RELATIONSHIP WITH OUR LARGEST SHAREHOLDER

Our largest shareholder, SAIF, is an exempted limited partnership organised and existing under the laws of the Cayman Islands principally engaged in private equity investments in Asia.

SAIF, and one of its affiliates, SAIF Tianjin, entered into a share purchase and share subscription agreement with our Company, Front Venture, Ms. Tang Wai Fong, Mr. Wu and Mr. Xia Lei on 1 August 2006, pursuant to which, SAIF and SAIF Tianjin respectively subscribed for 505,051 and 50,505 Series A-1 Preference Shares on 14 August 2006, representing in an aggregate approximately 35.7% of our then entire share capital. SAIF Tianjin subsequently transferred the 50,505 Series A-1 Preference Shares to SAIF on 25 October 2007. Pursuant to another share purchase and share subscription agreement entered into on 9 May 2008 by and among our Company, Huizhou NVC, Chongqing NVC, NVC Inc., Front Venture, Kingview, Grandsun, ABLE, SCGC, Mr. Wu, SAIF and GS, SAIF further subscribed for 97,125 Series A-2 Preference Shares and 28,471 Series B Preference Shares. Since completion of the above investments, SAIF has become our single largest shareholder beneficially interested in approximately 30.73% of our Shares as at the date of this prospectus, and will, immediately upon completion of our Global Offering and assuming no exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme, remain as our single largest Shareholder beneficially interested in approximately 23.41% of our Shares on an as converted basis. For further information on SAIF and details of its investments in our Company, please see the section headed "Our History and Structure".

As at the Latest Practicable Date, and to the best of our knowledge, SAIF does not hold any equity interest in any entities that are engaged in any lighting business that competes, or may compete, directly or indirectly with the Group.

RELATIONSHIP WITH OUR FOUNDER

Our Founder

Mr. Wu is our Founder, who established our Group in 1998. Mr. Wu has more than 15 years of experience in the lighting products industry and has been, since our establishment, actively involved in the daily management and operation of our business. In particular, Mr. Wu has been the chief executive officer of our Company, primarily responsible for the overall corporate strategies, planning and management of our Group. Throughout the past 12 years, Mr. Wu has contributed significantly to our growth from a small-size producer to a leading and reputable lighting products provider in the PRC. Please see the section headed "Directors and Senior Management".

With a view to sustaining the rapid growth of our business, Mr. Wu has, through a series of reorganisations, details of which are set out in the section headed "Our History and Structure", become our second largest shareholder beneficially interested in 29.3% of our Shares as at the Latest Practicable Date. Upon completion of our Global Offering and assuming no exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme, Mr. Wu will remain as our second largest shareholder beneficially interested in approximately 22.34% of our Shares.

Types of the Other Businesses

As at the date of this prospectus, other than the business of our Group, Mr. Wu also has, through Ms. Chen Min (陳敏), his mother-in-law, Mr. Wu Xianming (吳憲明), his father-in-law, and Ms. Yin Yan (殷研), his cousin, equity interests in the following associates as defined under the Listing Rules, which operate the following businesses (the "**Other Businesses**").

Business Type	Name of the Company	Key Features
Residential Luminaire Business	Zhongshan Sheng Di Ai Si Lighting Co., Ltd. (中山市聖地愛司照明有限責任公司) ("**Sheng Di Ai Si**")	Design, development, production and sale of home decorative luminaires

Business Type	Name of the Company	Key Features
	Shandong NVC Lighting Development Co., Ltd. (山東雷士照明發展有限公司) ("**Shandong NVC**")	Design, development, production and sale of ceiling mounted lights for kitchen/bathroom use (吸頂廚衛燈) (the "**Ceiling Products**")
Lighting Components Business.	Huizhou Enlin Electronics Co., Ltd.* (惠州恩林電器有限公司) ("**Huizhou Enlin**") Chongqing Enlin Electronics Co., Ltd. (重慶恩林電器有限公司) ("**Chongqing Enlin**")	Design, development, production, marketing and sale of ancillary products and components such as lighting switches
Hardware and Lacquer Business.	Huizhoushi Huichengqu Chang Xin Hardware Machining Plant (惠州市惠城區長鑫五金加工廠) ("**Chang Xin Hardware**")	Production and sale of hardware and lacquer
Contract Manufacturing	Chongqing En Wei Xi Industrial Development Co., Ltd. (重慶恩緯西實業發展有限公司) ("**Chongqing En Wei Xi**")	Production and sale of HID street lights, LED street lights, and street lamp posts

* Most of the business of Huizhou Enlin has been vested in Chongqing Enlin and its current business is limited to logistics, support sources, and research and development in connection with the ancillary products and components.

Delineation of Our Business from the Other Businesses

Despite the fact that some of the Other Businesses operate in the lighting industry, our Directors believe that each of the Other Businesses which has a degree of connection with the lighting industry as described in the table above can be clearly differentiated from our business for the following reasons:

Residential Luminaire Business: We do not produce any home decorative luminaires that Sheng Di Ai Si produces or any Ceiling Products that Shandong NVC produces. We have entered into trademark licensing agreements and sales management agreements with Sheng Di Ai Si and Shandong NVC; Sheng Di Ai Si and Shandong NVC supply their products to our distributors. Our luminaire products are for commercial (such as retail shops, schools, hotels, restaurants, exhibition halls and shopping malls), office and outdoor (such as parking areas, public places, expressways, city roads and sport arenas) use while the luminaire products that Sheng Di Ai Si and Shandong NVC produces are for home (such as living room, bed room, kitchen and bathroom) use. The products produced by Sheng Di Ai Si or Shandong NVC will not substitute any of our products from the perspective of an end user notwithstanding that they are sold within the same store. As such, the businesses of Sheng Di Ai Si and Shandong NVC are clearly differentiated from ours. As (i) we are currently focusing on our commercial lighting business at this stage, and (ii) the residential luminaire business was not yet at a mature stage, the residential luminaire business was not included in the Group.

Lighting Components Business: As we are not engaged in any lighting components business and do not produce any products that Chongqing Enlin produce, there is no overlap of business between Chongqing Enlin and us. Huizhou Enlin has transferred most of its business to Chongqing Enlin and its current business is limited to logistics, supporting, and research and development in connection with the ancillary products and components. Therefore, there is no overlap of business between Huizhou Enlin and us. As (i) we are currently focusing on commercial lighting business at this stage and (ii) the lighting components business was not yet at a mature stage, the lighting components business was not included in the Group.

Hardware and Lacquer Business: As we do not engage in the production of hardware and lacquer products, there is no overlap of business between Chang Xin Hardware and us. As the Group has not had any plans to diversify into any non-lighting business, the hardware and lacquer business was not included in the Group.

Contract Manufacturing: With a view to enhancing the efficiency of its operation, the Group has outsourced, and may continue to outsource, the manufacturing process of HID street lamps, LED street lamps and street lamp posts (which belong to the products of the Group) to Chongqing En Wei Xi. Chongqing En Wei Xi, as our Company understands, is principally engaged in the manufacturing of lighting products based on specifications / designs received from its external customers, and does not itself engage in the marketing, sale and distribution of lighting products, nor does it have its own brand for lighting products. As such, despite the degree of connection between two businesses, there is no competition as far as the Group's end customers and market segments are concerned.

Non-competition Undertaking

Mr. Wu, our Founder and second largest shareholder and a controlling shareholder of the Other Businesses (through his associates), has entered into a non-competition undertaking dated 21 April 2010 in favour of our Company, pursuant to which Mr. Wu has undertaken to our Company that he will not, and will procure that his associates (except any members of our Group) will not, during the Restricted Period (as defined below), directly or indirectly, either on his own account or in conjunction with or on behalf of any person, firm or company, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business which is or may be in competition with our core business, being the design, development, producing (other than contract manufacturing), marketing and selling of a variety of lighting products which include luminaires (other than home decorative luminaires and ceiling mounted lights for kitchen/bathroom use), lamps and lighting electronics (the "**Restricted Business**"). Such non-competition undertaking does not apply to the following parties:

(a) having any interests in the shares of any member of our Group; or

(b) having interests in the shares of a company whose shares are listed on a recognised stock exchange provided that:

 (i) any business mentioned above conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated sales or consolidated assets, as shown in that company's latest audited accounts; and

 (ii) the total number of the shares held by any of Mr. Wu and/or his respective associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and Mr. Wu and/or their respective associates are not entitled to appoint a majority of the directors of that company.

The "**Restricted Period**" stated in the non-competition undertaking refers to the period during which (i) the shares of our Company remain listed on the Hong Kong Stock Exchange; and (ii) Mr. Wu and/or his associates, individually or jointly, are entitled to exercise or control the exercise of not less than 10% of the voting power at general meetings of our Company, or Mr. Wu remains as a director of any member of our Group.

Mr. Wu has further undertaken to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the "**New Opportunity**") identified by or offered to Mr. Wu and/or any of his associates (other than members of the Group) (the "**Offeror**") is first referred to our Group in the following manner:

(a) Mr. Wu is required to, and shall procure his associates (other than members of the Group) to, refer, or to procure the referral of, the New Opportunity to us, and shall give written notice to us of any New Opportunity containing all information reasonably necessary for us to consider whether (i) such New Opportunity would constitute competition with our core business, and (ii) it is in the interest of our Group to pursue such New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs) (the "**Offer Notice**").

(b) The Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a notice from us declining the New Opportunity and confirming that such New Opportunity would not constitute competition with our core business, or (ii) the Offeror has not received such notice from us within 10 business days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror will refer the New Opportunity as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will seek opinions and decisions from a committee of our Board consisting exclusively of independent non-executive Directors who do not have a material interest in the matter as to whether (i) such New Opportunity would constitute competition with our core business, and (ii) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunity.

Right of First Refusal

Under such non-competition undertaking, in the event that, during the Restricted Period, Mr. Wu or any of his associates (except any members of our Group) intend to dispose of any of the Other Businesses, or any business to be acquired pursuant to any New Opportunity, or any interest therein, the seller shall first offer to our Company the right to acquire such business or interest and none of Mr. Wu and his associates (except any members of our Group) may proceed with such disposal to any third party, unless the terms of disposal are not more favourable than those offered to our Company, following the rejection of such offer by our Company. We will also seek approval from a committee of our Board consisting exclusively of independent non-executive Directors who do not have a material interest in the matter as to whether to pursue or decline such offer. We will fully comply with the applicable requirements of the Listing Rules if we decide to exercise the right of first refusal.

Option to Acquire the Other Businesses

Mr. Wu has granted us, pursuant to the non-competition undertaking, an option to acquire any of the Other Businesses, or any business to be acquired pursuant to any New Opportunity, or any interest therein, on and in accordance with commercial terms which shall have been opined upon by a committee of our Board consisting exclusively of independent non-executive Directors, after taking into account appraised values provided by qualified independent third party valuers (where applicable) and advice from independent experts as being, inter alia, normal commercial terms, in the ordinary course of business of our Company, fair and reasonable and in the interests of our Company as a whole.

Our Board, including our independent non-executive Directors, will take into account various factors in determining whether or not to exercise such option. As a minimum, our Board will consider (i) the competitiveness of the target business in the relevant industry; (ii) the competitive strengths and financial position of the target business; (iii) the growth prospect of the target business; and (iv) the attractiveness of the consideration.

As at the date of this prospectus, our Directors have not exercised such option as we currently do not have any plans to diversify into any of the Other Businesses.

Mr. Wu, for himself and on behalf of his associates (except any member of our Group), has also acknowledged that we may be required by the relevant laws, regulations, rules of the stock exchange(s) on which we may be listed and the regulatory bodies to disclose, from time to time, information on the New Opportunity, including but not limited to disclosure in public announcements or to such disclosure to the extent necessary to comply with any such requirement.

MR. WU JIANNONG'S INTERESTS OUTSIDE THE GROUP

After the Global Offering, Mr. Wu Jiannong, an executive Director, will also retain interests in the Excluded Companies which have entered into, and/or are expected to enter into, transactions with us which will continue after the Global Offering, details of which are set out in the paragraph headed "Continuing Connected Transactions". The Excluded Companies do not compete or are not likely to compete, either directly or indirectly, with the Company's business since they are engaged in (i) the manufacturing of the raw materials (such as glass tubes and phosphor powder) or equipment that we need in our production process or (ii) non-lighting businesses. As (i) the businesses that the Excluded Companies are engaged in are not our core business, and (ii) we are able to procure such raw materials, equipment or other services from Independent Third Party suppliers on similar terms in a timely manner, the Excluded Companies were not included in the Group. Other than a 49% equity interest in Zhejiang NVC held by Zhejiang Tonking, which is in turn owned by Mr. Wu Jiannong (as to 86%), Mr. Wu Jiannong and/or any of its associates (as defined under the Listing Rules) is not interested in any business that is engaged in the production and sale of lighting products. Mr. Wu Jiannong has entered into a non-competition undertaking dated 29 April 2010 in favour of our Company, pursuant to which Mr. Wu Jiannong has undertaken to our Company that he will not, and will procure that his associates (except any members of our Group) will not, directly or indirectly, carry on, participate or be interested in or engaged in or acquire or hold any business which is or may be in competition with our core business, being the design, development, producing, marketing and selling of a variety of lighting products which include luminaires, lamps and lighting electronics; provided that (i) the shares of our Company remain listed on the Hong Kong Stock Exchange, and (ii) Mr. Wu Jiannong remains as a Director.

Our Directors are of the view that the Board is able to manage conflicts of interest, if any, between the Group and the Excluded Companies and have adopted a robust corporate governance system to ensure that interests of our Shareholders are protected. Details of the corporate governance measures are set out below in the paragraph headed "Corporate Governance".

INDEPENDENCE FROM OUR LARGEST SHAREHOLDER AND FOUNDER

Operational Independence

During the years ended 31 December 2007, 2008 and 2009, we entered into certain transactions involving licensing trademarks, lease of properties, distribution management, contract manufacturing and raw material purchases with associates of our Founder, some of which are expected to continue after the listing of our Shares on the Stock Exchange. Details of these transactions are set out in the paragraph headed "Continuing Connected Transactions" below. Our Directors confirm that we have been, and upon completion of the Global Offering, will be able to operate and carry on our business independently of our largest shareholder, our Founder, and their respective associates, for the reasons explained below:

Trademark Licensing

We entered into trademark licensing agreements with four associates (namely Sheng Di Ai Si, Shandong NVC, Huizhou Enlin and Chongqing Enlin) of our Founder. Pursuant to these agreements, each of Sheng Di Ai Si, Shandong NVC, Huizhou Enlin and Chongqing Enlin agreed to pay us three percent of their respective sales (including value added tax) of products using licensed trademarks as trademark licensing fees and consulting fees. The trademark licensing arrangement with Huizhou Enlin has been terminated according to a termination agreement dated 20 February 2009. As (i) the revenue received under the trademark licensing agreements only constitutes a small portion of our total revenue during the Track Record Period, and (ii) trademark licensing does not form part of our core business, which is the design, development, production, marketing and sale of lighting products, our Directors are of the view that we do not rely on the trademark licensees and the termination of trademark licensing arrangements will not substantially affect our business and results of operation.

Lease of Properties

We entered into a property lease agreement with Huizhou Enlin, an associate of our Founder for the lease of part of our office buildings at Huizhou with a total gross floor area of 4,231 sq.m. dated 6 January 2010. The monthly rental is RMB5.5 per sq.m. and the monthly property management fee is RMB1.5 per sq.m.. The term of the lease is from 1 January 2010 to 31 March 2013. Given that we do not rely on such rental income and the above leases were entered into on normal commercial terms, our Directors are of the opinion that we do not in any way rely on our Founder by leasing offices to his associates.

Distribution Management

We entered into a framework distribution management agreement with Sheng Di Ai Si and Shandong NVC, associates of our Founder, as at 20 April 2010. Pursuant to this agreement, Sheng Di Ai Si and Shandong NVC sell residential luminaire products produced by them through our distribution network. Sheng Di Ai Si and Shandong NVC agreed to pay us six to eight percent, respectively, of their sales through our distribution network as distribution commission. Given that revenue received under the distribution management agreement only constitutes a small portion of our total revenue during the Track Record Period, our Directors are of the opinion that we do not rely on such distribution management arrangements and therefore termination of the distribution management agreements will not substantially affect our business and results of operation.

Outsourcing of Manufacturing

As part of our overall business strategy, we outsource the manufacturing process of a small portion of our products to reliable and price competitive contract manufacturers, including Chongqing En Wei Xi, an associate of our Founder (see the section headed "Our Business — Supply Chain — Contract Manufacturers"). A substantial number of third party contract manufacturers are located in areas close to where we operate, some of which are of comparable size and capacity as Chongqing En Wei Xi. Therefore, as a customer, we are able to easily replace Chongqing En Wei Xi with third party manufacturers should we consider the qualify of products processed by Chongqing En Wei Xi unsatisfactory or the cost of manufacturing no longer competitive. Furthermore, we closely monitor the performance of our contract manufacturers through on-site inspection and regular review of quality control standards, production capacity, technical capabilities and managerial skills of our supply chain. Accordingly, our Directors are of the view that we retain overall control of, and do not rely on Chongqing En Wei Xi to run, our outsourced manufacturing.

Raw Material Purchasing

We entered into a framework raw material purchase agreement with Chang Xin Hardware, an associate of our Founder dated 20 April 2010. According to this agreement, we purchase raw materials including hardware and lacquer which are produced based on our technical standards from Chang Xin Hardware. Our Directors believe that since the hardware and lacquer that we purchase from Chang Xin Hardware are readily available from other suppliers, we have independent access to raw material suppliers and do not rely on Chang Xin Hardware to secure the supply of our raw materials.

Financial Independence

All loans, securities and guarantees due to and from our Founder, SAIF, and their respective associates have been released in full. As such, our Directors believe that we are financially independent from SAIF, our Founder, and their respective associates.

Management Independence

Our Directors are of the opinion that the Board is able to manage our businesses independently from the Other Businesses and the corporate governance system adopted by our Board would provide strong support to our independent management. Please see the paragraph headed "Corporate Governance" below for further information of our corporate governance measures.

CORPORATE GOVERNANCE

We have adopted the following corporate governance measures, to manage conflicts of interest, if any, between the Group and the Other Businesses and the Excluded Companies:

Balanced Board of Directors

Our Board currently consists of ten Directors, including three executive Directors, four non-executive Directors and three independent non-executive Directors. Except for the three independent non-executive Directors, five of our Directors are nominated by Shareholders other than Mr. Wu and none of our Directors is nominated by Mr. Wu Jiannong other than himself. In the event of change of a Director to the Board, the aggregate number of Directors who are not nominated by Mr. Wu or Mr. Wu Jiannong shall always constitute a majority of our Board.

We have established an audit committee and a remuneration committee. Currently all members of the audit committee are independent non-executive Directors and the independent non-executive Directors also constitute a majority of the remuneration committee. In the event of change of a member to the audit committee and the remuneration committee, the audit committee shall be comprised solely of independent non-executive Directors and no less than majority of the remuneration committee shall be made up of independent non-executive Directors.

Independent Review Requirements to Interested Transactions

Matters considered by the Board which involve connected transactions between the Group and the Other Businesses or the Excluded Companies must always be referred to the independent non-executive Directors for review, which enhances the independence of our management from that of the Other Businesses and the Excluded Companies. Information of such connected transactions which are necessary to the Board's decision must be disclosed to the Board for independent review and voting purposes.

Voting in Interested Transactions

As part of our corporate governance measures, in the event that connected transactions between the Group and the Other Businesses or the Excluded Companies are submitted to the Board for consideration, relevant interested Director will not be counted in the quorum and will abstain from voting on such matters, and majority votes by non-conflicted Directors are required to decide on such connected transactions. Both Mr. Wu and Mr. Wu Jiannong have confirmed and undertaken that, in an event of conflict of interests concerning himself, he and his family members and other associates (as defined under the Listing Rules), will abstain from voting at the relevant Board meetings.

CONTINUING CONNECTED TRANSACTIONS

Connected Persons

Following the Global Offering (whether or not the Over-allotment Option is exercised),

- Mr. Wu will hold more than 10% of our share capital and hence remain as our substantial shareholder as defined under the Listing Rules; in addition, Mr. Wu will continue to be one of our Directors after the Global Offering. As such, transactions between our Group and Mr. Wu (and/or any of the Other Businesses) will constitute connected transactions for us; and
- Mr. Wu Jiannong will control the exercise of more than 10% of the voting power at any general meeting of the Company and hence remain as our substantial shareholder as defined under the Listing Rules; in addition, Mr. Wu Jiannong will continue to be one of our Directors after the Global Offering. As such, transactions between our Group and Mr. Wu Jiannong (and/or any of his associates as defined under the Listing Rules) will constitute connected transactions for us.

The following Other Businesses and associates of Mr. Wu Jiannong have entered into, and/or are expected to entered into, transactions with us which will continue after the Global Offering.

I. *Other Businesses:*

(i) Sheng Di Ai Si: Ms. Chen Min, Mr. Wu's mother in law holds a 40.93% equity interest in this company;

(ii) Shandong NVC: Ms. Chen Min holds a 48% equity interest in this company;

(iii) Chongqing En Wei Xi: Mr. Wu Xianming, Mr. Wu's father-in-law holds a 49.67% equity interest in this company;

(iv) Huizhou Enlin: Ms. Chen Min holds a 36.2% equity interest in this company;

(v) Chongqing Enlin: Huizhou Enlin holds a 99% equity interest in this company; and

(vi) Chang Xin Hardware: an individual industrial and commercial household entity owned and operated by Ms. Yin Yan, Mr. Wu's cousin.

II. Associates of Mr. Wu Jiannong:

(i) Zhejiang Tonking: Mr. Wu Jiannong holds a 86% equity interest in this company;

(ii) Zhejiang NVC: Our 51%-owned subsidiary, with the other 49% equity interest held by Zhejiang Tonking;

(iii) Jiangshan Youhe Machinery Co., Ltd. (江山市友和機械有限公司) ("**Jiangshan Youhe**"): Zhejiang Tonking holds an 80% equity interest in this company;

(iv) Quzhou Aushite Illumination Co., Ltd.(衢州奧仕特照明有限公司) ("**Quzhou Aushite**"): Mr. Wu Jiannong and Zhejiang Tonking each holds 39% and 51%, respectively, of the equity interest in this company;

(v) Jiangshan World Bright Crystal Co., Ltd. (江山世明水晶玻璃有限公司) ("**World Bright**"): Signkey and Quzhou Aushite each holds 30% and 70%, respectively, of the equity interest in this company;

(vi) Jiangshan Liming Transportation Co., Ltd. (江山市黎明貨運有限公司) ("**Jiangshan Liming**"): Zhejiang Tonking holds a 50% equity interest in this company; and

(vii) Hangzhou Tongren Software Co., Ltd. (杭州同人軟件有限公司) ("**Hangzhou Tongren**"): Zhejiang Tonking holds a 51% equity interest in this company.

Exempt Continuing Connected Transactions

Our Company has entered into certain agreements or transactions which will, upon the completion of the Global Offering, constitute exempt continuing connected transactions of our Company. These transactions are made on normal commercial terms where each of the relevant "percentage ratios" calculated for the purpose of Chapter 14A of the Listing Rules will, as the Directors currently expect, not be more than 0.1% on an annual basis. By virtue of Rule 14A.33(3)(a), these transactions are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and they include:

I. Connected transactions with Mr. Wu's associates:

1. Property Lease Agreement

We entered into a property lease agreement with Huizhou Enlin dated 6 January 2010 for the lease of part of our factory buildings with a total gross floor area of 4,231 sq.m.. The properties are used as storehouse and offices. Pursuant to this agreement, the monthly rental is RMB5.5 per sq.m. and the monthly property management fee is RMB1.5 per sq.m.. The term of the lease is from 1 January 2010 to 31 March 2013.

Historical figures

The historical figures of the rental paid by Huizhou Enlin for the years ended 31 December 2007, 2008 and 2009 were US$47,170, US$144,155 and US$76,107, respectively. The rental of 2010 will decrease due to a decrease in the total area of leased properties. Most of the business of Huizhou Enlin has been vested in Chongqing Enlin and therefore Huizhou Enlin's demand for the leased properties decreases.

Annual caps

The maximum aggregate annual amount payable by Huizhou Enlin for the years ending 31 December 2010, 2011 and 2012 shall not exceed the caps set out below:

	Proposed Annual Cap for the year ending 31 December		
	2010	2011	2012
		(US$)	
Total rentals payable	52,025	52,025	52,025

The percentage ratios of the above caps as total revenue/cost of sales of the Group for the year ended 31 December 2009 are 0.02%, 0.02% and 0.02%, respectively.

In arriving at the above caps, Our directors have considered the rental and the property management fees payable under the lease agreement. Savills Valuation and Professional Services Limited, an independent property valuer, has confirmed that the rentals under the lease reflect the prevailing market rates in the vicinity of the relevant property and the terms of the agreements are fair and reasonable.

Continuing Connected Transactions Exempt from the Independent Shareholders' Approval Requirements

Our Company has also entered into certain other agreements or transactions which will, upon the completion of the Global Offering, constitute continuing connected transactions exempt from the independent shareholders' approval requirements pursuant to Rule 14A.34 of the Listing Rules. These transactions include:

I. Connected transactions with Mr. Wu's associates:

1. Framework Trademark Licensing Agreement

To further promote our brand name and broaden our product offering, in the ordinary course of business, we entered into a framework trademark licensing agreement dated 20 April 2010 with Sheng Di Ai Si, Chongqing Enlin and Shandong NVC, which are associates (as defined under the Listing Rules) of Mr. Wu, an executive Director and 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 licensing fees and consulting fees are three percent of each licensee's sales (including value added tax) of products using licensed trademarks. The term of this framework agreement is three years commencing on the Listing Date or until the expiration date of the licensed trademarks, whichever period is shorter. During the Track Record Period, our Company entered into separate trademark licensing agreements with Sheng Di Ai Si, Shandong NVC and Chongqing Enlin. On 27 March 2008, we, as the licensor, and Sheng Di Ai Si, as the licensee, entered into a trademark licensing agreement pursuant to which we granted to Sheng Di Ai Si 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 term of this trademark licensing agreement is three years or until the expiration date of the licensed trademarks, whichever period is shorter. Trademark licensing agreements were also entered into between us and other two associates of Mr. Wu (namely Chongqing Enlin and Shandong NVC) both on 28 February 2009. Terms of the trademark licensing agreements with Chongqing Enlin and Shandong NVC are substantially the same as those in the agreement with Sheng Di Ai Si. For details of the trademark licensing agreements, see "Our Business — Trademark Licensing Arrangements".

The trademark licensing fees have been agreed following arm's length negotiations and have been reviewed by our non-interested Directors. As such, Our Directors and the Joint Sponsors consider that the terms of the framework trademark licensing agreement are in the interests of both our Company and the licensees and are therefore on normal commercial terms. Under the framework trademark licensing agreement, we also have the right to inspect and appoint external auditors to audit the financial records of Sheng Di Ai Si, Shandong NVC and Chongqing Enlin.

Historical figures

The historical figures* of the trademark licensing fees and consulting fees paid by Sheng Di Ai Si, Shandong NVC and Chongqing Enlin to us for the years ended 31 December 2007, 2008 and 2009 were US$1.07 million, US$1.63 million and US$2.18 million, respectively.

* The historical figures include amount attributable to the transactions with Huizhou Enlin before Huizhou Enlin vested most of its assets into Chongqing Enlin.

Annual caps

The maximum aggregate annual amount of the trademark license fee and consulting fee to be received from Sheng Di Ai Si, Shandong NVC and Chongqing Enlin to us for the years ending 31 December 2010, 2011 and 2012 shall not exceed the caps set out below:

	Proposed Annual Cap for the year ending 31 December		
	2010	2011	2012
	(US$ millions)		
Total trademark licence fees and consulting service fees to be received	2.77	3.87	5.42

The percentage ratios of the above caps as total revenue of the Group for the year ended 31 December 2009 are 0.90%, 1.27% and 1.77%, respectively. The percentage ratios of the above caps as total cost of sales of the Group for the year ended 31 December 2009 are 1.25%, 1.75% and 2.45%, respectively.

In arriving at the above caps, our Directors have considered the historical figures of the trademark licensing fees paid by Sheng Di Ai Si, Shandong NVC and Chongqing Enlin and the expected increase of Sheng Di Ai Si, Shandong NVC and Chongqing Enlin's sales (including value added tax) of products using licensed trademarks over the next three years, and have taken into account expected market conditions and demand for the residential luminaire products produced by the Sheng Di Ai Si and Shandong NVC and lighting components Chongqing Enlin.

2. Framework Distribution Management Agreement

In connection with the framework trademark licensing agreement, in the ordinary course of our business, we entered into a framework distribution management agreement dated 20 April 2010 with Sheng Di Ai Si and Shandong NVC, which are associates (as defined under the Listing Rules) of Mr. Wu, an executive Director and substantial shareholder (as defined under the Listing Rules) of our Company, pursuant to which Sheng Di Ai Si and Shandong NVC sell residential luminaire products produced by them through our distribution network and pay us six to eight percent of their respective sales through our distribution network as distribution commission. The distribution commission has been agreed following arm's length negotiations and have been reviewed by our non-interested Directors. The term of the framework agreement is three years commencing on the Listing Date.

Historical figures

The historical figures of the sales management fees paid by Sheng Di Ai Si and Shandong NVC to us for the years ended 31 December 2007, 2008 and 2009 were nil, US$0.73 million and US$2.41 million, respectively.

Annual caps

The maximum aggregate annual amount of the sales management fees payable by Sheng Di Ai Si and Shandong NVC to us under the framework sales management agreement for the years ending 31 December 2010, 2011 and 2012 shall not exceed the caps set out below:

	Proposed Annual Cap for the year ending 31 December		
	2010	2011	2012
	(US$ millions)		
Total sales management fees payable	3.13	4.39	6.14

The percentage ratios of the above caps as total revenue of the Group for the year ended 31 December 2009 are 1.02%, 1.43% and 2.01%, respectively. The percentage ratios of the above caps as total cost of sales of the Group for the year ended 31 December 2009 are 1.41%, 1.98% and 2.77%, respectively.

In arriving at the above caps, our Directors have considered the historical figures of the distribution commission paid by Sheng Di Ai Si and Shandong NVC and the expected increase of Sheng Di Ai Si and Shandong NVC's sales through our distribution network over the next three years, and have taken into account expected market conditions and demand for the residential luminaire products produced by Sheng Di Ai Si and Shandong NVC.

3. Framework Raw Material Purchase Agreement

In the ordinary course of our business, we entered into a framework raw material purchase agreement dated 20 April 2010 with Chang Xin Hardware, which is an associate (as defined under the Listing Rules) of Mr. Wu, an executive Director and substantial shareholder (as defined under the Listing Rules) of our Company, pursuant to which we have agreed to purchase and Chang Xin Hardware agreed to sell (on a non-exclusive basis) raw materials including hardware and lacquer produced by Chang Xin Hardware. Under the framework raw material purchase agreement, the quality, quantity and technical standards of the raw materials delivered by Chang Xin Hardware must meet our requirements. This framework agreement was entered into since (i) Chang Xin Hardware is located in the vicinity of Huizhou NVC, our wholly owned subsidiary which has a demand for such raw materials and (ii) our Directors are of the view that the prices charged by Chang Xin Hardware are competitive. Under the framework raw material purchase agreement, the prices charged by Chang Xin Hardware will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates. The term of the framework agreement is three years commencing on the Listing Date.

Historical figures

During the Track Record Period, our subsidiaries entered into raw material purchase agreements with Chang Xin Hardware on an annual basis. The aggregate amount for purchase of raw materials paid by us to Chang Xin Hardware for the years ended 31 December 2007, 2008 and 2009 was US$0.60 million, US$1.27 million and US$2.93 million, respectively.

Annual caps

The maximum aggregate annual amount payable by us to Chang Xin Hardware for purchase of raw materials for the years ending 31 December 2010, 2011 and 2012 shall not exceed the caps set out below:

	Proposed Annual Cap for the year ending 31 December		
	2010	2011	2012
	(US$ millions)		
Total purchase amount	3.07	3.07	3.22

The percentage ratios of the above caps as total revenue of the Group for the year ended 31 December 2009 are 1.01%, 1.01% and 1.05%, respectively. The percentage ratios of the above caps as total cost of sales of the Group for the year ended 31 December 2009 are 1.39%, 1.39% and 1.45%, respectively.

In arriving at the above annual caps, our Directors have considered the historical figures and the market prices of the raw materials we purchase from Chang Xin Hardware and expected limited increase in the quantity of raw materials to be purchased from Chang Xin Hardware in the next three years due to our strategic plan of introducing and trading with other raw material suppliers.

II. Connected transactions with Mr. Wu Jiannong's associates:

1. Framework Property Lease Agreement

In the ordinary course of business, we entered into a framework property lease agreement dated 20 April 2010 with Zhejiang NVC and Jiangshan Youhe, which are associates (as defined under the Listing Rules) of Mr. Wu Jiannong, an executive Director and substantial shareholder (as defined under the Listing Rules) of the Company. This framework agreement was entered into since (i) Sunny does not need the leased properties for its own production activities and wished to utilise such properties by way of lease and (ii) our Directors are of the view that the rental offered by Zhejiang NVC and Jiangshan Youhe are competitive. Under the framework property lease agreement, the rent we charge will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates. Under this framework agreement, Sunny has entered into separate property lease agreements with Zhejiang NVC and Jiangshan Youhe dated 27 September 2007 and 1 June 2007, respectively, pursuant to which Sunny has agreed to lease certain properties with a total area of approximately 16,855 sq.m. to Zhejiang NVC and Jiangshan Youhe. The term of the framework property lease agreement is 20 years commencing on the Listing Date. The properties with a total area of 13,575 sq.m. leased under the property lease agreement with Zhejiang NVC have been and will continue to be used as plant, offices, warehouses and employees' dormitories. The rental paid by Zhejiang NVC to Sunny for the leased properties is escalating according to the production capacity of Zhejiang NVC and is capped at RMB8 per sq. m per month. The term of the lease granted under this agreement is 20 years, expiring on 30 September 2027.

Pursuant to the lease agreement with Jiangshan Youhe, the area leased by Sunny to Jiangshan Youhe shall be used as manufacturing facilities and offices. The annual rental is RMB236,160 commencing on 1 January 2010 and the term of this lease is 20 years, expiring on 31 May 2027.

Our Directors and the Joint Sponsors are of the view that the long term nature of the property lease agreement will provide stable rental income for the Group and minimises the effect of any market rental fluctuations. On the other hand, Zhejiang NVC is our supplier of energy-saving lamp products and their operational stability is important to the Group. The property lease agreement enables Zhejiang NVC to secure a location for its manufacturing facilities and office at a fair market price and to prevent unnecessary cost, effort, time and interruption of business caused by relocation in the case of short term leases.

Savills Valuation and Professional Services Limited, an independent property valuer, has confirmed that the terms and conditions of the property lease agreement (i) are fair and reasonable to the parties thereto; (ii) are in line with normal business practice for property lease agreements of this type to be of such duration; and (iii) reflect prevailing market conditions in the PRC. In addition, the proposed annual rental under the property lease agreement is comparable to the prevailing market rate for similar premises in the vicinity of the relevant property and is fair and reasonable.

As such, the Directors (including the independent non-executive Directors) and the Joint Sponsors are of the view that a lease term of 20 years is appropriate for the property lease agreement and that it is normal business practice for property lease agreements of this type to be of such duration.

Historical figures

The historical figures of the rental paid to Sunny by Zhejiang NVC and Jiangshan Youhe for the years ended 31 December 2007, 2008 and 2009 were US$47,832, US$143,159 and US$224,023, respectively.

Annual caps

The maximum aggregate annual amount of rentals payable to Sunny by Zhejiang NVC and Jiangshan Youhe for the years ending 31 December 2010, 2011 and 2012 shall not exceed the caps set out below:

	Proposed Annual Cap for the year ending 31 December		
	2010	2011	2012
	(US$ millions)		
Total rentals payable	0.23	0.88	0.88

The percentage ratios of the above caps as total revenue of the Group for the year ended 31 December 2009 are 0.08%, 0.29% and 0.29%, respectively. The percentage ratios of the above caps as total cost of sales of the Group for the year ended 31 December 2009 are 0.10%, 0.40% and 0.40%, respectively.

The annual cap for 2010 has been determined in accordance with the currently valid leases. Due to the relocation of Sunny, starting from 2011, the estimated total area to be leased to Zhejiang NVC is 71,325.92 sq.m. and the estimated annual rent is approximately US$11.8 per sq.m., resulting in a total annual rent of US$0.84 million. The lease with Jiangshan Youhe is expected to be terminated upon the relocation. Savills Valuation and Professional Services Limited, an independent property valuer, has confirmed that the rentals under the lease reflect the prevailing market rates in the vicinity of the relevant property and the terms of the agreements are fair and reasonable.

2. Framework Research and Development Agreement

We have, in the ordinary course of our business, entered into a framework research and development agreement dated 20 April 2010 with Jiangshan Youhe, which is an associate (as defined under the Listing Rules) of Mr. Wu Jiannong, an executive Director and substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which Jiangshan Youhe will develop and produce samples of new equipment for producing fluorescent lamp tubes for us. This framework agreement was entered into since (i) we have a demand for such research and development services and believe that Jiangshan Youhe has the prerequisite expertise for such research and development projects and (ii) our Directors are of the view that the fees charged by Jiangshan Youhe are competitive. Under the framework research and development agreement, the prices charged by Jiangshan Youhe will be agreed following arm's length negotiations between the relevant parties (without taking into account whether the counterparties are connected persons or Independent Third Parties) and will be reviewed by the non-interested Directors. As such, our Directors consider that the terms of the framework research and development agreement are fair and reasonable, in the interests of both the Company and the counterparties, and are therefore on normal commercial terms. The term of this framework agreement is 3 years commencing on the Listing Date.

Historical figures

The aggregate amount of research and development fees under the research and development agreements paid by us to Jiangshan Youhe for the years ended 31 December 2007, 2008 and 2009 was US$0.38 million, nil and US$0.86 million, respectively.

Annual caps

The maximum aggregate annual amount of research and development fees under the framework research and development agreement for the years ending 31 December 2010, 2011 and 2012 shall not exceed the caps set out below:

	Proposed Annual Cap for the year ending 31 December		
	2010	2011	2012
	(US$ millions)		
Total research and development fees payable	1.46	1.46	1.46

The percentage ratios of the above caps as total revenue of the Group for the year ended 31 December 2009 are 0.48%, 0.48% and 0.48%, respectively. The percentage ratios of the above caps as total cost of sales of the Group for the year ended 31 December 2009 are 0.66%, 0.66% and 0.66%, respectively.

In arriving at the above annual caps, our Directors have considered our future demand of research and development.

3. Framework Transportation Service Agreement

We entered into a framework transportation service agreement dated 20 April 2010 with Jiangshan Liming, which is an associate (as defined under the Listing Rules) of Mr. Wu Jiannong, an executive Director and substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which Jiangshan Liming is responsible for the transportation of goods such as products and recycling packages for Sunny and Jiangshan Phoebus. This framework agreement was entered into since (i) we have a demand for such transportation services and (ii) our Directors are of the view that the fees charged by Jiangshan Liming are competitive. Under the framework transportation service agreement, the prices charged by Jiangshan Liming will be agreed following arm's length negotiations between the relevant parties (without taking into account whether the counterparties are connected persons or Independent Third Parties) and will be reviewed by the non-interested Directors. As such, our Directors consider that the terms of the framework transportation service agreement are fair and reasonable, in the interests of both the Company and the counterparties, and are therefore on normal commercial terms. The term of this framework transportation service agreement is three years commencing on the Listing Date and will only be renewed if Sunny's valuation result shows the services provided by Jiangshan Liming have satisfied Sunny and Jiangshan Phoebus' requirements on transportation of goods.

Historical figures

The aggregate amount of transportation service fees paid by Sunny and Jiangshan phoebus to Jiangshan Liming under the transportation service agreements for the years ended 31 December 2007, 2008 and 2009 was US$0.42 million, US$0.55 million and US$0.75 million, respectively.

Annual caps

The maximum aggregate annual amount of transportation service fees under the framework transportation service agreement for the years ending 31 December 2010, 2011 and 2012 shall not exceed the caps set out below:

	Proposed Annual Cap for the year ending 31 December		
	2010	2011	2012
	(US$ millions)		
Total transportation fees payable	1.04	1.15	1.26

The percentage ratios of the above caps as total revenue of the Group for the year ended 31 December 2009 are 0.34%, 0.38% and 0.41%, respectively. The percentage ratios of the above caps as total cost of sales of the Group for the year ended 31 December 2009 are 0.47%, 0.52% and 0.57%, respectively.

In arriving at the above annual caps, our Directors have considered the historical figures of transportation fees paid to Jiangshan Liming, the future expansion of Sunny and Jiangshan Phoebus and demand for transportation of Sunny and Jiangshan Phoebus' products, and have taken into account the expected market conditions and increase in the transportation service prices as a result of the higher labour and gas costs.

4. Framework Equipment Purchase Agreement

In the ordinary course of our business, we entered into a framework equipment purchase agreement dated 20 April 2010 with Hangzhou Tongren and Jiangshan Youhe, which are associates (as defined under the Listing Rules) of Mr. Wu Jiannong, an executive Director and substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which we purchase manufacturing equipment and software from these two suppliers. Hangzhou Tongren also provides us with maintenance services in respect of the equipment and software we purchase from them. This framework agreement was entered into since (i) we have a demand for such equipment and software and (ii) our Directors are of the view that the fees charged by Hangzhou Tongren and Jiangshan Youhe are competitive. Under the framework equipment purchase agreement, the prices charged by Hangzhou Tongren and Jiangshan Youhe will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates. The term of this framework agreement is three years commencing on the Listing Date.

Historical Figures

During the Track Record Period, our subsidiaries entered into equipment purchase agreements with Hangzhou Tongren and Jiangshan Youhe. The aggregate amount for purchases of equipment and maintenance of the equipment paid by us to Hangzhou Tongren and Jiangshan Youhe for the years ended 31 December 2007, 2008 and 2009 was approximately US$1.85 million, US$1.57 million and US$1.89 million, respectively.

Annual Caps

The maximum aggregate annual amount payable by us to Hangzhou Tongren and Jiangshan Youhe under the framework equipment purchase agreement for the years ending 31 December 2010, 2011 and 2012 shall not exceed the caps set out below:

	Proposed Annual Cap for the year ending 31 December		
	2010	2011	2012
	(US$ millions)		
Total purchase amount	5.96	3.76	3.76

The percentage ratios of the above caps as total revenue of the Group for the year ended 31 December 2009 are 1.95%, 1.23% and 1.23%, respectively. The percentage ratios of the above caps as total cost of sales of the Group for the year ended 31 December 2009 are 2.69%, 1.70% and 1.70%, respectively.

In arriving at the above annual caps, our Directors have considered the historical figures, the anticipated relocation of Sunny and Jiangshan Phoebus in late 2010 and our future requirements of the equipment.

Non-exempt Continuing Connected Transactions

The Directors, including our independent non-executive Directors, are of the opinion that the following transactions have been entered into, and will be carried out following the completion of the Global Offering, in the ordinary and usual course of our business on normal commercial terms which are fair and reasonable, and in the interest of our Shareholders as a whole, and that the proposed annual caps for these non-exempt continuing connected transactions as set out below are fair and reasonable.

I. Connected transactions with Mr. Wu's associates:

1. Framework Contract Manufacturing Agreement

We entered into a framework contract manufacturing agreement dated 20 April 2010 with Chongqing En Wei Xi, which is an associate (as defined under the Listing Rules) of Mr. Wu, an executive Director and 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. This framework agreement was entered into since (i) the Company wishes to outsource the manufacturing process of HID street lamps, LED street lamps and street lamp posts to enhance the efficiency of its operation and (ii) our Directors are of the view that the fees charged by Chongqing En Wei Xi are competitive. Under the framework contract manufacturing agreement, the prices charged by Chongqing En Wei Xi will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates. The term of this framework contract manufacturing agreement is three years commencing on the Listing Date. According to this agreement, Chongqing En Wei Xi is not permitted to cooperate with other contract manufacturing clients whose products are identical or similar to ours during the contract period. Chongqing En Wei Xi has been manufacturing the lighting products exclusively for the Group but it is not obliged to do so.

Historical figures

During the Track Record Period, we entered into contract manufacturing agreements with Chongqing En Wei Xi. The aggregate amount for purchase of the contract manufacturing products paid by us to Chongqing En Wei Xi for the year ended 31 December 2009 was US$0.14 million.

Annual caps

The maximum aggregate annual amount payable by us to Chongqing En Wei Xi for purchases of the contract manufacturing products for the years ending 31 December 2010, 2011 and 2012 shall not exceed the caps set out below:

	Proposed Annual Cap for the year ending 31 December		
	2010	2011	2012
	(US$ millions)		
Total purchase amount	4.39	6.59	9.88

The percentage ratios of the above caps as total revenue of the Group for the year ended 31 December 2009 are 1.44%, 2.15% and 3.23%, respectively. The percentage ratios of the above caps as total cost of sales of the Group for the year ended 31 December 2009 are 1.98%, 2.97% and 4.46%, respectively.

In arriving at the above annual caps, our Directors have considered the current purchase from Chongqing En Wei Xi of the contract manufacturing products, the expected increase in prices for the receipt of similar services from third party contract manufacturers over the next three years and, in particular, the increase of purchase prices as a result of higher labour costs, and have taken into account our future expansion and expected market conditions and demand for lighting products.

II. Connected transactions with Mr. Wu Jiannong's associates:

1. Framework Raw Material Purchase Agreement

We entered into a framework raw material purchase agreement dated 20 April 2010 with World Bright and Quzhou Aushite, which are associates (as defined under the Listing Rules) of Mr. Wu Jiannong, an executive Director and substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which we have agreed to purchase (on a non-exclusive basis) raw materials, i.e. glass tubes from World Bright and phosphor powder from Quzhou Aushite. This framework agreement was entered into since (i) we have a demand for such raw materials and (ii) our Directors are of the view that the prices charged by World Bright and Quzhou Aushite are competitive. Under the framework raw material purchase agreement, the quality, quantity, technical standards of the raw materials delivered by these suppliers must meet our standards as set out the sub-contract for each purchase and the prices charged by these suppliers will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates. The term of this framework agreement is three years commencing on the Listing Date.

Historical figures

During the Track Record Period, our subsidiaries entered into raw material purchase agreements with World Bright and Quzhou Aushite separately. The aggregate amount for purchase of raw materials paid by us to the Connected Person Suppliers for the years ended 31 December 2007, 2008 and 2009 was approximately US$9.71 million, US$10.11 million and US$10.03 million, respectively.

Annual caps

The maximum aggregate annual amount payable by us to World Bright and Quzhou Aushite for purchase of raw materials for the years ending 31 December 2010, 2011 and 2012 shall not exceed the caps set out below:

	Proposed Annual Cap for the year ending 31 December		
	2010	2011	2012
	(US$ millions)		
Total purchase amount	14.12	15.54	17.09

The percentage ratios of the above caps as total revenue of the Group for the year ended 31 December 2009 are 4.62%, 5.08% and 5.59%, respectively. The percentage ratios of the above caps as total cost of sales of the Group for the year ended 31 December 2009 are 6.37%, 7.01% and 7.71%, respectively.

In 2009, the aggregate amount for purchase of glass tubes payable to World Bright was US$1.997 million. Given the increase of production capacity of World Bright and its improved product quality, our procurement of glass tubes from World Bright is expected to increase by 112.58% to US$4.24 million in 2010. Our procurement from other suppliers for glass tubes will decrease accordingly. The annual cap for 2010 for the purchase of phosphor powder from Quzhou Aushite is US$9.87 million and is determined with reference to the aggregate amount of purchase of phosphor powder for 2009 which was US$8.03 million. The Company anticipate that the amount payable to Quzhou Aushite for purchase of phosphor powder will increase by 10% each year for 2011 and 2012.

2. Framework Finished Products Purchase Agreement

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

Historical Figures

During the Track Record Period, our subsidiaries entered into separate finished products purchase agreements with Zhejiang NVC. The aggregate amount for purchase of finished products paid by us to Zhejiang NVC for the years ended 31 December 2008 and 2009 was approximately US$5.62 million and US$13.56 million, respectively.

Annual Caps

The maximum aggregate annual amount payable by us to Zhejiang NVC under the framework finished products purchase agreement for the years ending 31 December 2010, 2011 and 2012 shall not exceed the caps set out below:

	Proposed Annual Cap for the year ending 31 December		
	2010	2011	2012
	(US$ millions)		
Total purchase amount	27.31	40.96	61.45

The percentage ratios of the above caps as total revenue of the Group for the year ended 31 December 2009 are 8.93%, 13.40% and 20.10%, respectively. The percentage ratios of the above caps as total cost of sales of the Group for the year ended 31 December 2009 are 12.32%, 18.47% and 27.71%, respectively.

In arriving at the above annual caps, our Directors have considered the historical figures and the anticipated expansion of our sales network for products that we purchase from Zhejiang NVC.

3. Framework Sale and Purchase Agreement

In the ordinary course of our business, we entered into a framework sale and purchase agreement dated 20 April 2010 with Zhejiang NVC, which is our 51%-owned subsidiary and an associate (as defined under the Listing Rules) of Mr. Wu Jiannong, an executive Director and substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which Zhejiang NVC agreed to purchase (on a non-exclusive basis) semi-finished lamp products produced by Jiangshan Phoebus, Zhangpu phoebus and Sunny for further processing. This framework agreement was entered into since (i) Zhejiang NVC has a demand for such semi-finished lamp products, i.e. the light tubes for energy-saving lamps and (ii) our Directors are of the view that the prices offered by Sunny, Zhangpu Phoebus and Jiangshan Phoebus are competitive. Under the framework sale and purchase agreement, the prices charged by Jiangshan Phoebus, Zhangpu Phoebus and Sunny will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates. The term of the framework agreement is three years commencing on the Listing Date.

Historical figures

During the Track Record Period, Jiangshan Phoebus, Zhangpu Phoebus and Sunny entered into sale and purchase agreements with Zhejiang NVC separately. The aggregate amount of revenue under the sale agreements with Zhejiang NVC for the years ended 31 December 2007, 2008 and 2009 was US$871,912, US$7.51 million and US$11.17 million, respectively.

Annual caps

The maximum aggregate annual amount of revenue under the framework purchase and sale agreement for the years ending 31 December 2010, 2011 and 2012 shall not exceed the caps set out below:

	Proposed Annual Cap for the year ending 31 December		
	2010	2011	2012
	(US$ millions)		
Total revenue	20.49	30.74	46.11

The percentage ratios of the above caps as total revenue of the Group for the year ended 31 December 2009 are 6.70%, 10.05% and 15.08%, respectively. The percentage ratios of the above caps as total cost of sales of the Group for the year ended 31 December 2009 are 9.24%, 13.86% and 20.79%, respectively.

In arriving at the above annual caps, our Directors have considered the historical figures, the expansion of our production capacity and the market prices of the semi-finished lamps.

Waiver Application for Continuing Connected Transactions

Waiver sought for Continuing Connected Transactions Exempt from the Independent Shareholders' Approval Requirements **("Category A Transactions")**

Following the completion of the Global Offering, certain of our continuing connected transactions will be subject to the reporting, announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Our Category A Transactions are summarized in the table below:

	Nature of transactions and parties involved	Proposed annual caps (US$ millions)			
		Year ending 31 December			Applicable Listing Rule and Waiver Sought
		2010	2011	2012	
1	Framework trademark licensing agreement between the Company and Mr. Wu's associates (namely Sheng Di Ai Si, Shandong NVC and Chongqing Enlin)	2.77	3.87	5.42	Rule 14A.34; waiver from announcement requirements
		These caps are equivalent to the forecast figures for the three years ending 31 December 2010, 2011 and 2012 for transactions contemplated under the framework trademark licensing agreement.			
2	Framework distribution management agreement between the Company and Mr. Wu's associate (namely Sheng Di Ai Si and Shandong NVC)	3.13	4.39	6.14	Rule 14A.34; waiver from announcement requirements
		These caps are equivalent to the forecast figures for the three years ending 31 December 2010, 2011 and 2012 for transactions contemplated under the framework distribution management agreement.			
3	Raw material purchase agreement with Chang Xin Hardware, Mr. Wu's associate	3.07	3.07	3.22	Rule 14A.34; waiver from announcement requirements
		These caps are equivalent to the forecast figures for the three years ending 31 December 2010, 2011 and 2012 for transactions contemplated under the framework research and development agreement.			
4	Framework property lease agreement with Mr. Wu Jiannong's associates (namely Zhejiang NVC and Jiangshan Youhe)	0.23	0.88	0.88	Rule 14A.34; waiver from announcement requirements
		These caps are equivalent to the forecast figures for the three years ending 31 December 2010, 2011 and 2012 for transactions contemplated under the framework transportation service agreement.			

	Nature of transactions and parties involved	Proposed annual caps (US$ millions) Year ending 31 December 2010	2011	2012	Applicable Listing Rule and Waiver Sought
5	Framework research and development agreement with Jiangshan Youhe, Mr. Wu Jiannong's associate	1.46	1.46	1.46	Rule 14A.34; waiver from announcement requirements
		These caps are equivalent to the forecast figures for the three years ending 31 December 2010, 2011 and 2012 for transactions contemplated under the framework research and development agreement.			
6	Framework transportation service agreement with Jiangshan Liming, Mr. Wu Jiannong's associate	1.04	1.15	1.26	Rule 14A.34; waiver from announcement requirements
		These caps are equivalent to the forecast figures for the three years ending 31 December 2010, 2011 and 2012 for transactions contemplated under the framework transportation service agreement.			
7	Framework equipment purchase agreement with Mr. Wu Jiannong's associates (Hangzhou Tongren and Jiangshan Youhe)	5.96	3.76	3.76	Rule 14A.34; waiver from announcement requirements
		These caps are equivalent to the forecast figures for the three years ending 31 December 2010, 2011 and 2012 for transactions contemplated under the framework equipment purchase agreement.			

We have requested the Stock Exchange to grant, and the Stock Exchange has agreed to grant us a waiver expiring on 31 December 2012 pursuant to its discretion under Rule 14A.42(3) of the Listing Rules to exempt the Category A Transactions from strict compliance with the announcement requirements under the Listing Rules. In addition, we confirm that we will comply with Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules in relation to the continuing connected transactions exempt from the independent shareholders' approval requirements.

Waiver sought for Non-exempt Continuing Connected Transactions (**"Category B Transactions"**)
Under the Listing Rules, the Category B Transactions are considered to be non-exempt continuing connected transactions under Rule 14A.35 and would require compliance with the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and the prior independent shareholders' approval requirement set out in Rule 14A.48 on each occasion on which they arise. Our non-exempt continuing connected transactions are summarized in the table below:

	Nature of transactions and parties involved	Proposed annual caps (RMB millions) Year ending 31 December 2010	2011	2012	Applicable Listing Rule and Waiver Sought
1	Framework contract manufacturing agreement with Chongqing En Wei Xi, Mr. Wu's associate	4.39	6.59	9.88	Rule 14A.35; waiver from announcement and independent shareholders' approval requirements
		These caps are equivalent to the forecast figures for the three years ending 31 December 2010, 2011 and 2012 for transactions contemplated under the Framework OEM Cooperation Agreements.			
2	Framework Raw Material Purchase Agreement with Mr. Wu Jiannong's associates (namely World Bright and Quzhou Aushite)	14.12	15.54	17.09	Rule 14A.35; waiver from announcement and independent shareholders' approval requirements
		These caps are equivalent to the forecast figures for the three years ending 31 December 2010, 2011 and 2012 for transactions contemplated under the Framework Raw Material Purchase Agreement.			

	Nature of transactions and parties involved	Proposed annual caps (RMB millions) — Year ending 31 December 2010	2011	2012	Applicable Listing Rule and Waiver Sought
3	Framework finished products purchase agreement with Zhejiang NVC, Mr. Wu Jiannong's associate	27.31	40.96	61.45	Rule 14A.35; waiver from announcement and independent shareholders' approval requirements
		These caps are equivalent to the forecast figures for the three years ending 31 December 2010, 2011 and 2012 for transactions contemplated under the Framework Raw Material Purchase Agreement.			
4	Framework sale and purchase agreement with Zhejiang NVC, Mr. Wu Jiannong's associate	20.49	30.74	46.11	Rule 14A.35; waiver from announcement and independent shareholders' approval requirements
		These caps are equivalent to the forecast figures for the three years ending 31 December 2010, 2011 and 2012 for transactions contemplated under the Framework Purchase and Sale Agreement.			

Accordingly, we have requested the Stock Exchange, and the Stock Exchange has agreed, to grant a waiver to our Company from strict compliance with the announcement and independent shareholders' approval requirement relating to the continuing connected transactions under the Listing Rules. In addition, we will comply with the applicable provisions under Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those existing as at the Latest Practicable Date on transactions of the kind to which the connected transactions referred to in this prospectus belong, including, but not limited to, a requirement that these transactions be made conditional upon approval by our independent shareholders, we will take immediate steps to ensure compliance with such requirements within a reasonable time.

Confirmation from Our Directors

Our Directors (including our independent non-executive Directors) are of the opinion that the continuing connected transactions described above have been entered into in the ordinary and usual course of business of the Company, are on normal commercial terms, fair and reasonable and in the interests of the shareholders of the Company as a whole, and the proposed annual caps for the transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Confirmation from the Joint Sponsors

The Joint Sponsors have reviewed relevant information, documentation and historical data provided by the Company in relation to the continuing connected transactions described above. On this basis, the Joint Sponsors are of the view that the continuing connected transactions under the paragraphs headed "— Continuing Connected Transactions Exempt from the Independent Shareholders' Approval Requirements" and "— Non-exempt Continuing Connected Transactions" above have been entered into in the ordinary and usual course of the Company's business, are on normal commercial terms, and such transactions and their respective annual caps are fair and reasonable and in the interest of the shareholders of the Company as a whole.