245
Total depreciation and amortisation				125,059
Capital expenditure	9,915	28,930	3,863	42,708
Unallocated capital expenditure associated with head office and corporate assets				29,757
Total capital expenditure*				72,465

4. Operating Segment Information *(continued)*

	2013			
	Lamp products RMB'000	Luminaire products RMB'000	Lighting electronic products RMB'000	Consolidated RMB'000
Segment revenue:				
Sales to external customers	1,379,551	2,122,477	271,788	3,773,816
Intersegment sales	39,427	–	71,398	110,825
	1,418,978	2,122,477	343,186	3,884,641
Reconciliation				
Elimination of intersegment sales				(110,825)
Revenue				3,773,816
Segment results	263,354	446,582	51,947	761,883
Reconciliation				
Elimination of intersegment results				(9,370)
Interest income				28,407
Unallocated income and gains				63,204
Corporate and other unallocated expenses				(487,366)
Finance costs				(2,701)
Share of profit of an associate				401
Profit before tax				354,458
Other segment information:				
Impairment loss/(reversal of impairment loss) of trade receivables and prepayments	4,902	3,154	–	8,056
Unallocated impairment loss/(reversal of impairment loss) of other receivables associated with head office and corporate assets				(5,906)
Total impairment loss of trade and other receivables and prepayments				2,150

4. Operating Segment Information *(continued)*

	2013			
	Lamp products RMB'000	Luminaire products RMB'000	Lighting electronic products RMB'000	Consolidated RMB'000
Impairment loss of property, plant and equipment	260	–	–	260
Write-down of inventories to net realisable value	6,744	18,349	1,888	26,981
Depreciation and amortisation	43,897	44,607	5,615	94,119
Unallocated depreciation and amortisation associated with head office and corporate assets				26,077
Total depreciation and amortisation				120,196
Capital expenditure	79,284	44,073	3,204	126,561
Unallocated capital expenditure associated with head office and corporate assets				23,974
Total capital expenditure*				150,535

* Capital expenditure consists of additions to property, plant and equipment and other intangible assets.

4. Operating Segment Information *(continued)*

Geographical information

(a) ***Revenue from external customers***

	2014 RMB'000	2013 RMB'000
Mainland China	2,272,480	2,516,892
Other countries	1,198,534	1,256,924
	3,471,014	3,773,816

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

(b) ***Non-current assets***

	2014 RMB'000	2013 RMB'000
Mainland China	1,184,750	1,213,679
Other countries	56,605	57,315
	1,241,355	1,270,994

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

Revenue from continuing operations of approximately RMB388,621,000 (2013: RMB465,514,000) was derived from sales by the lamp products segment to a single customer, including sales to an entity which is known to be under common control with that customer.

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	2014 RMB'000	2013 RMB'000
Revenue			
Sale of goods		**3,471,014**	3,773,816
Other income			
Government grants	*(a)*	**15,130**	38,444
Trademark licence fees	*(b)*	**14,337**	14,791
Bank interest income		**24,184**	28,115
Other interest income		**19**	292
Rental income		**1,934**	2,235
Others		**7,529**	7,276
		63,133	91,153
Gains			
Gain on sale of scrap materials		**1,316**	443
Exchange gain, net		**–**	15
		1,316	458
		64,449	91,611

Notes:

(a) Various government grants have been received by the Group's PRC subsidiaries as tax subsidies and incentives for research and development activities and the 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 consolidated statement of financial position (note 31).

(b) In the current year, the Group licensed the "NVC" trademark to a limited number of related companies and a third party company at 1% to 3% of the companies' sales as trademark licence fees. Details of the related party transactions are set out in note 40 to the financial statements.

6. Other Expenses

	Note	2014 RMB'000	2013 RMB'000
Modification loss of trade receivables	*24*	**5,287**	–
Exchange loss, net		**8,470**	–
Loss on disposal of items of property, plant and equipment		**3,286**	552
Others		**1,835**	2,066
		18,878	2,618

7. Impairment Loss of Other Receivables Due from a Company

The amount represented impairment loss of other receivables due from a company. Further details are set out in note 25 to the financial statements.

8. (Loss)/Profit Before Tax

The Group's loss or profit before tax is arrived at after charging/(crediting):

	Notes	**2014 RMB'000**	2013 RMB'000
Cost of inventories sold		**2,691,766**	2,949,432
Depreciation		**115,243**	109,052
Amortisation of computer software, customer relationships and patents*	*19*	**3,054**	4,957
Research and development costs:			
Deferred expenditure amortised*	*19*	**5,299**	4,657
Current year expenditure		**50,521**	50,980
Less: Government grants released**		**(467)**	(5,584)
		50,054	45,396
		55,353	50,053
Impairment of property, plant and equipment	*16*	**1,399**	260
Amortisation of prepaid land lease payments	*17*	**1,463**	1,530
Impairment of other intangible assets	*19*	**3,391**	–
Minimum lease payments		**16,660**	16,708
Auditors' remuneration		**4,300**	4,471
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 10)*:			
Wages and salaries		**418,176**	451,745
Equity-settled share option expense	*33*	**252**	486
Pension scheme contributions (defined contribution scheme)		**76,708**	48,058
Other welfare expenses		**20,812**	23,617
		515,948	523,906
Write-down of inventories to net realisable value	*23*	**37,672**	26,981
Impairment of trade receivables	*24*	**93,787**	9,524
Impairment/(reversal of impairment) of prepayments and other receivables	*25*	**288,534**	(7,374)
Bank interest income	*5*	**(24,184)**	(28,115)
Other interest income	*5*	**(19)**	(292)
Modification loss of trade receivables	*6*	**5,287**	–
Exchange loss, net	*6*	**8,470**	–
Loss on disposal of items of property, plant and equipment***	*6*	**3,286**	552

8. (Loss)/Profit Before Tax *(continued)*

* 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 statement of profit or loss.

** Various government grants have been received for setting up research activities in Chongqing City, Guangdong and Zhejiang 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 loss on disposal of items of property, plant and equipment is included in "Other expenses" in the consolidated statement of profit or loss.

9. Finance Costs

An analysis of finance costs is as follows:

	2014 **RMB'000**	2013 RMB'000
Interest on bank loans	**1,281**	2,461
Other interest expenses	**607**	240
	1,888	2,701

10. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014 RMB'000	2013 RMB'000
Fees	3,511	2,496
Other emoluments:		
Salaries, allowances and benefits in kind	3,807	3,359
Performance-related bonuses*	2,054	2,018
Pension scheme contributions	54	68
	5,915	5,445
	9,426	7,941

* Certain executive directors of the Company are entitled to bonus payments which are based on the profit after tax of the Group and their individual performance.

(a) Independent non-executive directors

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

	2014 RMB'000	2013 RMB'000
Mr. WEI Hongxiong[1]	234	–
Mr. WANG Xuexian[1]	234	–
Mr. WANG Jinsui	396	399
Mr. YUNG Tse Kwong, Steven[1]	–	190
Mr. LEE Kong Wai, Conway	396	399
Ms. WU Ling	396	211
	1,656	1,199

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

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

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

	2014					
	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]	–	907	–	–	27	934
Mr. XIAO Yu[3]	234	155	500	–	–	889
Mr. XIONG Jie[3]	199	181	500	–	–	880
Mr. MU Yu[4]	–	947	–	–	27	974
Mr. WANG Dongming	–	1,064	204	–	–	1,268
	433	3,254	1,204	–	54	4,945
Non-executive directors:						
Mr. LI Wei[5]	234	–	–	–	–	234
Mr. LIN Ho-Ping, Brandon	396	–	–	–	–	396
Mr. ZHU Hai	396	–	–	–	–	396
Mr. WANG Donglei[6]	396	553	850	–	–	1,799
	1,422	553	850	–	–	2,825
	1,855	3,807	2,054	–	54	7,770

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

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

	2013					
	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]	–	1,510	1,710	–	32	3,252
Mr. MU Yu[4]	–	1,489	205	–	36	1,730
Mr. WANG Dongming	–	360	103	–	–	463
	–	3,359	2,018	–	68	5,445
Non-executive directors:						
Mr. YAN Andrew Y	100	–	–	–	–	100
Mr. LIN Ho-Ping, Brandon	399	–	–	–	–	399
Mr. ZHU Hai	399	–	–	–	–	399
Mr. WANG Donglei	399	–	–	–	–	399
	1,297	–	–	–	–	1,297
	1,297	3,359	2,018	–	68	6,742

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

1 Mr. WEI Hongxiong and Mr. WANG Xuexian were appointed as independent non-executive directors of the Company on 29 May 2014. Mr. YUNG Tse Kwong, Steven retired as a director of the Company on 21 June 2013.

2 Mr. WU Changjiang was removed as the chief executive officer pursuant to a board minute on 8 August 2014. Mr. WU Changjiang was also removed as the director of the Company on 29 August 2014 pursuant to an extraordinary general meeting.

3 Mr. XIAO Yu was appointed as a non-executive director on 29 May 2014 and was re-designated as an executive director on 8 August 2014. Mr. XIONG Jie was appointed as an executive director of the Company on 8 August 2014.

4 Mr. MU Yu retired as executive director of the Company on 29 May 2014.

5 Mr. LI Wei was appointed as non-executive director of the Company on 29 May 2014.

6 Mr. WANG Donglei was appointed as interim chief executive officer on 8 August 2014.

11. Five Highest Paid Employees

The five highest paid employees during the year included two directors (2013: two directors), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining three (2013: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	3,360	4,014
Performance-related bonuses	704	616
Pension scheme contributions	66	64
	4,130	4,694

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	
	2014	2013
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	–	1
Over HK$2,000,000	1	2
	3	3

12. 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 most of companies within the Group are domiciled and operate. No provision for Hong Kong profits tax or United Kingdom ("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 2014 (2013: Nil). Taxes on the corporate income elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	2014	2013
	RMB'000	RMB'000
Group:		
Current – Mainland China:		
Charge for the year	**46,547**	74,304
Overprovision in prior years	**(2,355)**	(1,416)
Deferred *(note 22)*	**(30,711)**	(537)
Total tax charge for the year	**13,481**	72,351

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

	2014		2013	
	RMB'000	**%**	RMB'000	%
(Loss)/profit before tax	**(314,587)**		354,458	
Tax at the statutory tax rate	**(78,525)**	**25**	88,615	25
Lower tax rates enacted by local authority	**39,623**	**(12.6)**	(21,452)	(6.1)
Income not subject to tax	**–**	**–**	(100)	–
Expenses not deductible for tax	**7,055**	**(2.2)**	3,722	1.1
Adjustments in respect to current income tax of previous periods	**(2,355)**	**0.7**	(1,416)	(0.4)
Tax losses not recognised	**7,951**	**(2.5)**	3,659	1.0
Tax losses utilised from previous periods	**–**	**–**	(4,803)	(1.4)
Effect on opening deferred tax of change in tax rates	**(11,662)**	**3.7**	4,126	1.2
Effect of deductible temporary differences which have not been recognised as deferred tax assets	**51,394**	**(16.3)**	–	–
Tax charge at the Group's effective rate	**13,481**	**(4.3)**	72,351	20.4

12. Income Tax *(continued)*

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

Chongqing NVC and NVC Lighting (China) Co., Ltd. ("NVC China"), two subsidiaries located in the west of China, were recognised as western development enterprises by the local tax authority and are entitled to the preferential tax rate of 15% until 2020 according to a local tax policy on western development issued in 2011.

Shanghai Arcata Electronics Co., Ltd. ("Shanghai Arcata"), a subsidiary located in Shanghai as a foreign-invested enterprise was recognised as a high-tech enterprise by the PRC tax authority and entitled a preferential tax rate of 15% in 2013. Shanghai Arcata continued to enjoy a preferential tax rate of 15% due to the review evaluation of high-tech enterprise in 2014.

Zhejiang Jiangshan Sunny Electron Co., Ltd. ("Sunny") was recognised as high-tech enterprises by the PRC tax authority and entitled a preferential tax rate of 15% for three years starting from year 2011. Sunny continued to enjoy a preferential tax rate of 15% for three years starting from year 2014 due to the review evaluation of high-tech enterprises.

Jiangshan Phoebus Lighting Electron Co., Ltd. ("Jiangshan Phoebus") was recognised as high-tech enterprises by the PRC tax authority and entitled a preferential tax rate of 15% for three years starting from year 2012. Jiangshan Phoebus continued to enjoy a preferential tax rate of 15% for three years starting from year 2014 due to the review evaluation of high-tech enterprises.

NVC Brasil is subject to EIT on its worldwide income with a basic rate of 15% and increased by a surtax of 10% on annual taxable profits exceeding BRL240,000 (approximately US$117,000).

13. Loss Attributable to Owners of the Parent

The consolidated loss or profit attributable to owners of the parent for the year ended 31 December 2014 included a loss of RMB40,560,000 (2013: loss of RMB23,880,000) which has been dealt with in the financial statements of the Company (note 34).

14. Dividends

	2014 **RMB'000**	2013 RMB'000
Interim – HK$1 cent (2013: HK$1 cent) per ordinary share	**24,860**	24,880
Proposed not to declare final dividend (2013: Proposed final dividend of HK$2 cents per ordinary share)	**–**	49,192
	24,860	74,072

15. (Loss)/Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic loss or earnings per share amount is based on the loss or profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 3,128,448,000 (2013: 3,128,448,000) in issue during the year.

The calculation of the diluted loss or earnings per share amount is based on the loss or 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 loss or 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 had been made to the basic loss or earnings per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss or earnings per share amounts presented.

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

	2014	2013
	RMB'000	RMB'000
(Loss)/earnings:		
(Loss)/profit attributable to ordinary equity holders of the parent	**(354,153)**	244,884

	Number of shares	
	2014	2013
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss or earnings per share calculation	**3,128,448**	3,128,448

16. Property, Plant and Equipment

Group

	Buildings RMB'000	Decoration expenditures RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2014							
Cost:							
At 1 January 2014	466,190	60,064	623,217	56,607	37,017	4,436	1,247,531
Additions	6,469	3,635	21,741	6,875	869	27,239	66,828
Transfers	2,840	1,910	13,075	–	–	(17,825)	–
Disposals	(105)	(2,952)	(9,837)	(18,638)	(14,655)	(5,023)	(51,210)
Exchange realignment	(2,800)	(194)	(77)	(213)	9	–	(3,275)
At 31 December 2014	472,594	62,463	648,119	44,631	23,240	8,827	1,259,874
Accumulated depreciation:							
At 1 January 2014	(50,295)	(39,867)	(225,254)	(29,201)	(20,521)	–	(365,138)
Charged for the year	(13,637)	(14,049)	(76,423)	(6,020)	(5,114)	–	(115,243)
Disposals	24	2,257	(1,811)	11,676	11,630	–	23,776
Exchange realignment	88	102	56	127	1	–	374
At 31 December 2014	(63,820)	(51,557)	(303,432)	(23,418)	(14,004)	–	(456,231)
Impairment:							
At 1 January 2014	–	–	(260)	–	–	–	(260)
Charged for the year	–	–	(1,373)	(26)	–	–	(1,399)
Disposals	–	–	260	–	–	–	260
At 31 December 2014	–	–	(1,373)	(26)	–	–	(1,399)
Net carrying amount:							
At 31 December 2014	408,774	10,906	343,314	21,187	9,236	8,827	802,244
At 31 December 2013	415,895	20,197	397,703	27,406	16,496	4,436	882,133

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

Group

	Buildings RMB'000	Decoration expenditures RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013							
Cost:							
At 1 January 2013	398,052	48,292	525,210	45,830	35,457	49,926	1,102,767
Additions	969	2,978	48,878	16,143	2,465	74,661	146,094
Transfers	53,596	8,830	55,726	1,942	–	(120,094)	–
Reclassification from assets held for sale	14,617	–	–	–	–	–	14,617
Disposals	(468)	–	(6,590)	(7,281)	(787)	(57)	(15,183)
Exchange realignment	(576)	(36)	(7)	(27)	(118)	–	(764)
At 31 December 2013	466,190	60,064	623,217	56,607	37,017	4,436	1,247,531
Accumulated depreciation:							
At 1 January 2013	(34,528)	(28,162)	(153,493)	(27,082)	(15,797)	–	(259,062)
Charged for the year	(12,892)	(11,690)	(71,853)	(7,184)	(5,433)	–	(109,052)
Reclassification from assets held for sale	(2,883)	–	–	–	–	–	(2,883)
Disposals	28	–	98	5,072	707	–	5,905
Exchange realignment	(20)	(15)	(6)	(7)	2	–	(46)
At 31 December 2013	(50,295)	(39,867)	(225,254)	(29,201)	(20,521)	–	(365,138)
Impairment:							
At 1 January 2013	–	–	(949)	–	–	–	(949)
Charged for the year	–	–	(260)	–	–	–	(260)
Disposals	–	–	949	–	–	–	949
At 31 December 2013	–	–	(260)	–	–	–	(260)
Net carrying amount:							
At 31 December 2013	415,895	20,197	397,703	27,406	16,496	4,436	882,133
At 31 December 2012	363,524	20,130	370,768	18,748	19,660	49,926	842,756

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

Company

	Motor vehicles RMB'000
31 December 2014	
Cost:	
At 1 January 2014	3,164
Exchange realignment	12
At 31 December 2014	3,176
Accumulated depreciation:	
At 1 January 2014	(504)
Charged for the year	(357)
Exchange realignment	(3)
At 31 December 2014	(864)
Net carrying amount:	
At 31 December 2013	2,660
At 31 December 2014	2,312

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

Company

	Motor vehicles RMB'000
31 December 2013	
Cost:	
At 1 January 2013	3,262
Exchange realignment	(98)
At 31 December 2013	3,164
Accumulated depreciation:	
At 1 January 2013	(153)
Charged for the year	(361)
Exchange realignment	10
At 31 December 2013	(504)
Net carrying amount:	
At 31 December 2012	3,109
At 31 December 2013	2,660

As at 31 December 2014, no property, plant and equipment were pledged (31 December 2013: Nil).

17. Prepaid Land Lease Payments

	Group 2014 RMB'000	2013 RMB'000
Carrying amount at 1 January	**57,572**	53,516
Reclassification from assets held for sale	**–**	5,872
Disposals	**–**	(286)
Recognised during the year	**(1,463)**	(1,530)
Carrying amount at 31 December	**56,109**	57,572
Current portion included in prepayments, deposits and other receivables *(note 25)*	**(1,462)**	(1,464)
Non-current portion	**54,647**	56,108

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

As at 31 December 2014, no leasehold lands were pledged (31 December 2013: Nil).

18. Goodwill

Group

	2014 RMB'000	2013 RMB'000
At 1 January and 31 December		
Cost	**231,287**	231,287
Accumulated impairment	**(210,126)**	(210,126)
Net carrying amount	**21,161**	21,161

18. 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:

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 2014 (2013: RMB7,369,000).

The recoverable amount of the lighting 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 19.85% (2013: 19.27%). The growth rate used to extrapolate the cash flows of the electronic products unit beyond the five-year period is 2% (2013: 2%) which was the same as the long term average growth rate of the lighting industry.

As at 31 December 2014, 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 (2013: Nil).

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 2014 (2013: 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 19.05% (2013: 18.95%). The growth rate used to extrapolate the cash flows of the spot luminaries products unit beyond the five-year period is zero (2013: zero) as the spot luminaries products cash-generating unit has reached its full production capacity.

As at 31 December 2014, 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 (2013: Nil).

18. Goodwill *(continued)*

Impairment testing of goodwill *(continued)*

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 2014 (2013: RMB2,133,000).

The recoverable amount of 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 19.52% (2013: 19.07%). The growth rate used to extrapolate the cash flows of the decorative fluorescent luminaries products unit beyond the five-year period is zero (2013: zero) as the decorative fluorescent luminaries products cash-generating unit has reached its full production capacity.

As at 31 December 2014, 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 (2013: Nil).

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

	2014				
Group	**Lighting electronic products RMB'000**	**Spot luminaries products RMB'000**	**Decorative fluorescent luminaries products RMB'000**	**Others RMB'000**	**Total RMB'000**
Carrying amount of goodwill	**7,369**	**10,999**	**2,133**	**660**	**21,161**

	2013				
	Lighting electronic products RMB'000	Spot luminaries products RMB'000	Decorative fluorescent luminaries products RMB'000	Others RMB'000	Total RMB'000
Carrying amount of goodwill	7,369	10,999	2,133	660	21,161

18. Goodwill *(continued)*

Impairment testing of goodwill *(continued)*

Assumptions were used in the value in use calculation of each cash-generating unit for 31 December 2014 and 31 December 2013. 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.

19. 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 2014						
Cost:						
At 1 January 2014	270,000	11,228	37,327	39,659	71,964	430,178
Additions	–	2,504	–	2,325	808	5,637
Disposals	–	(8)	–	–	–	(8)
At 31 December 2014	270,000	13,724	37,327	41,984	72,772	435,807
Accumulated amortisation:						
At 1 January 2014	–	(4,910)	(32,670)	(15,211)	(59,741)	(112,532)
Charged for the year	–	(1,241)	–	(5,299)	(1,813)	(8,353)
Disposals	–	8	–	–	–	8
At 31 December 2014	–	(6,143)	(32,670)	(20,510)	(61,554)	(120,877)
Impairment:						
At 1 January 2014	–	–	(4,657)	(2,608)	(8,630)	(15,895)
Charged for the year	–	–	–	(3,391)	–	(3,391)
At 31 December 2014	–	–	(4,657)	(5,999)	(8,630)	(19,286)
Net carrying amount:						
At 31 December 2014	270,000	7,581	–	15,475	2,588	295,644
At 31 December 2013	270,000	6,318	–	21,840	3,593	301,751

19. Other Intangible Assets *(continued)*

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 2013						
Cost:						
At 1 January 2013	270,000	9,612	37,327	37,008	71,964	425,911
Additions	–	1,790	–	2,651	–	4,441
Disposals	–	(174)	–	–	–	(174)
At 31 December 2013	270,000	11,228	37,327	39,659	71,964	430,178
Accumulated amortisation:						
At 1 January 2013	–	(3,924)	(32,670)	(10,554)	(55,799)	(102,947)
Charged for the year	–	(1,015)	–	(4,657)	(3,942)	(9,614)
Disposals	–	29	–	–	–	29
At 31 December 2013	–	(4,910)	(32,670)	(15,211)	(59,741)	(112,532)
Impairment:						
At 1 January 2013	–	–	(4,657)	(2,608)	(8,630)	(15,895)
Charged for the year	–	–	–	–	–	–
At 31 December 2013	–	–	(4,657)	(2,608)	(8,630)	(15,895)
Net carrying amount:						
At 31 December 2013	270,000	6,318	–	21,840	3,593	301,751
At 31 December 2012	270,000	5,688	–	23,846	7,535	307,069

The useful lives of trademarks with a net carrying amount of RMB270,000,000 (2013: 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 2014 (2013: Nil).

19. Other Intangible Assets *(continued)*

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 Lighting Technology Co., Ltd. ("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 15.4% and royalty rate of 3% by reference to past experience and external sources of information (2013: a growth rate of 14.4% and royalty rate of 3%). The discount rate applied to the cash flow projections is 18.45% (2013: 17.97%). The growth rate used to extrapolate the cash flows of the lighting products unit beyond the five-year period is 2% (2013: 2%) which was the same as the long term average growth rate of the lighting industry.

As at 31 December 2014, 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 (2013: Nil).

Assumptions were used in the value in use calculation of the lighting products cash-generating unit for 31 December 2014 and 31 December 2013. 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 terms of agreements.

20. Investments in Subsidiaries

	Company 2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	**717,005**	714,415
Impairment	**(21,612)**	(21,534)
	695,393	692,881

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB452,114,000 (2013: RMB457,190,000) and RMB59,312,000 (2013: RMB48,145,000), 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 principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Huizhou NVC Lighting Technology Co., Ltd.	PRC/ Mainland China	US$37,250,000	100	–	Manufacture and sale of lamps, luminaires, lamp transformers, lighting electronic products and other appliances
Chongqing NVC Lighting Co., Ltd.	PRC/ Mainland China	US$4,000,000	100	–	Manufacture and sale of lamps, luminaires and other lighting electronic appliances
Zhejiang NVC Lamps Co., Ltd.	PRC/ Mainland China	RMB20,000,000	–	51	Manufacture and sale of lamps and related products

20. Investments in Subsidiaries *(continued)*

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Zhejiang Jiangshan Sunny Electron Co., Ltd.	PRC/ Mainland China	RMB10,000,000	–	100	Manufacture and sale of light tubes for energy-saving lamps and related products
Jiangshan Phoebus Lighting Electron Co., Ltd.	PRC/ Mainland China	US$7,000,000	–	100	Manufacture and sale of light tubes for energy-saving lamps and related products
Zhangpu Phoebus Lighting Co., Ltd.	PRC/ Mainland China	US$3,000,000	–	100	Manufacture and sale of light tubes for energy-saving lamps and related products
Shanghai Arcata Electronics Co., Ltd.	PRC/ Mainland China	US$10,000,000	–	100	Manufacture and sale of lamp transformers and other lighting electronic products
World Through Investments Limited	BVI/ Mainland China	US$50,000	100	–	Investment holding
NVC Lighting Limited	England and Wales/the UK	GBP2,000,000	100	–	Trading of lamps, luminaires and other lighting products
Hong Kong TYU Technology Co., Ltd.	Hong Kong/ Mainland China	HK$200,000	100	–	Trading of lamps, luminaires and other lighting products

20. Investments in Subsidiaries *(continued)*

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Hong Kong NVC Lighting Limited *	Hong Kong/ Mainland China	HK$1	–	100	Investment holding
NVC Lighting (China) Co., Ltd. **	PRC/ Mainland China	HK$200,000,000	–	100	Research, development, manufacture and sale of lamps, luminaries and lighting electronic products
NVC Lighting (Brasil) Commercial Import and Export Co., Ltd. ***	Brasil	R$7,000,000	–	51	Trading of lamps, luminaires and other lighting products

* The name of Hong Kong Max Rich Holdings Limited was changed to Hong Kong NVC Lighting Limited on 3 September 2014.

** NVC China was registered as a wholly-foreign-owned subsidiary under the PRC law and the registered capital was paid up in May 2014. The name of NVC Lighting (Chongqing) Co., Ltd was changed to NVC Lighting (China) Co., Ltd. on 21 March 2014.

*** NVC Brasil was a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it with 51% equity interest. The registered capital was fully paid up at 31 December 2014.

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2014	2013
Percentage of equity interest held by non-controlling interests:		
Zhejiang NVC	51%	51%
NVC Brasil	51%	N/A

20. Investments in Subsidiaries *(continued)*

	2014 RMB'000	2013 RMB'000
Comprehensive (loss)/income for the year allocated to non-controlling interests:		
Zhejiang NVC	30,534	37,223
NVC Brasil	(4,449)	–
	26,085	37,223
Dividends paid to non-controlling interests:		
Zhejiang NVC	–	24,500
Accumulated balances of non-controlling interests at the reporting dates:		
Zhejiang NVC	114,289	83,755
NVC Brasil	4,858	–
	119,147	83,755

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company elimination:

2014	NVC Brasil RMB'000	Zhejiang NVC RMB'000
Revenue	19,224	643,006
Total expense	(26,247)	(580,692)
(Loss)/profit for the year	(7,023)	62,314
Total comprehensive (loss)/income for the year	(9,079)	62,314
Current assets	20,231	408,863
Non-current assets	3,777	30,135
Current liabilities	(13,918)	(205,755)
Net cash flows (used in)/from operating activities	(12,214)	51,430
Net cash flows used in investing activities	(4,299)	(4,690)
Net cash flows from/(used in) financing activities	19,169	(30,438)
Net increase in cash and cash equivalents	2,656	16,302

20. Investments in Subsidiaries *(continued)*

2013	Zhejiang NVC RMB'000
Revenue	794,680
Total expense	(718,714)
Profit for the year	75,966
Total comprehensive income for the year	75,966
Current assets	373,203
Non-current assets	28,588
Current liabilities	(230,862)
Net cash flows from operating activities	147,334
Net cash flows used in investing activities	(3,337)
Net cash flows used in financing activities	(102,134)
Net increase in cash and cash equivalents	41,863

21. Investments in Associates

	Group	
	2014 RMB'000	2013 RMB'000
Share of net assets	**28,867**	6,763

21. Investments in Associates *(continued)*

Particulars of the associates are as follows:

Name	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Mianyang Leici Electronic Technology Co., Ltd. * ("Mianyang Leici")	PRC/ Mainland China	35	Research and development, production and sale of magnetic electronic components, lighting electronics and photoelectric components
Huizhou Thorled-opto Co., Ltd. ("Huizhou Thor")*	PRC/ Mainland China	49	Research and development, production and sale of light-emitting diode, emission receiver tube, digital tube packaging series products

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

The Group's shareholdings in the associates are held through a wholly-owned subsidiary of the Company.

21. Investments in Associates *(continued)*

The following table illustrates the summarised financial information in respect of Huizhou Thor and Mianyang Leici reconciled to the carrying amount in the consolidated financial statements:

31 December 2014	**Huizhou Thor RMB'000**	**Mianyang Leici RMB'000**
Current assets	50,773	39,749
Non-current assets, excluding goodwill	30,966	12,924
Goodwill on acquisition of the associate	850	–
Current liabilities	(38,436)	(32,661)
Non-current liabilities	–	(585)
Net assets	44,153	19,427
Net assets, excluding goodwill	43,303	19,427
Proportion of the Group's ownership	49%	35%
Group's share of net assets of the associate, excluding goodwill	21,218	6,799
Goodwill on acquisition of the associate	850	–
Carrying amount of the investment	22,068	6,799

31 December 2013	Mianyang Leici RMB'000
Current assets	41,485
Non-current assets	13,560
Current liabilities	(34,833)
Non-current liabilities	(889)
Net assets	19,323
Proportion of the Group's ownership	35%
Carrying amount of the investment	6,763

21. Investments in Associates *(continued)*

2014	**Huizhou Thor RMB'000**	**Mianyang Leici RMB'000**
Revenues	**38,172**	**50,125**
(Loss)/profit for the year	**(2,964)**	**103**
Total comprehensive (loss)/income for the year	**(2,964)**	**103**

2013	Mianyang Leici RMB'000
Revenues	66,781
Profit for the year	1,146
Total comprehensive income for the year	1,146

22. Deferred Tax

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

Deferred tax assets

	2014			
Group	**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 2014	**300**	**41,022**	**–**	**41,322**
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 12)*	**(81)**	**22,250**	**–**	**22,169**
Exchange realignment	**–**	**–**	**–**	**–**
At 31 December 2014	**219**	**63,272**	**–**	**63,491**

22. Deferred Tax *(continued)*

Deferred tax assets *(continued)*

	2013			
Group	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 2013	691	37,853	3,907	42,451
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 12)*	(391)	3,182	(3,776)	(985)
Exchange realignment	–	(13)	(131)	(144)
At 31 December 2013	300	41,022	–	41,322

The Group has accumulated tax losses arising from UK NVC of RMB29,884,000 as at 31 December 2014 (2013: RMB17,549,000) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. In addition, the Group has accumulated tax losses arising from NVC China amounting to RMB41,901,000 as at 31 December 2014 (2013: Nil), which will expire in one to five years for offsetting against taxable future profits.

Deferred tax assets have not been recognised in respect of the losses arising from the subsidiaries as it is not considered probable that taxable profits will be available in the foreseeable future against which the accumulated tax losses can be utilised.

22. Deferred Tax *(continued)*

Deferred tax liabilities

	2014		
Group	**Fair value adjustments arising from business combinations RMB'000**	**Taxable temporary differences arising from relocation RMB'000**	**Total RMB'000**
At 1 January 2014	**76,397**	**18,097**	**94,494**
Deferred tax credited to the statement of profit or loss during the year *(note 12)*	**(877)**	**(7,665)**	**(8,542)**
At 31 December 2014	**75,520**	**10,432**	**85,952**

	2013		
Group	Fair value adjustments arising from business combinations RMB'000	Taxable temporary differences arising from relocation RMB'000	Total RMB'000
At 1 January 2013	77,416	18,600	96,016
Deferred tax credited to the statement of profit or loss during the year *(note 12)*	(1,019)	(503)	(1,522)
At 31 December 2013	76,397	18,097	94,494

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 10% for the unremitted profits of PRC subsidiaries. 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.

22. Deferred Tax *(continued)*

Deferred tax liabilities *(continued)*

As at 31 December 2014, the Group has not recognised deferred tax liabilities of RMB185,644,000 (2013: RMB181,152,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB1,856,444,000 (2013: RMB1,811,515,000), 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.

23. Inventories

	Group	
	2014	2013
	RMB'000	RMB'000
Raw materials	**120,506**	130,146
Work in progress	**16,955**	20,211
Finished goods	**551,872**	501,350
	689,333	651,707

The write-down of inventories recognised as an expense for the year ended 31 December 2014 amounted to RMB37,672,000 (2013: RMB26,981,000), which was recorded in "Cost of sales" in the consolidated statement of profit or loss.

24. Trade and Bills Receivables

	Group 2014 RMB'000	2013 RMB'000
Trade receivables	**1,213,930**	1,159,667
Impairment	**(112,485)**	(18,847)
Trade receivables, net	**1,101,445**	1,140,820
Bills receivable	**148,474**	127,392
Less:		
Trade receivables with maturity more than one year*	**(31,095)**	–
Current portion	**1,218,824**	1,268,212

* The amount represented trade receivables due from a customer which was expected to be repaid beyond 12 months from 31 December 2014. In addition, an amount of RMB19,190,000 due from the same customer was recorded as current as at 31 December 2014. An amount of RMB5,287,000 was recognised in the consolidated statement of profit or loss due to the modification of terms of such trade receivables. The amount was not considered impaired as the directors were of the opinion that the amount would be collected in full upon its maturity. The Group does not hold any collateral or other credit enhancements over the trade receivable balances.

Trade receivables of the Group represented proceeds receivable from sale 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 180 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 receivable balance. Trade receivables are non-interest-bearing.

24. Trade and Bills Receivables *(continued)*

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	
	2014	2013
	RMB'000	RMB'000
Within 3 months	**498,348**	787,893
4 to 6 months	**354,420**	234,106
7 to 12 months	**198,959**	84,184
1 to 2 years	**45,144**	9,357
Over 2 years	**4,574**	25,280
	1,101,445	1,140,820

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

	Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	**18,847**	18,393
Impairment losses recognised *(note 8)*	**94,930**	9,920
Amount written off as uncollectible	**(62)**	(8,884)
Reversed *(note 8)*	**(1,143)**	(396)
Exchange realignment	**(87)**	(186)
At 31 December	**112,485**	18,847

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB94,930,000 (2013: RMB9,920,000) with a carrying amount before provision of RMB113,150,000 (2013: RMB45,159,000).

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.

24. Trade and Bills Receivables *(continued)*

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

	Group	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**1,065,659**	1,122,259
Less than 2 months past due	**11,430**	16,133
2 to 6 months past due	**23,429**	2,070
7 to 12 months past due	**927**	251
Over 1 year past due	**–**	107
	1,101,445	1,140,820

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.

Included in the Group's trade receivables are amounts due from related parties of RMB37,589,000 (2013: RMB16,946,000) which are repayable on similar credit terms to those offered to the major customers of the Group.

As at 31 December 2014, certain trade receivables of UK NVC with carrying amounts of RMB40,948,000 were pledged to secure the bank borrowings of UK NVC as further set out in note 30 to the financial statements.

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

	2014	2013
	RMB'000	RMB'000
Within 6 months	**148,474**	127,392

Included in the Group's bills receivable are amounts due from related parties of RMB10,000 (2013: Nil) which are repayable on similar credit terms to those offered to the major customers of the Group.

As at 31 December 2014, except for the trade receivables with maturity over one year mentioned above, the fair value of trade and bills receivables approximates to their carrying amount largely due to their short-term maturity.

25. Prepayments, Deposits and Other Receivables

Group

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets:			
Prepayments for purchase of property, plant and equipment		7,697	3,078
Current assets:			
Prepayments	*(a)*	49,578	63,034
Impairment	*(a)*	(23,119)	(22,720)
		26,459	40,314
Deposits and other receivables	*(b)*	603,883	40,929
Impairment	*(b)*	(288,202)	(67)
		315,681	40,862
		342,140	81,176

Company

	Note	2014 RMB'000	2013 RMB'000
Current assets:			
Prepayments		56	56
Other receivables	*(c)*	3,945	3,221
		4,001	3,277

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

Notes:

(a) Prepayments of the Group

The amount mainly represented prepayments for raw materials and the current portion of prepaid land lease payments.

The breakdown of prepayments is as follows:

	2014	2013
	RMB'000	RMB'000
Prepaid land lease payments – current portion	**1,462**	1,464
Prepayments to third parties	**48,116**	36,737
Amount due from an entity over which a close family member of Mr. WU Changjiang, a former director and former chief executive officer of the Company, has significant influence*	**–**	24,833
	49,578	63,034
Impairment	**(23,119)**	(22,720)
Prepayments, net	**26,459**	40,314

* On 29 August 2014, the entity ceased to be a related party of the Group due to removal of Mr. WU Changjiang from the board of the Company. The related balance as at 31 December 2014 has been included in prepayments to third parties above.

The impairment mainly related to an amount due from an entity over which a close family member of Mr. WU Changjiang, a former director and former chief executive officer of the Company, has significant influence.

As at 31 December 2014, the fair value of prepayments approximates to their carrying amount largely due to their short-term maturity.

25. 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	**2014 RMB'000**	2013 RMB'000
Other receivables due from a company	*(i)*	**550,924**	–
Deposits and receivables from third parties	*(ii)*	**36,185**	33,266
Due from individuals		**4,844**	1,986
Amount due from Mr. WU Changjiang, a former director and former chief executive officer of the Company*		**–**	219
Amounts due from other related parties	*(iii)*	**11,930**	5,458
		603,883	40,929
Impairment	*(i)*	**(288,202)**	(67)
Deposits and other receivables, net		**315,681**	40,862

(i) As at 31 December 2014, the balance represented amounts due from a company arising from the rights held by the Group pursuant to several letters of counter guarantee issued by the company which was also a borrower of the bank loans (the "Borrower"). The directors were of the opinion that an amount of RMB265,564,000 was expected to be recoverable through the enforcement of counter guarantees. The unrecoverable amount of RMB285,360,000 has been provided for impairment as at 31 December 2014. Further details are set out in note 35 (a) to the financial statements.

(ii) The deposits and receivables from third parties are unsecured, non-interest-bearing and have no fixed terms of repayment.

(iii) The amounts due from other related parties (as defined in note 40) consist of the following:

	2014 RMB'000	2013 RMB'000
An entity with significant influence over the Group	**8,237**	899
Entities over which a close family member of Mr. WU Changjiang, a former director and former chief executive officer of the Company, has significant influence*	**–**	4,559
An associate of the Group and a subsidiary of the entity with significant influence over the Group	**3,693**	–
	11,930	5,458

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

Notes: (continued)

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

The amounts due from entities over which a close family member of Mr. WU Changjiang, a former director and former chief executive officer of the Company, has significant influence represented trademark license fees receivable by the Group. The credit terms granted to these related companies range from 10 to 105 days. The balances are unsecured and non-interest-bearing. On 29 August 2014, the individual and entities ceased to be related parties of the Group due to removal of Mr. WU Changjiang from the board of the Company. The related balances as at 31 December 2014 have been included in deposits and receivables from third parties and individuals above.

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	
	2014	2013
	RMB'000	RMB'000
Within 1 year	**291,266**	19,418
1 to 2 years	**3,612**	20,452
Over 2 years	**20,803**	992
	315,681	40,862

As at 31 December 2014, the fair value of prepayments, deposits and other receivables approximate to their carrying amount largely due to their short-term maturity.

(c) Other receivables of the Company

	2014	2013
	RMB'000	RMB'000
Receivables from third parties	**3,945**	3,002
Due from Mr. WU Changjiang, a former director and former chief executive officer of the Company*	**–**	219
	3,945	3,221

As at 31 December 2014, the fair value of other receivables approximate to their carrying amount largely due to their short-term maturity.

* On 29 August 2014, the individual ceased to be a related party of the Group due to removal of Mr. WU Changjiang from the board of the Company. The related balance as at 31 December 2014 has been included in receivables from third parties above.

26. Other current assets

	Group 2014 RMB'000	2013 RMB'000
Deductible valued-added tax	**34,369**	16,919

27. Cash and Short-Term Deposits

Group

	Notes	**2014 RMB'000**	2013 RMB'000 (Restated)
Cash and bank balances		**850,822**	936,022
Time deposits			
Non-pledged time deposits		**5,077**	336,430
Pledged time deposits:			
– for issuance of guarantees	*(1)*	**–**	160,000
– for a bank loan	*(2)*	**54,100**	–
– for letter of guarantee ("L/G")	*(3)*	**10,428**	5,692
– for assets preservation	*(4)*	**1,500**	500
		921,927	1,438,644
Less:			
Restricted bank balance	*(5)*	**(54,128)**	–
Pledged time deposits		**(66,028)**	(166,192)
Non-pledged time deposits with original maturity over three months when acquired		**(5,077)**	(336,430)
		(125,233)	(502,622)
Cash and cash equivalents		**796,694**	936,022

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

Company

	2014 **RMB'000**	2013 RMB'000
Cash and cash equivalents	**215,391**	302,892

(1) In accordance with pledge and guarantee agreements entered into by NVC China, a wholly-owned subsidiary of the Company, in 2013, RMB160,000,000 were pledged to banks to secure several bank loans borrowed by several PRC companies. Further details are set out in note 35 to the financial statements.

(2) In accordance with an agreement of deposits, a deposit with a carrying amount of RMB54,100,000 (31 December 2013: Nil) was pledged to a bank to secure a bank loan of a subsidiary of the Group.

(3) In accordance with several letters of guarantee, deposits with carrying amounts of RMB10,428,000 (31 December 2013: RMB5,692,000) were pledged for issuing letters of guarantee.

(4) The amount represented deposits with carrying amounts of RMB1,500,000 (31 December 2013: RMB500,000) pledged for application of assets preservation.

(5) In accordance with the guarantee contracts entered into by NVC China, a wholly-owned subsidiary of the Company, a bank balance with a carrying amount of RMB54,128,000 (31 December 2013: Nil) was frozen pursuant to a court order for a legal proceedings against the Group. Further details are set out in note 35 to the financial statements.

At the end of the reporting period, the cash and short-term deposits of the Group denominated in RMB amounted to RMB847,162,000 (2013: RMB1,226,884,000). 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 time deposits are deposited with creditworthy banks with no recent history of default. Pledged deposits are made to secure bank loans of the Group and certain PRC companies, issue L/G to fulfill contractual obligations at the requests of customers and apply assets preservation.

As at 31 December 2014, the fair values of cash and bank balances and time deposits approximate to their carrying amounts largely due to their short-term maturity.

28. Trade Payables

	Group 2014 RMB'000	2013 RMB'000
Trade payables to third parties	550,775	501,965
Trade payables to related parties	47,280	8,387
	598,055	510,352

Trade payables to related parties (as defined in note 40) include the following:

	Group 2014 RMB'000	2013 RMB'000
Entity with significant influence over the Group	399	259
Subsidiaries of the entity with significant influence over the Group	37,263	3,162
An associate of the Group and a subsidiary of the entity with significant influence over the Group	175	–
Entities controlled by Mr. WU Jiannong, a director and substantial shareholder of Zhejiang NVC	693	1,006
Entities over which a close family member of Mr. WU Changjiang, a former director and former chief executive officer of the Company, has significant influence*	–	9
An entity over which the Group indirectly has significant influence through an associate	8,750	3,951
	47,280	8,387

* On 29 August 2014, the entities ceased to be related parties of the Group due to removal of Mr. WU Changjiang from the board of the Company. The related balances as at 31 December 2014 have been included in trade payables to third parties above.

Trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

28. 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 2014 RMB'000	Group 2013 RMB'000
Within 3 months	538,480	498,434
4 to 6 months	24,022	5,783
7 to 12 months	19,033	1,596
1 to 2 years	16,087	4,034
Over 2 years	433	505
	598,055	510,352

29. Other Payables and Accruals

Group

	2014 RMB'000	2013 RMB'000
Other payables to third parties	286,654	213,821
Dividends payable	1,175	1,176
Advances from customers	16,736	14,768
Accruals	74,328	89,614
Amounts due to a director	92	–
Amounts due to other related parties	4,773	375
	383,758	319,754

29. Other Payables and Accruals *(continued)*

The amounts due to related parties (as defined in note 40) are as follows:

	2014 RMB'000	2013 RMB'000
Entity with significant influence over the Group	4,658	–
A subsidiary of the entity with significant influence over the Group	100	–
Entities controlled by Mr. WU Jiannong, a director and substantial shareholder of Zhejiang NVC	11	271
Entities over which a close family member of Mr. WU Changjiang, a former director and former chief executive officer of the Company, has significant influence*	–	104
An entity over which the Company indirectly has significant influence through an associate	4	–
	4,773	375

* On 29 August 2014, the entities ceased to be related parties of the Group due to removal of Mr. WU Changjiang from the board of the Company. The related balances as at 31 December 2014 have been included in other payables to third parties above.

Company

	2014 RMB'000	2013 RMB'000
Other payables to third parties	11,069	2,826
Dividends payable	1,175	1,176
	12,244	4,002

Other payables of the Group and the Company as at 31 December 2014 are non-interest-bearing and have no fixed terms of repayment.

As at 31 December 2014, the fair values of other payables and accruals approximate to their carrying amounts largely due to their short-term maturity.

30. Interest-Bearing Loans and Borrowings

Group

	2014			2013		
	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured [1]	Base*+1.90	On demand	40,948	–	–	–
Bank loans – unsecured	–	–	–	4.98	April 2014	30,000
Bank overdraft – unsecured	–	–	–	Base*+2.30	On demand	17,117
Total			40,948			47,117

1 The secured bank loan represented a GBP-dominated secured facility amounting to GBP5,000,000 (2013: Nil), of which GBP4,291,000 (2013: Nil) had been utilised as at the end of the reporting period. The bank loan was secured by the pledge over certain trade receivables amounting to RMB40,948,000 (note 24) and short-term deposits amounting to RMB54,100,000 (note 27). In accordance with the contract, the loan was repayable upon the collection of the factored trade receivables and carried a floating interest rate based on the Base plus 1.90%.

* "Base" means the Bank of England base rate.

As at 31 December 2014, the fair value of interest-bearing loans and borrowings approximates to their carrying amount largely due to their short-term maturity.

31. Government Grants

	Group 2014 RMB'000	2013 RMB'000
At beginning of year	**15,485**	22,049
Received during the year	**16,934**	31,880
Released to the statement of profit or loss	**(15,130)**	(38,444)
At end of year	**17,289**	15,485
Portion classified as current liabilities	**(2,137)**	(1,909)
Non-current portion	**15,152**	13,576

Various government subsidies have been granted to the Group's PRC subsidiaries as compensation for technology research and development and as financial support for the establishment of energy-saving lamp tube production lines.

The balance at 31 December 2014 mainly represented government grants for development of LED products and other energy-saving lamp production lines. The government grants are credited to the statement of profit or loss over the estimated useful lives of the associated production lines.

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

32. Share Capital

Shares

	2014		2013	
	US$	**RMB equivalent**	US$	RMB equivalent
Authorised:				
500,000,000,000 (2013: 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 (2013: 3,128,448,000) ordinary shares of US$0.0000001 each	**312.84**	**2,324.07**	312.84	2,324.07

During the year ended 31 December 2014, no movement was noted in share capital.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in the note 33 to the financial statements.

33. 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. 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.

There has been no cancellation or modification to the Scheme for issued share options during the year.

The following share options were outstanding under the Scheme during the year:

	2014		2013	
	Number of options	**Weighted average exercise price per share HK$**	Number of options	Weighted average exercise price per share HK$
At 1 January	**41,105,000**	**2.10**	41,787,000	2.10
Lapsed during the year	**(33,373,000)**	**2.10**	(682,000)	2.10
At 31 December	**7,732,000**	**2.10**	41,105,000	2.10

For the year ended 31 December 2014, 33,373,000 (2013: 682,000) share options lapsed due to the resignation of two directors and three employees (2013: one director and two employees).

As at 31 December 2014, 5,832,000 (31 December 2013: 36,705,000) share options were exercisable, the weighted average exercise price of which was HK$2.10 (31 December 2013: HK$2.10).

33. Pre-IPO Share Option Scheme *(continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2014 Number of options	**Exercise price per share HK$**	**Exercise period**
532,000	2.1	3/24/2012 to 3/24/2015
4,700,000	2.1	3/24/2011 to 3/24/2016
600,000	2.1	3/24/2012 to 2/8/2017
1,500,000	2.1	3/24/2015 to 3/24/2016
400,000	2.1	3/24/2015 to 2/8/2017
7,732,000		

2013 Number of options	Exercise price per share HK$	Exercise period
97,000	2.1	3/24/2012 to 3/24/2016
31,008,000	2.1	3/24/2012 to 3/24/2015
4,400,000	2.1	3/24/2011 to 3/24/2016
2,600,000	2.1	3/24/2014 to 3/24/2016
400,000	2.1	3/24/2012 to 6/25/2017
400,000	2.1	3/24/2012 to 2/8/2017
400,000	2.1	3/24/2012 to 12/31/2016
600,000	2.1	3/24/2014 to 6/25/2017
600,000	2.1	3/24/2014 to 2/8/2017
600,000	2.1	3/24/2014 to 12/31/2016
41,105,000		

The weighted average remaining contractual life of the share options outstanding as at 31 December 2014 was 1.28 year (31 December 2013: 1.6 years).

The fair value of the share options granted by the Company has been recognised in the statement of profit or loss over the vesting periods and the total amount recognised as a share option expense for the year ended 31 December 2014 totalled RMB252,000 (2013: RMB486,000).

At the end of the reporting period, the Company had 7,732,000 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 7,732,000 additional ordinary shares of the Company and additional share capital of US$0.77 (equivalent to RMB4.73) and share premium of US$2,086,000 (equivalent to approximately RMB12,764,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 7,732,000 share options outstanding under the Scheme, which represented approximately 0.25% of the Company's shares in issue as at that date.

34. 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 90 to 91 of this annual report.

Company

2014	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 2014	1,892,393	13,936	(332,786)	(215,984)	1,357,559
Loss for the year	–	–	(40,560)	–	(40,560)
Other comprehensive income for the year	–	–	–	5,869	5,869
Lapse of share options *(note 33)*	–	(8,951)	8,951	–	–
Employee share option arrangements *(note 33)*	–	252	–	–	252
Adjustment to final 2013 dividend declared *(note 14)*	(607)	–	–	–	(607)
Interim 2014 dividend *(note 14)*	(24,860)	–	–	–	(24,860)
At 31 December 2014	1,866,926	5,237	(364,395)	(210,115)	1,297,653

34. Reserves *(continued)*

2013	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 2013	1,965,282	14,608	(308,906)	(171,624)	1,499,360
Loss for the year	–	–	(23,880)	–	(23,880)
Other comprehensive income for the year	–	–	–	(44,360)	(44,360)
Lapse of share options *(note 33)*	1,158	(1,158)	–	–	–
Employee share option arrangements *(note 33)*	–	486	–	–	486
Adjustment to final 2012 dividend declared *(note 14)*	25	–	–	–	25
Interim 2013 dividend *(note 14)*	(24,880)	–	–	–	(24,880)
Proposed final 2013 dividend *(note 14)*	(49,192)	–	–	–	(49,192)
At 31 December 2013	1,892,393	13,936	(332,786)	(215,984)	1,357,559

Employee equity benefit 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.

35. Litigations

(a) The Group as a plaintiff

A subsidiary of the Company entered into several pledge and guarantee agreements in 2013 and 2014 with certain banks in China, providing guarantees to the banks for their lendings to certain borrowers. As at 31 December 2013, RMB160,000,000 of the Group's bank deposits were pledged to the banks under the Pledge and Guarantee Agreements. Additional time deposits of RMB415,500,000 were pledged to the banks under the Pledge and Guarantee Agreements entered into in 2014. Counter guarantees of the same amounts were provided by a borrower of the bank loans (the "Borrower") to the Group. In 2014, RMB24,576,000 of the pledged deposits were returned to the Group and RMB550,924,000 had been withdrawn by the banks due to default of the bank loans under the guarantees.

From December 2014 onwards, the Group has instituted a series of legal proceedings ("First Proceedings") against Mr. WU Changjiang, a former director and former chief executive officer of the Company, Mrs. WU Lian, Mr. WU Xianming, Mrs. CHEN Min, Chongqing Lei Li Jie Industrial Development Co., Ltd ("Lei Li Jie"), Chongqing Wu Ji Real Estate Development Co., Ltd. ("Wu Ji" or the Borrower), Chongqing Jiang Te Surface Treatment Co., Ltd. ("Jiang Te") and Chongqing Hua Biao Lighting Manufacturing Co., Ltd ("Hua Biao") (collectively the "Defendants of First Proceedings"), in the Intermediate People's Court of Huizhou (the "Huizhou Court") for damages. In addition, as indicated in 8 letters of counter guarantee issued by Wu Ji with dates in 2013 and 2014, Wu Ji provided counter guarantees to the Group to reimburse any losses for provision of guarantees on the bank loans borrowed by certain PRC companies. An aggregate amount of RMB550,924,000 was recognised as other receivables due from a company as at 31 December 2014. The directors are of the opinion that an amount of RMB265,564,000 is recoverable and a provision for the unrecoverable amount of RMB285,360,000 had been made and included in "Impairment loss of other receivables due from a company" in the consolidated statement of profit or loss of the Group for the year ended 31 December 2014. Details of other receivables due from a company and impairment loss of other receivables due from a company were given in notes 25 and 7 to the financial statements.

35. Litigations *(continued)*

(b) The Group as a defendant

In addition to the Pledge and Guarantee Agreements, a subsidiary of the Group entered into a guarantee agreement with a bank, providing guarantee to the bank on a bank loan granted by the bank to its borrower. In addition, the bank loan was secured by the pledge of a piece of land owned by Wu Ji.

The bank loan was in default in 2014 and the bank has taken legal actions against the borrower and the guarantors to recover the loan balance. A court order was issued to freeze deposits of RMB62,000,000 of the subsidiary. As a result of the court order, deposit of the subsidiary in the amount of RMB54,128,000 had been frozen by the bank as at 31 December 2014.

The RMB54,128,000 of bank balance being frozen was recorded in “Restricted bank balance and short-term deposits” on the consolidated statement of financial position of the Group as at 31 December 2014 and disclosed as a restricted bank balance in note 27 to the financial statements. The directors consider that the likelihood of the Group sustaining losses from the guarantee is remote as the loan had sufficient underlying securities and the subsidiary is only one of the guarantors for the loan. The directors believe that the frozen bank balance of RMB54,128,000 as included in “Restricted bank balance and short-term deposits” will be released upon the conclusion of the legal proceedings and no provision is considered necessary as at 31 December 2014. In addition, the directors are of the opinion that no provision on the shortfall of RMB7,872,000 between the court order of RMB62,000,000 and the frozen bank balance of RMB54,128,000 is considered necessary as at 31 December 2014. Details of the contingent liabilities are set out in note 36 to the financial statements.

36. Contingent Liabilities

(a) As at 31 December 2014, contingent liabilities not provided for the financial statements were as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
		(Restated)
Guarantees given to banks in connection with facilities granted to:		
A PRC company/several PRC companies	**62,000**	152,600

As at 31 December 2014, the banking facilities guaranteed by the Group to a PRC company (2013: several PRC companies) was utilised to the extent of approximately RMB60,000,000 (2013: RMB152,600,000).

(b) The Group is currently a defendant in a lawsuit brought by a PRC bank alleging that the Group should assume guarantee liabilities (as disclosed in (a) above, for year ended 31 December 2014) according to a guarantee agreement entered into by NVC China and the PRC bank. The directors consider that the likelihood of the Group sustaining losses from the guarantee is remote and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

37. Pledge of Assets

At the end of the reporting period, certain assets of the Group were pledged as follows:

		Group	
		2014	2013
	Notes	**RMB'000**	RMB'000
			(Restated)
Trade and bills receivables:			
– for a bank loan	*24*	**40,948**	–
Cash and short-term deposits:			
– for issuance of guarantees	*27*	**–**	160,000
– for a bank loan	*27*	**54,100**	–
– for L/G	*27*	**10,428**	5,692
– for assets preservation	*27*	**1,500**	500
		106,976	166,192

Details of the Group's pledged assets are included in notes 24 and 27 to the financial statements, respectively.

38. 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 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within one year	**1,738**	2,064
In the second to fifth years, inclusive	**355**	100
	2,093	2,164

(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 2014, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within one year	**7,316**	7,772
In the second to fifth years, inclusive	**10,098**	7,278
	17,414	15,050

39. Commitments

In addition to the operating lease commitments detailed in (note 38 (b)) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2014	2013
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**6,721**	8,682

At the end of the reporting period, neither the Group nor the Company had any significant commitments.

40. 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 current year and the prior year are listed below:

Entity with significant influence over the Group
Elec-Tech International Co., Ltd.

Subsidiaries of the entity with significant influence over the Group
Dalian Elec-Tech Lighting Technology Co., Ltd.
Wuhu Retop Electronics Co., Ltd.
Guangdong Retop Lighting Landscape Art Design Engineering Co., Ltd.

An Associate
Mianyang Leici

An associate of the Group and a subsidiary of the entity with signficant influence over the Group
Huizhou Thor

Entities controlled by Mr. WU Jiannong, a director and substantial shareholder of Zhejiang NVC
Jiangshan Youhe Machinery Co., Ltd.
Jiangshan World Bright Crystal Co., Ltd.
Hangzhou Tongren Software Co., Ltd.
Quzhou Aushite Illumination Co., Ltd.

40. Related Party Transactions *(continued)*

(b) *(continued)*

Entities over which a close family member of Mr. WU Changjiang, a former director and former chief executive officer of the Company, has significant influence[1]
Zhongshan Sheng Di Ai Si Lighting Co., Ltd. ("Sheng Di Ai Si")
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.
Chongqing Shang Yang Lighting Engineering Co.,Ltd.
Jiang Te[2]
Wu Ji[3]

An entity controlled by Mr. WANG Xiaobo, a key management of the Company
Nanjing Chuang Yi Jia Trading Co., Ltd.

An entity over which the Group indirectly has significant influence through an associate
Chongqing Chidian Technology Co., Ltd.

1 On 29 August 2014, the entities ceased to be related parties of the Group due to removal of Mr. WU Changjiang from the board of the Company.

2 Mr. WU Xianming, the father-in-law of Mr. WU Changjiang, indirectly held 20.4% interest of the entity.

3 Mrs. WU Lian, the spouse of Mr. WU Changjiang, acted as legal representative, sole executive director and chief executive officer of the entity.

(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	2014 RMB'000	2013 RMB'000 (Restated)
Entity with significant influence over the Group:			
Purchase of finished goods		59	–
Purchase of raw materials	*(i)*	5,463	722
Trademark licence fee income	*(ii)*	8,028	899
Subsidiaries of the entity with significant influence over the Group:			
Purchase of raw materials and finished goods	*(i)*	102,118	2,788
An associate of the Group and a subsidiary of the entity with significant influence over the Group			
Purchase of finished goods		456	–
Sale of property, equity and equipment	*(i)*	16,230	–
Rental fee income		856	–

40. Related Party Transactions *(continued)*

(c) *(continued)*

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
Entities controlled by Mr. WU Jiannong, a director and substantial shareholder of Zhejiang NVC:			
Purchases of raw materials and finished goods	*(i)*	5,703	35,397
Purchases of machinery	*(i)*	–	396
Purchase of finished goods		6	–
Processing fee		1	–
Entities over which a close family member of Mr. WU Changjiang, a former director and former chief executive officer of the Company, has significant influence:			
Sales of finished goods	*(i)*	7,118	3,293
Purchases of raw materials and finished goods	*(i)*	–	22,585
Purchase of parts	*(i)*	–	154
Trademark licence fee income	*(ii)*	1,979	11,393
Purchase of finished goods		18,697	–
Provision of guarantees	*(iii)*	120,500	10,600
Guarantees received	*(iii)*	415,500	149,400
An entity over which the Group indirectly has significant influence through an associate:			
Purchases of raw materials	*(i)*	27,772	32,075
An entity controlled by Mr. WANG Xiaobo, a key management of the Company			
Sale of finished goods	*(i)*	3,853	–

Notes:

(i) The transactions were made at prices mutually agreed by both parties.

(ii) Trademark licence fee income arose from licensing the "NVC" brand to related parties, and was charged at 1% to 3% of the related parties' annual sales. The royalty rate was mutually agreed by both parties.

(iii) Provision of guarantees and guarantees received from related parties arose from certain pledge and guarantee agreements and letters of counter guarantee, respectively. Details are set out in note 35 to the financial statements.

40. Related Party Transactions *(continued)*

(d) Outstanding balances with related parties:

The detailed terms regarding the outstanding balances with related parties as at 31 December 2014 and 2013 are set out in notes 24, 25, 28 and 29 to the financial statements.

(e) Compensation of key management personnel of the Group:

	2014 RMB'000	2013 RMB'000
Short-term employee benefits	**21,773**	17,183
Equity-settled share option expenses	**–**	85
	21,773	17,268

41. 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

	2014 Loans and receivables RMB'000	2013 Loans and receivables RMB'000 (Restated)
Trade receivables with maturity more than one year	**31,095**	–
Trade and bills receivables	**1,218,824**	1,268,212
Financial assets included in prepayments, deposits and other receivables	**315,681**	40,862
Restricted bank balance and short-term deposits	**125,233**	502,622
Cash and cash equivalents	**796,694**	936,022
Total	**2,487,527**	2,747,718

41. Financial Instruments by Category *(continued)*

Company

	2014 Loans and receivables RMB'000	2013 Loans and receivables RMB'000
Due from subsidiaries	**452,114**	457,190
Financial assets included in other receivables and prepayments	**3,945**	3,221
Cash and cash equivalents	**215,391**	302,892
Total	**671,450**	763,303

Financial liabilities

All of the Group's and the Company's financial liabilities carried at amortised cost are as follows:

Group

	2014 Financial liabilities at amortised cost RMB'000	2013 Financial liabilities at amortised cost RMB'000
Trade payables	**598,055**	510,352
Financial liabilities included in other payables and accruals	**292,694**	215,372
Interest-bearing loans and borrowings	**40,948**	47,117
Total	**931,697**	772,841

Company

	2014 Financial liabilities at amortised cost RMB'000	2013 Financial liabilities at amortised cost RMB'000
Due to subsidiaries	**59,312**	48,145
Other payables and accruals	**12,244**	4,002
Total	**71,556**	52,147

42. Fair Value of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivable, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, and interest-bearing loans and borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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.

Other than mentioned above, the Group did not have any other financial assets or liabilities measured at fair value as at 31 December 2014.

43. 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, prepayments, deposits and other receivables, trade payables and other 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.

43. Financial Risk Management Objectives and Policies *(continued)*

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 receivables.

The Group has 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. The contracts were renewed in November every year, and subject to a maximum compensation amount of RMB32,000,000 for domestic sales and US$30,000,000 (equivalent to RMB183,570,000) for overseas sales in the current year. The Group purchased such insurance in order to minimise the exposure to credit risk as the Group expands its business. The insurance contracts were renewed in 2014 and extended to 30 November 2015.

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.

(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.

43. Financial Risk Management Objectives and Policies *(continued)*

(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$. As a result, the Group is exposed to fluctuations in the exchange rate between US$ 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 or loss before tax (due to changes in the fair value of monetary assets and liabilities).

2014

	Increase/ (decrease) in foreign currency exchange rate %	**Increase/ (decrease) in loss before tax RMB'000**
If RMB weakens against US$	**5**	**(1,820)**
If RMB strengthens against US$	**(5)**	**1,820**

2013

	Increase/ (decrease) in foreign currency exchange rate %	Increase/ (decrease) in profit before tax RMB'000
If RMB weakens against US$	5	(4,821)
If RMB strengthens against US$	(5)	4,821

Bank balances and short-term deposits of the Group denominated in HK$ amounted to RMB4,417,000 as at 31 December 2014 (31 December 2013: RMB6,326,000). As HK$ is pegged to US$, the directors consider that these bank balances are not subject to foreign currency risk.

43. Financial Risk Management Objectives and Policies *(continued)*

(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.

The maturity profile of the Group's non-derivative financial liabilities based on the contractual undiscounted payments is as follows:

31 December 2014

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000
Trade payables	–	598,055	–	598,055
Financial liabilities included in other payables and accruals	–	292,694	–	292,694
Interest-bearing loans and borrowings	40,948	–	–	40,948
Guarantees given to banks in connection with facilities granted to a PRC company	62,000	–	–	62,000
Total	102,948	890,749	–	993,697

31 December 2013 (Restated)

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000
Trade payables	–	510,352	–	510,352
Financial liabilities included in other payables and accruals	–	209,900	5,472	215,372
Interest-bearing loans and borrowings	17,117	–	30,444	47,561
Guarantees given to banks in connection with facilities granted to several PRC companies	–	–	152,600	152,600
Total	17,117	720,252	188,516	925,885

44. 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 (excluding restricted bank balance). 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:

	2014 **RMB'000**	2013 RMB'000
Interest-bearing loans and borrowings	**40,948**	47,117
Total debt	**40,948**	47,117
Less: Cash and Short-term deposits (excluding restricted bank balance)	**(867,799)**	(1,438,644)
Net debt	**N/A**	N/A
Total equity attributable to owners of the parent	**3,247,462**	3,676,870
Gearing ratio	**N/A**	N/A

45. Events after the Reporting Period

In 2015, NVC China has instituted several legal proceedings in the PRC against Mr. WU Changjiang and other defendants in connection with the Pledge and Guarantee Agreements.

Pursuant to PRC court orders issued in connection with these proceedings, some assets of the defendants have been frozen. In order to obtain such orders, as security, certain buildings with carrying amounts of RMB256,298,000 and certain lands with carrying amounts of RMB50,953,000 of the Group were prohibited from being transferred, disposed of, pledged and donated for a period of two years commencing from January 2015. Details are set out in note 35(a) to the financial statements.

46. Comparative Amounts

As at 31 December 2013, an amount of RMB160,000,000 should be reclassified from cash and cash equivalents to short-term deposits in accordance with several pledge contracts entered into between the Group and several PRC banks. Further details are set out in note 35 to the financial statements. The directors has also identified that an amount of RMB253,130,000 should be reclassified from cash and cash equivalents to short-term deposits.

Except for the prior year reclassification adjustments mentioned above, certain comparative amounts have been reclassified to conform with the current year's presentation.

The restated comparative amounts are set out as following:

1) Consolidated statement of financial position as at 31 December 2013

	Notes	2013 RMB'000 (As originally published)	2013 RMB'000 (Restated)
Restricted bank balance and short-term deposits	*27*	89,492	502,622
Cash and cash equivalents	*27*	1,349,152	936,022

2) Consolidated statement of cash flows for the year ended 31 December 2013

	Note	2013 RMB'000 (As originally published)	2013 RMB'000 (Restated)
Decrease/(increase) in the restricted bank balance and short-term deposits		289,741	(123,389)
Net cash flows from/(used in) investing activities		199,713	(213,417)
Net increase/(decrease) in cash and cash equivalents		137,735	(275,395)
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,332,035	918,905
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	*27*	1,349,152	936,022
Bank overdraft		(17,117)	(17,117)
Cash and cash equivalents as stated in the consolidated statement of cash flows		1,332,035	918,905

47. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 13 May 2015.

Definitions

In this annual report, unless the context otherwise requires, the following words and expressions shall have the following meanings.

"Board"	the board of Directors of the Company.
"BOC Da Du Kou"	The Bank of China Limited Chongqing Da Du Kou Division* (中國銀行股份有限公司重慶大渡口支行).
"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.
"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 40% by Mr. WU Xianming, Mr. WU Changjiang's father-in-law.
"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.
"CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.
"Company" or "our Company"	NVC Lighting Holding Limited (雷士照明控股有限公司), a company incorporated in the British Virgin Islands 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 2013.
"Director(s)"	the director(s) of the Company.
"ETIC"	Elec-Tech International Co., Ltd.* (廣東德豪潤達電氣股份有限公司), a PRC incorporated company which is currently listed on the Shenzhen Stock Exchange. It is a substantial shareholder of the Company.

"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"	Great Britain Sterling Pound, the lawful currency of the United Kingdom.
"Group"	the Company and its subsidiaries.
"Guarantee Agreement" or "Purported Guarantee Agreement"	a guarantee agreement entered into by Mr. WU Changjiang purportedly on behalf of NVC China with the Chongqing branch of a PRC bank on 7 March 2014.
"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 New Energy Group Co., Ltd.* (浙江同景新能源集團有限公司).
"HID"	high intensity discharge.
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong.
"Hong Kong"	the Hong Kong Special Administrative Region of People's Republic of China.
"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.
"ICBC Nanping"	Industrial and Commercial Bank of China Limited Chongqing Nanping Sub-branch* (中國工商銀行股份有限公司南坪支行).
"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 New Energy Group Co., Ltd.* (浙江同景新能源集團有限公司) in which Mr. WU Jiannong holds an 86% equity interest.

"Jiang Te"	Chongqing Jiang Te Surface Processing Co., Ltd.* (重慶江特表面處理有限公司), a limited liability company incorporated in the PRC and owned as to 51% by Chongqing En Wei Xi from May 2009 to September 2014.
"LED"	Light-Emitting Diode.
"Lei Li Jie"	Chongqing Lei Li Jie Industrial Development Co., Ltd. * (重慶雷立捷實業發展有限公司), a limited liability company incorporated in the PRC which may potentially be associated with Mr. WU Changjiang.
"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%).
"Minsheng Chongqing"	China Minsheng Banking Corp., Ltd. Chonqing Branch* (中國民生銀行股份有限公司重慶分行).
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.
"NVC Brasil"	NVC Lighting Do Brasil Commercial Import and Export Co., Ltd., a limited liability company incorporated in Brazil, a 51% equity interest of which is held by Hong Kong TYU Technology Co., Ltd., our wholly-owned subsidiary, and the remaining 49% equity interest of which is held by NVC Brazil Technology Co., Ltd.
"NVC China"	NVC Lighting (China) Co., Ltd.* (雷士照明（中國）有限公司), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 7 November 2012 and our indirect wholly-owned subsidiary. The name of NVC Lighting (Chongqing) Co., Ltd.* (重慶雷士實業有限公司) was changed to NVC Lighting (China) Co., Ltd.* (雷士照明（中國）有限公司) on 21 March 2014.
"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.
"O2O"	Online to Offline, referring to the combination of business opportunity offline and internet to enable internet to become the platform of offline transactions.
"Pledge and Guarantee Agreements" or "Purported Pledge and Guarantee Agreements"	certain pledge and guarantee agreements entered into by Mr. WU Changjiang, on behalf of NVC China or purportedly on behalf of NVC China, without the Board's knowledge, to secure bank loans of other companies.
"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 New Energy Group Co., Ltd.* (浙江同景新能源集團有限公司).
"Relevant Purported Pledge and Guarantee Agreements"	certain pledge and guarantee agreements entered into by Mr. WU Changjiang purportedly on behalf of NVC China relating to bank loans borrowed by Chongqing En Wei Xi, Lei Li Jie, Wu Ji and Jiang Te in 2013 and 2014.
"Reporting Period"	the year ended 31 December 2014.
"RMB"	Renminbi, the lawful currency of the PRC.
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
"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.
"Shang Yang"	Chongqing Shang Yang Lighting Engineering Co., Ltd.* (重慶尚陽照明工程有限公司), a limited liability company incorporated in the PRC and owned as to 48% by Ms. WU Lian, Mr. WU Changjiang's wife from January 2009 to November 2014, and therefore a connected person of the Company.
"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.
"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, which was written off in July 2014.

Definitions

"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.
"U.S.A." or "U.S."	the United States of America, its territories, its possessions and all was subject to its jurisdiction.
"US$", "USD" or "US Dollar"	United States dollars, the lawful currency of the United States.
"we", "us" or "our"	the Company or the 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, 100% 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 British Virgin Islands on 5 August 2005 and our wholly-owned subsidiary.
"Wu Ji"	Chongqing Wu Ji Real Estate Development Co., Ltd. * (重慶無極房地產開發有限公司), a limited liability company incorporated in the PRC which may potentially be associated with Mr. WU Changjiang.
"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 New Energy Group Co., Ltd.* (浙江同景新能源集團有限公司).

* *denotes English translation of the name of a Chinese company or entity, or vice versa, and is provided for identification purposes only*

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