Sustainability Report
2009–2010

Neonlite Electronic & Lighting (HK) Limited

About this Report

This is Neonlite's first Sustainability Report and here we present an overview of our achievements. It is based on the GRI guidelines corresponding to Level B. The report content reflects also the challenges faced in our journey towards greater uptake of sustainability across the Company. While we intend to release our sustainability report on a biennial basis (i.e. once every two years) and this first report spans 2009-2010, we have taken the liberty of expanding somewhat in order to give you some background on where we have come on our sustainability journey so far.

The first section of this Report gives an overview of who we are and what we do. Further it elaborates on our sustainability strategy and its implication across our company and how this commitment to sustainability is captured in our management approach.

The balance of this Report presents the way we take our sustainability responsibilities across our value chain and the approach we work to mitigate our environmental impact arising from the design and production of our products, and daily operations. Recognising that we would not have a sustainable business without our employees, a winning team we consider to be an important asset, we present how we take care of their wellbeing. Equally important is our engagement with and contribution to the communities where we operate and the particular interest of furthering environmental education in society.

The forward looking message and statistical highlights are presented at the end of this Report, where we summarise our future plans for sustainability in the coming two years prior to the next report. Since we value our stakeholders' feedback to not only comment on this Report but our performance in general, we would like to hear from you. As such there is a full page feedback form with instructions on how to get your comments to us.

Scope of the Report

This Report contains information of our sustainability management and performance from 1 January 2009 to 31 December 2010 with the major focus on our manufacturing business including Neonlite Electronic & Lighting (HK) Limited in Hong Kong and the production plants in mainland China. To facilitate our stakeholders to understand Neonlite better, we have also included some of our policies and performance from previous years. Since this is Neonlite's first sustainability report, there have been no re-statements of information or changes from previous reporting periods, nor have there been any changes in scope, boundary, or measurement methods.

Our Vision

To be the technology and thought leader in the sustainable lighting industry by providing lighting products that help people light up the world efficiently and responsibly.

Our Mission

We will strive to do our best to research and develop innovative energy-efficient lighting products to enable the replacement of less efficient light sources in a wide range of applications.

Contents

Sustainability Performance Highlights

Product Quality and Innovation

Over **400** patents and design registrations granted for our inventions and product design up to 2010

Product lifetime of CFL increased to **15,000** hours with our *INGENIUM*® Technology

Average mercury usage in CFL reduced to **1.63** mg per lamp as a result of Amalgam Technology

Overall customer satisfaction rate maintained at over 80%

Employee Management

Over 4,300 employees and workers in Hong Kong and mainland China

Number of staff complaints reduced by 86% from 2007 to 2010

Number of accidents reduced by 66% in 2010 over the past 4 years

The Environment

Received ISO 14064-1 certification on qualification and reporting of greenhouse gas emissions and removals

50 kg of mercury was recovered from own recycling plant between 2007 to 2010. Enough to dose over 30 million CFL

The Community

Established MEGAMAN® Charity Trust Fund in 2008

Corporate giving over US$**7.84** million

Contributed over **625** hours of volunteer service in 6 months since establishment in July 2010

Life IN Light

MEGAMAN®

Message from the Chairman and CEO

We are delighted to introduce our first Sustainability Report as a demonstration of our commitment to the sustainable development of our business and the community as a whole. This report also serves as a platform to promote and facilitate dialogue with our stakeholders on our sustainability performance in economic, environmental and social aspects.

Neonlite has been providing energy-efficient lighting products that make people's lives more ecological and sustainable. Our brand tagline "*Life in Light*" boldly proclaims our continuous commitment to care for people and the environment as we bring environmentally-friendly and socially-responsible lighting solutions for domestic and commercial customers. Built on our profound success in compact fluorescent lamps (CFL) business, we are now expanding our business with light emitting diode (LED) lighting products as LED technology is emerging as a highly efficient lighting solution. In just two years we have launched over 60 LED products and the number of new products is increasing every month.

Nonetheless, our research and development of CFL still thrives. We continue to enhance the energy efficiency of our products and reduce the environmental impact by all means. For instance, we have implemented "Amalgam technology" in our CFL production since 2008 aiming at preventing mercury leakage to the environment in the entire product life cycle. As one of the major players in the energy-efficient lighting industry, Neonlite is proactively involved in the RoHS directive review of the EU Commission by proposing less mercury be used and in an inherently safer form. The review is an ongoing process and we will continue to monitor and participate.

Neonlite has embedded sustainability into each area of our business operations. This not only minimises the environmental impacts of producing our products, but also embeds respect for everyone involved in our value chain from workers in production plants, to our employees, to our valued customers, business partners and the community. Here in this Sustainability Report, you will learn more about our business philosophy and strategy, as well as the management approach and performance within our four sustainability cornerstones, namely the value chain, the environment, our employees and the community.

Looking ahead, we will continue our commitment in innovating green technology and products, strengthen our communication with employees and other key stakeholders and support community programmes that align with our company's direction and focus. With an emphasis to mitigate climate change, our focus is to minimise our carbon footprint by optimising the energy efficiency of our operations.

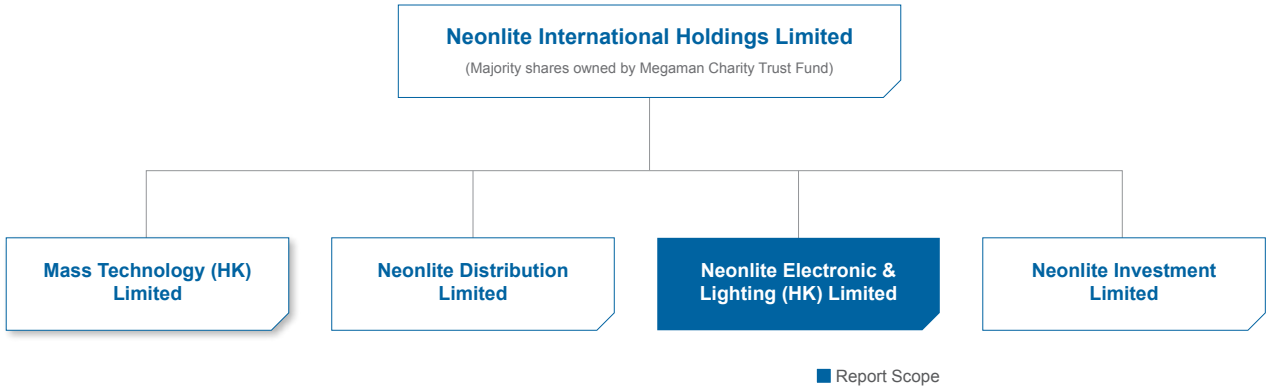
We look forward to receiving your comments about this report. Please return the feedback form at the back of the printed report or send your comments online at www.megaman.cc/sustainability-report. Your valuable feedback is crucial for our continuous improvement.

Who We Are and What We Do

About Neonlite

Neonlite International Holdings Limited, the parent company and owner of the renowned trademark MEGAMAN®, is the world's leading manufacturer of energy saving lamps. Established in 1992, the Company is a privately owned business that employs over 4,300 people in Hong Kong and mainland China. Headquartered in Hong Kong, the Company has three state-of-the-art manufacturing plants in Xiamen, mainland China, and an extensive network of concept stores in different countries and regions in Asia, including Hong Kong, mainland China, Indonesia, Singapore, Thailand and Vietnam. Further, in early 2010, we established a regional headquarters in the United Kingdom in order to further develop the professional market in the lighting industry.

In addition to the manufacturing, distribution and selling of energy-saving lighting products, Neonlite also operates other business arms and units, which include intellectual property and non-lighting businesses: Mass technology (HK) Limited, Neonlite Distribution Limited, Neonlite Electronic & Lighting (HK) Limited and Neonlite Investment Limited. For this first report we will focus on, and present, the operations of Neonlite Electronic & Lighting (HK) Limited. The following diagram shows the relationship between each of the functioning arms of the Neonlite group.



The Organizational Structure of Neonlite International Holdings Limited

What We Do

Neonlite, the brand owner of MEGAMAN®, is a leading designer, manufacturer and distributor of innovative, eco-friendly, energy efficient lamps using light emitting diode (LED) and compact fluorescent lamp (CFL) technology. The brand embodies technology that targets the best eco-lighting solutions. MEGAMAN® products are widely distributed in over 90 countries, including Europe, Asia-Pacific, Middle East, Africa and South America. By setting environmental management as one of our top priorities, MEGAMAN® is focusing on eco-friendly environmental processes from initial design, to manufacturing, research and development, and the disposal and recycling of their products.

More information on our products and our environmental performance can be found in *the section of "Responsibility throughout the Value Chain"* and *"Our Environmental Performance".*

MEGAMAN® - The light that makes a difference and lights up the world in a sustainable and socially responsible way.

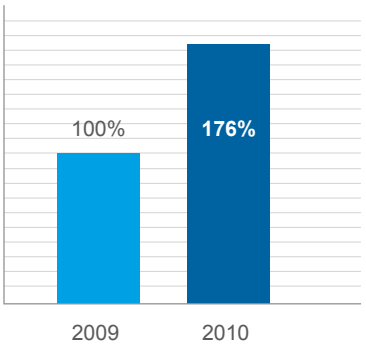
Financial Highlights

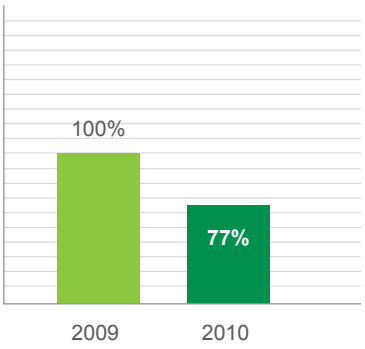
Over the last couple of years we have performed relatively well considering the economic climate associated with the financial crisis. We were not greatly impacted by these turn of events and believe that our focus on environmental and socially responsible approaches to our business may have shielded us somewhat from some of the potential hardships.

With the legislation of incandescent ban in Europe and other parts of the world, the opportunities for CFLs in the replacement market have been vast and vibrant. However, some of the replacement market had been taken up by the halogen lamp which is slightly more energy-efficient when compared with incandescent bulb.

In the past 12 months, there has been a noticeable change in the market trend for energy-efficient lighting. The market demand is beginning to shift from CFL to LED. Our summary of sales below echoes this trend.

Our increase in R&D expenses demonstrates our dedication to the development of LED lighting business and our ability to get hold of the core technology to drive optimum product quality. In just two years we have launched over 60 LED lighting products and the number of new products is increasing every month.





Sales Growth in LED and CFL sector in 2009 and 2010
(Year 2009 as the baseline for comparison)

Neonlite Electronic & Lighting (HK) Limited

Awards and Recognitions

In recognition of our continuous efforts in sustainability, Neonlite has received a number of awards and recognitions over the past years, including the Grand Award of the Hong Kong Awards for Industries: Environmental Performance in 2005 and "Good" rating by Stiftung Warentest, the Berlin-based German consumer organisation in 2002, 2003, 2006, 2008 and 2011. The diagram below summarises some of the key recognitions we received over 2009 and 2010. ■

Key recognitions in 2009 and 2010

Our Sustainability Strategy, Values and Approach

Conducting our business in a socially responsible manner and with respect for the environment has been an integral part of how we have conducted our business. Our commitment is to work as a team with our employees, and our value chain to make sustainability a strategic focus. Our vision and mission reflects our customer focus but more importantly, we give our customers an alternative to conventional sources of light. We have made it our business strategy to provide lighting that is as energy efficient as possible, environmentally responsible and manufactured in a socially responsible manner.

Our Sustainability Framework

Our Philosophy - "Life in Light" and Our Mangament Approach

Neonlite has embraced sustainability as a foundation of its business strategy to enhance the value of the company and its products since its establishment in 1992. Sustainability has been more than just an initiative, it is a philosophy that permeates throughout the company influencing every activity and decision. We are committed to this promise through top brand quality, and excellent energy efficiency that contributes to our sustainability commitment and to continuous improvement along our sustainability journey. Please also see the diagram "Developmental Milestones" in the latter part of this chapter.

Sustainability has been more than just an initiative, it is an integral part of our culture.

To achieve this, Neonlite has developed various management systems, covering the company's key performance in areas such as product quality and responsibility, environmental stewardship and social responsibility, and which in turn have been accredited by different well-recognised international standards. These management systems are the tools we use to implement our management approach. This approach is shown in the following diagram that summarises the key focal areas for everything we do.

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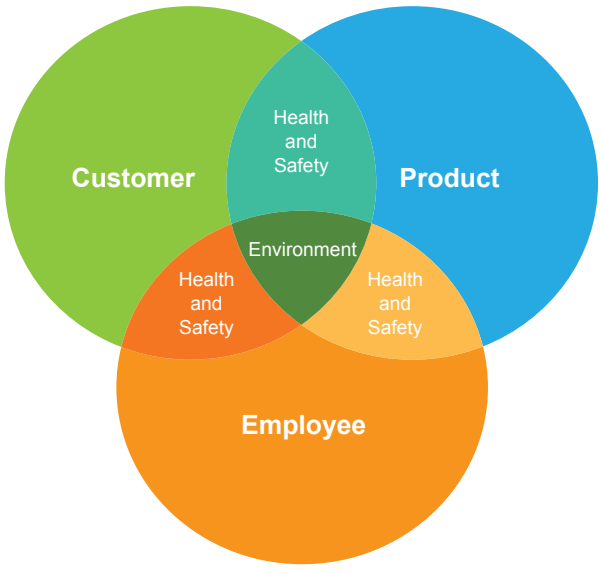
Our Mission

We will strive to do our best to research and develop innovative energy-efficient lighting products to enable the replacement of less efficient light sources in a wide range of applications.

Management Approach

We put our Vision and Mission in to action through our Management Approach as shown in this diagram. These are our "three pillars" or key focal areas – Our Customers, Our Employees and Our Products – that help us to stay focused when applying our sustainability philosophy. Some of the ways we have applied this approach can be seen in the diagram below where you will find some important milestones along our sustainability journey.



Key Focus Areas of our Management Approach

Our Sustainability Journey

Significant points in our development, since 1992, are illustrated in the diagram "Developmental Milestones." Here you can see where we have furthered the technology of the LED and CFL in order to improve its energy efficiency and appeal to customers. Along this journey we have driven innovative technology, acquired patents and implemented management systems to ensure quality and safety are maintained at a high level.

1992
Neonlite established

1994
MEGAMAN®
Incorporated

1995
ISO 9001

1996
Industry First Classic-shaped CFL

1997
Industry First Candle-shaped CFL

1999
"Cooling-tube" technology

ISO 14001

Rated "Good" by Stiftung Warentest, the Berlin-based German consumer organization in 2002, 2003, 2006 2008 and 2011

ISO/IEC 17025 Safety Lab

2002
Industry First CFL: Reflector

Silicone Protection technology

OHSAS 18001

2004
INGENIUM® technology

Hong Kong Awards for Industries: Environmental Performance Grand Award

Innovative Award, Intel Design Awards Italy

Winner in Innovations: Light Sources & Electronics Gear, Lighting Design Awards UK

SA 8000

2005
DorS DIMMING technology (step-dimming lamps)

Industry First RoHS compliant CFL

Our Developmental Milestones

Test winner in Guter Rat Magazine
Energy Saving Lamp Testing
Germany

Sustainable Building
Services Awards

New Product Award at
designEX
Australia

Test winner in "CFL Testing"
Australia

Hong Kong Green Awards
Bronze

Rated "Very Good"
ÖKO Test,
Durability of CFL
Germany

Capital Outstanding Green
Excellence Awards,
Hong Kong

ETOP innovation
awards - Silver
Holland

ISO/IEC 17025 Chemistry Lab

Environment, Innovation
and Communications
Awards
Belgium

ISO 14064-1

Eco-Products
Gold and Silver Award
Hong Kong

2006

IECQ QC 080000

2007

DIMMER*ABLE* technology
(linear-dimming lamps)

2008

PLi –
Industry First Plug-in tube with integral ballast

Amalgam is employed in
full series of CFL

2009

Patented the PowerLens Technology

LED Reflector Series with
TCH technology

2010

LED Non-Reflector Series

LED Reflector Series
Prefect alternative for
metal halide

2011

R9 Technology

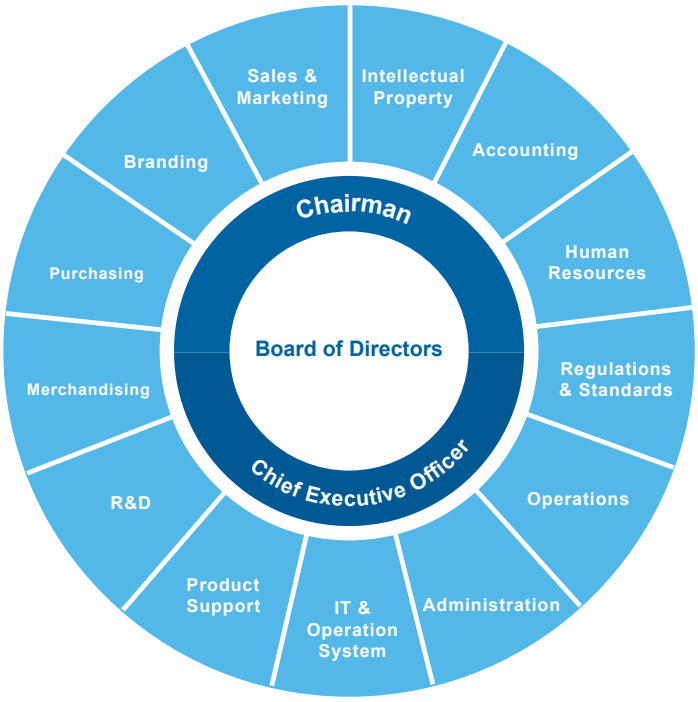
LED CLASSIC with
A60 shape

Corporate Governance

Neonlite is a privately owned business, and the intention is to keep the operational and governance structure as simple as possible and this is reflected in the simple structure of the company's Board of Directors. The functions of the Board include formulating the business direction and strategies and other macro level guidance. The Board, comprised of 5 members, is responsible for risk management, financial management, investment management, supply-chain management, direction of product development, product marketing, market trend analysis and prediction. The management of Neonlite believes in good governance, in particular accountability and transparency, as not only important tools to help the Company to identify and control business risks more systematically, but to also run the business in a more sustainable way.

The positions of Chairman and Chief Executive Officer are separate and they form the highest governing body of the Company together with the Board of Directors. They are each responsible for setting the Company's overall business direction, approve the strategy proposed by the management team and provide organisational oversight and guidance.

The management team, a group of highly experienced and skilled professionals, is responsible for proposing business strategy on many different aspects of the business, in accordance with the direction set out by the top management. Moreover, Neonlite believes in transparency and open communication to be important and are reflected in the physical layout of the head office in Hong Kong where colleagues are encouraged to collaborate. As a small company, Neonlite maintains an "open door" culture where open communication throughout the Company is promoted. Neonlite employees are actively engaged in the company's strategy and operation in both formal and informal ways and these occasions are seen as opportunities to collect their feedback.



Corporate Governance and Management Structure

Engaging with our Stakeholders

Cognizant of the fact a business does not exist in isolation and that its success relies on the well managed relationships with a multitude of stakeholders – including customers, employees, suppliers, communities and others, we have endeavoured to stay connected with our stakeholders in order to understand their views. We then do our best to take into consideration these views and concerns, to not only be accountable to them, but use the information gathered to help drive innovation.

Since this is our first sustainability report, it is important to gather stakeholders' concerns and expectations in order to determine and prioritise material topics for this Report. Their key concerns are addressed and covered in more detail in the proceeding chapters. Below, however, is the list of major stakeholders we identified for this report cycle, how they were engaged and, a summary of their key concerns. ■

Stakeholder	Engagement	Concerns
Employees	• Regular meetings • Meeting with trade union • Staff performance appraisal • Regular informal employee gathering	• Financial performance • Benefit and wellbeing • Training and development • Health and safety
Business partners	• Customer satisfaction survey • Agent meeting • Lighting fair and exhibition • Visit to Neonlite facilities including showroom and production plants	• Financial performance • Product performance • Product development • Market situation and trends
Media and the public	• Lighting fair and exhibition • Company website • Press release • Event	• Financial performance • Requirements on product quality and environmental performance
Non-governmental organisations (NGOs) / Green Groups	• Environmental and community programmes • Visit to Neonlite facilities including showroom and production plants • Company website • Seminars	• Environmental performance • Community programmes and events

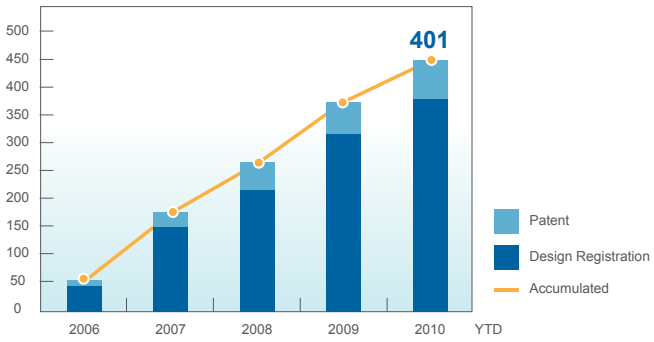
Neonlite's key stakeholders, their core concerns and major communications channels

Responsibility throughout the Value Chain

At Neonlite, we are committed to offering the highest quality of design and manufacture, of energy-efficient lighting products. As such, it is imperative we work to a unified design and set of development standards so we may ensure the products remain of high quality and comply with the environmental legislation of different markets. Therefore product responsibility, at Neonlite, has moved beyond the typical product life cycle of “Cradle-to-gate” (i.e. from manufacture to the factory gate) and embodied “Cradle-to-grave” (i.e. from manufacture to consumption including the disposal phase), and has now taken our responsibility a step further to "Cradle-to-cradle” (i.e. encompass the entire product life-cycle).

Product Innovation

The success of Neonlite has been built on our innovation – our ability to design and develop new lighting products, which has enabled us to maintain and expand our leading market position. Since our establishment in 1992, we have been putting tremendous efforts in developing new technology and product design so we may meet changing customer needs. Up to 2010, over 400 patents and design registrations have been granted in Hong Kong, mainland China and other countries for our inventions and our product design, including CFL reflector technology, which helps to extend the life time of our CFL products from 8,000 hours to 10,000 hours and 15,000 hours. We were the industry first to launch CFL R50 reflectors in 2001 and CFL GU10 reflectors in 2002.



Number of patent and design registered from 2006 to 2010 (Year-to-date figure)

In 2009, we took our first step into the LED market. Using MEGAMAN® patented LED reflector lamp design and Thermal Conductive Highway™ (TCH) technology, our LED lighting products have been able to deliver outstanding performance, including low power consumption, better light output and low maintenance costs, offering a perfect replacement for traditional energy-intensive halogen lamps.

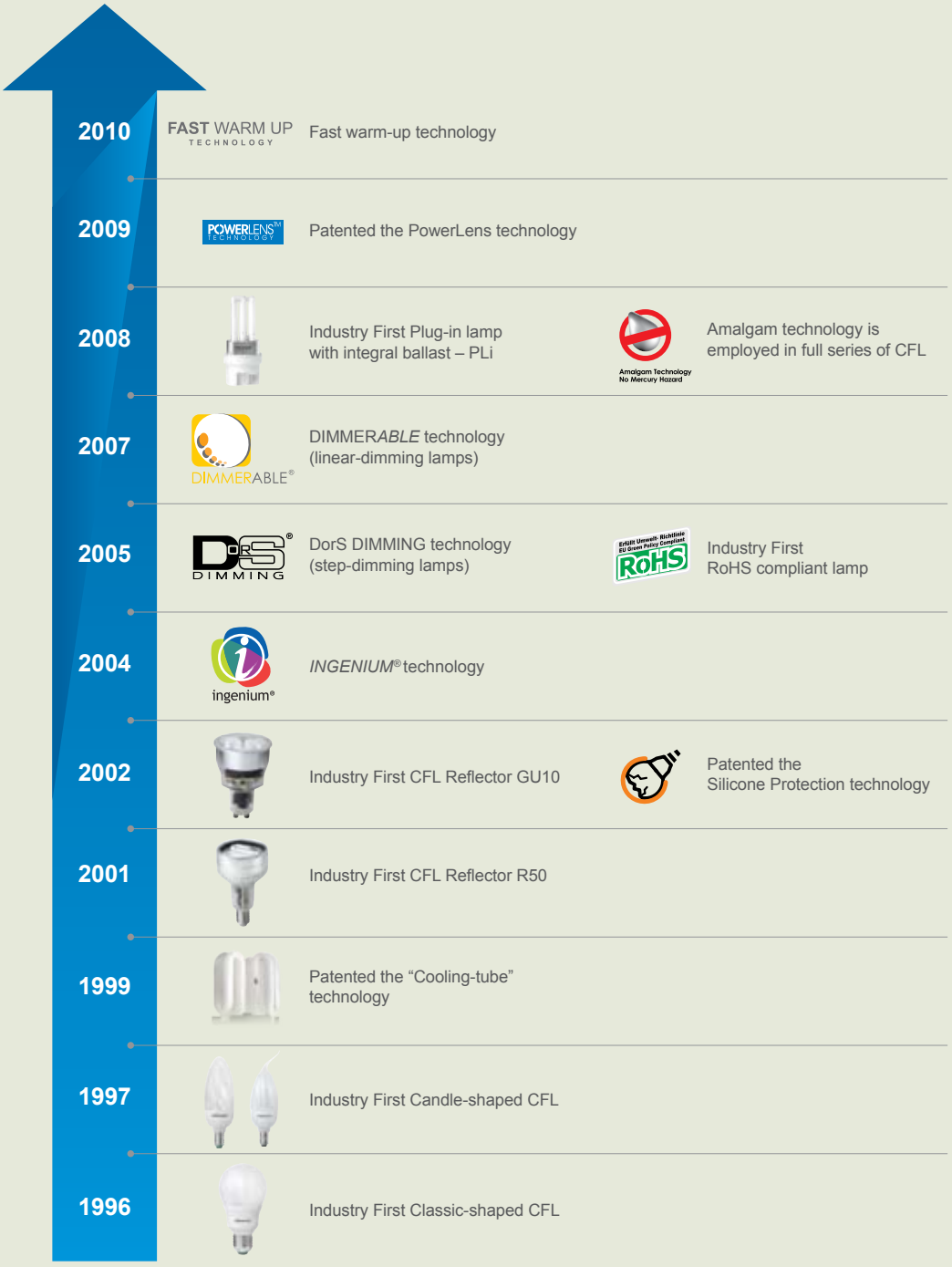
We regularly engage our key stakeholders, in particular our business partners, to collect their feedback and improvement suggestions, to ensure that we can continue to provide the best lighting solutions while offering sustainable living options to our customers.

TCH Technology

Thermal Conductive Highway™ (TCH) technology employs a unique design that helps dissipate heat efficiently which helps prevent deterioration of the LED chip and other components. TCH technology also gives the lamps a longer life, leaving most lumens available at end of the lamp’s life.

The Story of MEGAMAN® CFLs

With the industry first Classic- and Candle-shaped CFL, we hoped to influence consumption habits since the CFL would look like a traditional incandescent bulb, helping to urge consumers to be more willing to change to a more energy-efficient light source. Also, previously, the CFL was non-dimmable, therefore if consumers wanted a more eco-friendly light source, they had to sacrifice some of the lighting effect. With the first dimmable CFL, the user was able to enjoy the perfect lighting effect in a more sustainable way.



Neonlite's Product and Technology Developmental Milestones

Product Life-cycle Assessment

Neonlite incorporates eco-elements into every stage of the product life cycle, from research and development, design, manufacturing, packaging, to usage, disposal and recycling. Through the 'Design for Environment" programme, we are able to identify the major environmental aspects throughout the life-cycle of our products, which drives us to develop eco-friendly products with more recycled content, better energy-efficiency, minimal environmental impact, and longer life expectancy.

Some of the solutions we have adopted to help minimise the environmental impacts throughout the life-cycle of our products are presented here:

Recycling

- **Amalgam Technology**
  Minimise the amount of mercury loss at disposal
- **Silicone Protection**
  Prevent the leakage of mercury & glass
- ***INGENIUM***®
  Prolong life time and enhance switching cycles
- **Plastic Lamp Base**
  Plastic lamp base is made of high-heat resistant and recyclable resin

Usage

- ***INGENIUM***®
  Shorten preheating time
- **Water-based sealants**
  Avoid release of toxic gases
- **Amalgam Technology**
  Prevent the leakage of mercury
- **Silicone Protection**
  Shatter-proof

Production

- **Amalgam Technology**
  Reduce the amount of mercury usage
- **Silicone Protection**
  Eliminate the use of toxic acids to produce traditional frosted finishing
- **Mechanical "Snap-in" Method**
  Eliminate lead soldering
- **Water-based sealants**
  Replace the use of glue

Packaging

- **Recycled & Recyclable materials**
  Use of recycled paper and recyclable plastic for packaging

Overview of our Product Life Cycle

Amalgam Technology
No Mercury Hazard

Amalgam Technology – A Safer form of Mercury

Mercury in its elemental form is widely recognised as a hazardous and highly toxic substance, which is capable of poisoning animal life and damaging the environment. Regardless of its adverse impacts, health and safety, or environmental impacts, some legislation such as the RoHS Directive in Europe still allow the use of liquid mercury in fluorescent lamps since many believe there to be no alternatives to replace the use of liquid mercury.

Since January 2008, Neonlite started to employ the amalgam technology in manufacturing all of our CFL products. Amalgam, an alloy of mercury in solid form, generally has melting points under 200°C. By using amalgam in fluorescent tubes, there is no loss of mercury at room temperature and normal atmospheric pressure, and the volume of mercury in the tube can be precisely controlled during manufacture. The use of amalgam also maintains optimum luminance levels during tube operation.

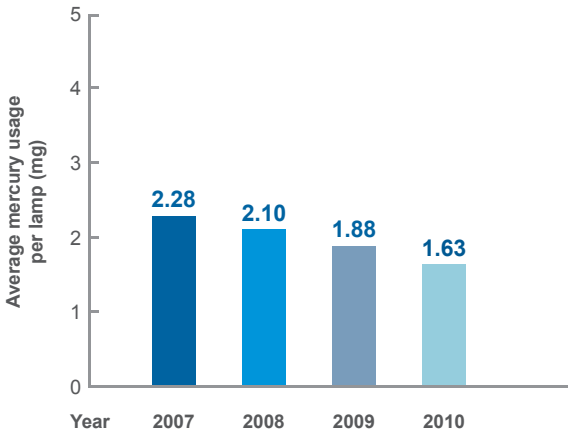
The use of amalgam to replace liquid mercury brings significant benefits in both health and safety and environmental aspects, especially at end of life or the disposal stage where it is common for lamps to break. In this form, the mercury inside amalgam can be collected, recycled and reused more readily. Since amalgam will not release mercury vapour when it is at room temperature and pressure, it does not pose a health hazard to people nor pollute the environment.

At Neonlite we have led the way in proposing to the EU new limits on mercury emissions. The EU commission on environment controls the RoHS directive in Europe. We propose that as an industry we should limit mercury emissions when a lamp breaks both in the home and at disposal. The EU commission is considering our proposals seriously as a matter of public concern because in Europe the incandescent lamp is being progressively banned in favour of low energy sources such as compact fluorescent lamps which need to use mercury to produce light. Our proposal centers on using less mercury in an inherently safer form. This is known as 'steering amalgam' where the mercury is chemically combined as a solid alloy in the lamp and therefore is contained more effectively should the lamp break during use or on disposal.

The environmental concern is that all CFLs must be recycled at recognised recycling points but it is common for lamps to break in the disposal process so therefore solid amalgam minimises the risk of pollution. This protects both the health of the users and the environmental impact on disposal.

For industry, it is not only the increased commercial benefit of reduced environmental pollution and increased consumer safety but, amalgam based mercury can be more accurately measured during lamp manufacture and therefore increasing product quality and a reduction in mercury used.

Over the past 4 years the average mercury content in MEGAMAN® CFL has been reduced 28.5% to 1.63mg in each lamp, and 67.4% less than the RoHS standard (i.e. 5mg) (See chart below). Amalgam based mercury is inherently safer for workers involved in the production. The expense of handling liquid mercury safely and measuring exposure levels is also reduced.



Average mercury usage from 2007 to 2010

Mercury content in MEGAMAN® CFL has been reduced to 1.63mg in each lamp, which is 67.4% less than the RoHS standard of 5mg.

Communicating our objectives to the end user is key and in September 2010 Neonlite initiated a campaign called 'True green' with this in mind.

Our campaign objectives were to use the absolute minimum amount of mercury for efficient use of a lamp while also using it in a safer form. The campaign was aimed at highlighting the potential risks associated with the use of liquid mercury in CFLs. To illustrate the consumer health issue the following table shows what happens to the mercury in liquid and solid form when a CFL breaks while in use.

If breakage occurs when	**Lamp using liquid mercury**	**Lamp using (solid) amalgam based mercury**
Cold – lamp off	**40%** lost as vapour over two weeks	Negligible loss – **almost zero**
Warm – lamp on	**68%** released right away (3 to 6 times the legal limit)	**6%** released right away (within legal limits)

Comparison of mercury escape on lamp breakage when the lamp is on and off

Minimising toxic acid usage when creating frosted glass

A layer of silicone on the glass bulb acts as protection eliminating the use of toxic acids that are usually used to produce the traditional frosted finishing. This sleeve of silicone also helps to prevent the leakage of mercury as well as minimising the occurrence of shattered glass, which is obviously dangerous during disposal. Our lamps are the first in the world to include this safety feature. It also makes recycling of the mercury and glass much easier as well as providing a better light tone combined with the energy efficiency our customers expect.

A Lamp base that never tarnishes

We use plastic lamp bases made of high-heat resistant acylonitrile butadiene styrene (ABS) resin which also contains copper and nickel plating. These are recyclable and do not contain any polybrominated biphenyl (PBB) and polybrominated diphenyl ethers (PBDE), flame retardants that pose health hazards and risks to the environment. Further committing to the environment and better resource utilisation, the plastic used for the lamp base contains nearly 17% recycled materials.

INGENIUM® - A technology for superb performance of CFL

Developed by MEGAMAN®, *INGENIUM*® is a patented state-of-the-art lighting technology which can enhance the overall performance of energy saving lamps. It has a longer operating life and supports a greater number of switching cycles.

Further, when compared with other energy saving lamps that are using conventional preheating mechanisms, the *INGENIUM*® technology employed in MEGAMAN® Energy Saving Lamps controls and shortens the preheating time. This helps slow the deterioration of the filament and prolongs the life of the lamp, from 8,000 hours to 15,000 hours. The components used for *INGENIUM*® technology are extremely small. As a result, the lamps are more compact and lighter compared with others in the market which helps minimise packaging, allowing more units per shipping container, and ultimately, reducing the carbon footprint of product delivery.

Take our Classic series in 9 Watt, which applies *INGENIUM*® technology, the product is now more compact and the size has been reduced from Ø60x113mm to Ø45x82mm and consequently the packaging materials have been reduced by 41%. With the reduced product size, we are now able to ship 97% more in quantity in a 20-foot shipping container. In addition, the *INGENIUM*® technology enables MEGAMAN® Energy Saving Lamps to offer our customers high luminous efficacy while consuming low power.

ingenium®

Benefits of INGENIUM® Technology

- ***More compact in size***
- ***Prolong life time from 10,000 hours to 15,000 hours***
- ***600,000 switching cycles***
- ***Preheating time within 1 second***

Eliminate the use of toxic substance during production

The simple “Mechanical Snap-in” method allows all the components of the lamp base to fit together without the application of glue and lead soldering which helps to eliminate toxic substances, speeds up the production process and facilitates recycling.

Prevent odour emission in production process

The use of water-based glue, sealants and adhesives in the production process not only prevents odour emissions, but also avoids the release of toxic gases or volatile organic compounds (VOCs) during the lamp operation.

Continuous Innovation

Our continuous product development offers a better eco-lighting solution to our stakeholders and the examples below are on-going improvements in our lighting products:

CFL: Invent *INGENIUM*® version of CFLs with 15,000 hours in superb lighting performance, but smaller in size

LED: Target to reduce the materials used in heat sink, aiming to make it lighter, while achieving excellent light performance with good thermal management

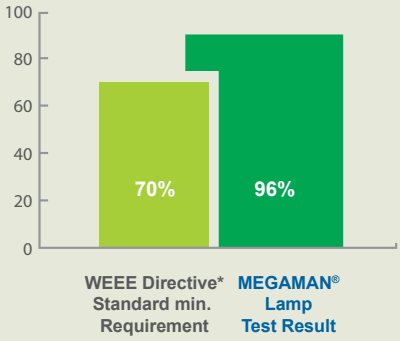
Product Recovery

With due consideration for materials and product recovery at the product end-of-life, MEGAMAN® LED lamp's recovery rate achieves 96% and CFL achieves 82%, which is 26% and 12% higher than the WEEE Directive standard respectively.

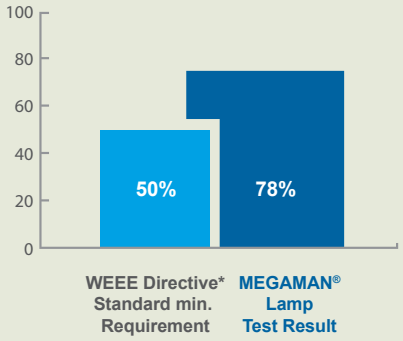
LED-PAR16, 7W

LR0407

Recovery rate (%)



Reuse & Recycling rate (%)

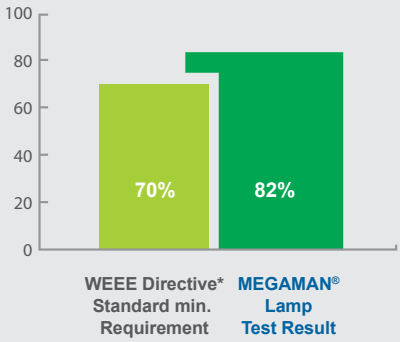


' WEEE Directive 2002/96/EC*

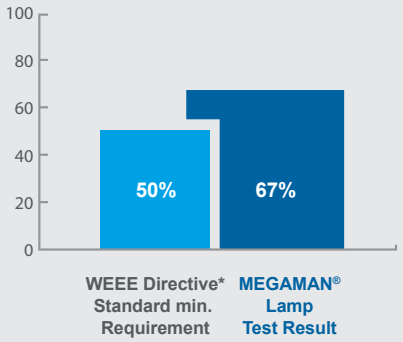
CFL-PAR38, 23W

BR0623

Recovery rate (%)



Reuse & Recycling rate (%)



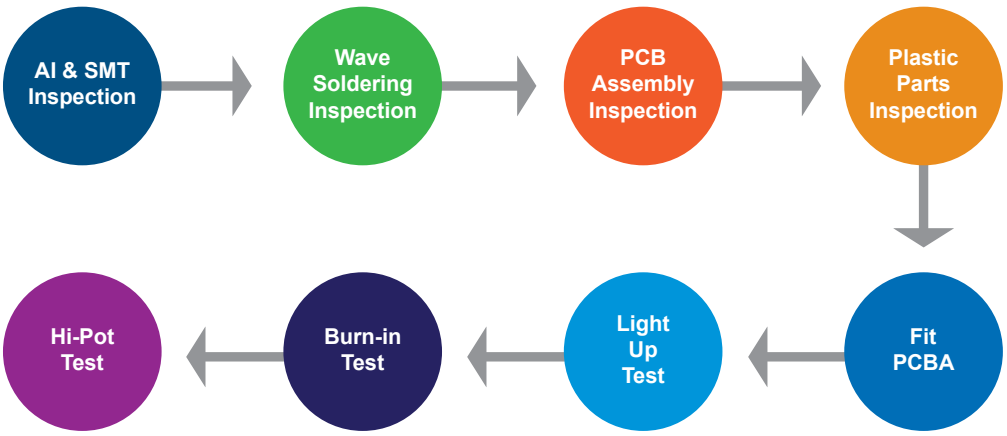
' WEEE Directive 2002/96/EC*

Product Quality and Safety

At Neonlite, quality requirements are embodied throughout the life of our products, from initial concept to consumption. Our Research and Development employees incorporate fundamentals such as customer expectations and requirements, and information on regulatory compliance into their ideas and concepts. A commitment to safety and customer satisfaction is an essential part of our product's 'DNA' that is realised through our quality management system and stringent testing process.

Our quality management system has been certified to ISO 9001 since 1995. Building on the ISO 9001 quality management system, we have strengthened the processes to manage, control, minimise and eliminate hazardous substances in our production process and products and became IECQ QC 080000 certified in 2006 which has helped us to comply with the Waste Electrical and Electronic Equipment Directive (WEEE) and the Restriction of Hazardous Substances Directive (RoHS) introduced in Europe.

To ensure that our products comply with the highest quality standards, our production plants in mainland China are equipped with state-of-art assembly lines. Our in-house laboratory is ISO/IEC 17025 certified by CNAS and NVLAP, and it is eligible to perform on-site testing for UL, SEMKO and TUV marks. There are eight core testing inspections of product quality and safety before the delivery to ensure the highest level of quality.



Quality Checkpoints

Customer Satisfaction

To further improve our products and services delivered to our customers, we have started to collect, since 2008, the feedback from our key customers to gauge their satisfaction, and we do this through several platforms. One of them is the annual Customer Satisfaction Survey. The survey aims to collect feedback on service, product, packaging, delivery and overall satisfaction. Thanks to the co-operation of our agents around the world, the response rate of this survey has increased to 100% in 2010 from 36% in 2008, where the overall satisfaction rate has been maintained at over 80%. Also, we arrange several agent meetings every year, where we have much more in-depth face-on-face discussion, either in small groups or individually. This allows us to have direct and mutual communications. ■

Our Environmental Performance

As the world's leading manufacturer of energy saving lamps, sustainability to us means not only designing and producing environmentally friendly products, but also refers to our commitment and effort to minimise the environmental impacts arising from all aspects of our business. To this end, we design and implement effective environmental management systems, efficiently manage our energy and related greenhouse gas emissions, and properly handle and reduce pollution and waste generated along our production lines. More importantly, protection of the environment is a central element of our corporate culture and our commitment and effort is well-communicated to all our employees.

Environmental Management System

Since 1999, Neonlite, including our operation in Hong Kong as well as the production plants in mainland China, have implemented an environmental management system that fulfils the requirements set forth in ISO 14001. As such, we are able to identify the significant environmental impacts, or control points, arising from our operations systematically and hence to develop and implement procedures and instructions to manage them. We believe the implementation of this system is fundamental to successful and proactive environmental management. Moreover, we believe our management system is helping us ensure the sustainable future of our company as well as reducing our impact on the environment.

Our Environmental Policy "Building a Better Tomorrow" clearly states the basis of our environmental strategy and approach that from product development to its disposal and recycling, we prioritise environmental management. We strive to:

- **Implement pollution-free processes in the entire product life-cycle**
- **Use renewable or recyclable materials to minimise the use of resources**
- **Comply with environmental legislation and industry codes of practice**
- **Promote environmental protection awareness among staff and business partners**

Neonlite's environmental policy 'Building a Better Tomorrow' guides us to produce eco-friendly lighting products which offer better energy-efficiency with the least environmental impact, increased life expectancy and considerable recycled content.

Energy Usage and our Carbon Footprint

At Neonlite we recognise our responsibility to protect the environment by lowering emissions which contribute to climate change. Energy use in the production facilities is the major source of greenhouse gas (GHG) emissions. We use electricity to power different manufacturing equipment and their associated facilities, including the wastewater treatment facilities, and for lighting and air-conditioning in the factories as well as the dormitories.

In addition, LPG is largely used to fuel many of our manufacturing equipment. Therefore, energy-efficiency projects reduce both our operational costs and associated GHG emissions. Below are some examples of energy conservation efforts we have taken in our production plants in mainland China.

- Applied cleaner flue technology in production with the use of infrared radiation burner to replace heat conductive burner and thermal radiation burner, saving up to 60% of electricity
- Installed natural mechanical ventilation system in the plant
- Applied vertical baking process, resulting in better control over temperature and reduced energy consumption
- Applied special burner design to reduce the LPG usage
- Applied thermal-protective coating to save energy and lower room temperature
- Upgraded gas torch design, it lights up only when in use, thus helping to reduce LPG usage
- Centralised plastic material supply system for injection machine to save energy during idle time, with better materials control and, in turn, improving productivity

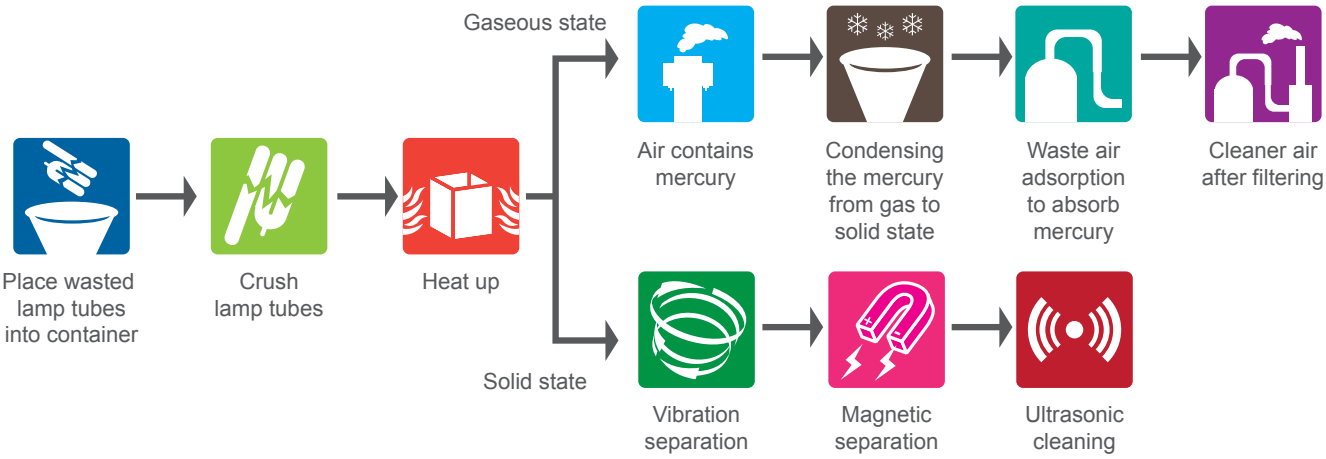
To further our commitment to combating climate change as well as to support China's GHG reduction target, we started to account and report GHG emissions in accordance with ISO 14064 requirements in 2010. The aim was to establish and implement a robust and reliable monitoring and reporting system. We completed our first carbon audit that quantified our GHG emissions for 2010 and as such received the ISO 14064 Part 1 Certification in February 2011. Our carbon footprint during calendar year 2010 was 24,844.86 tons of CO_2e which includes emissions related to the fuel and electricity usage, transportation and refrigeration usage in our production plants in mainland China.

In 2011, we target to reduce our carbon emission by 3%.

Pollution Reduction

Besides energy usage and GHG emissions, we understand there are other forms of environmental impacts arising from our operations, in particular waste and wastewater generated during the production processes.

Waste management is a critical part of our manufacturing process and we have put efforts in to minimising waste generated through maximising material reusability. In our production plant in Xiang An, we have set up a lamp tube recycling facility to collect waste glass and to recover waste mercury for reuse. From 2007 to 2010, we were able to recover 50kg of mercury which in turn could be used in the production of approximately over 30 million pieces of CFL, with an assumption that there is no yield loss in the production process.



Lamp Tube Recycling Flow Chart

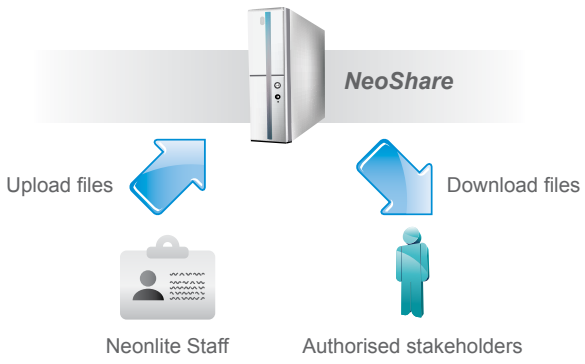
Wastewater discharged from our operations represents another significant environmental compliance risk we face. As such, we built wastewater treatment facilities not only to treat industrial wastewater, including acidic water generated from washing glass tubes, but also to treat domestic sewage generated from our dormitories. The capacity of the industrial wastewater treatment facility can be up to 1,800 tons per month while the maximum capacity of the domestic wastewater treatment facility is 3,750 tons per month. Around 100 tons of treated wastewater is used for watering the plantation within the factory area and the neighbouring farmlands.

Green Office

To fulfil our environmental responsibility, we have also taken numerous measures to set up a green office in Hong Kong. The move to our new office in Two Landmark East in Kwun Tong in 2010 is a statement about our commitment to green office. The green features of the new office include extensive use of natural lighting, thanks to the design of full-length glass window and energy-saving lighting. We have also set up recycling corners to collect waste paper, envelopes, plastic, aluminium cans, glass bottles, used lamps and batteries.

Starting from 2008, we have been implementing a series of environmental guidelines, including green renovation guidelines, green procurement guidelines for office resources and promotional materials. Through these guidelines, we are able to better manage and reduce our environmental impact by using our purchasing power and influence over our suppliers as well as renovation contractors.

Moreover, we have been establishing a paperless office through the implementation of numerous improvements since 1999, for example; setting up a paper recycling system, adopting electronic communication platforms, using recycled paper, and making use of electronic documentation and filing systems to reduce paper usage and storage. We are not only aiming to minimise our paper usage, we are also implementing measures to influence our suppliers and vendors to reduce their paper usage. Furthermore, we share information with our stakeholders via an online platform, named “NeoShare”, where we no longer send files in large size by email or delivering a CD-Rom, but we upload to NeoShare. So stakeholders can download the information whenever and wherever they choose, just by entering the user name and password. This helps us save many physical deliveries, in turn, saving paper and other materials, as well as the carbon footprint created by the transportation.

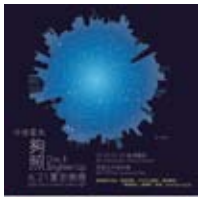


Online communication platform - NeoShare

Environmental Education

We believe protecting our environment requires a concerted effort by everyone. We therefore do our utmost to engage our stakeholders and the communities via many different approaches, in particular through education. We established the first LED lighting showroom in our head office in Kwun Tong, Hong Kong in September 2010. The 6,000 ft^2 showroom is composed of five business showcases, including an hotel lobby and foyer, retail shop, art gallery, bar and restaurant where the overall design and idea is to highlight the low-carbon eco-friendly concept through the demonstration of the versatility and energy efficiency of LED lamps. Visits to our showroom were arranged for our business partners, schools, NGOs and other stakeholders to show how the innovative LED lighting can be best exploited to giving the same flexibility that was previously only possible using traditional light sources. Similarly, we have set up a Lighting Museum in our production plant in Xiang An, mainland China that exhibits not only the history of our lighting products, but also the complete manufacturing process of a CFL including our innovative technology.■

Neonlite is dedicated to promoting greater environmental awareness, not only through our own platform and initiatives, but also through supporting and participating in meaningful programmes in the community including:

HK CARBON reduction campaign 香港減碳行動	Hong Kong Carbon Reduction Campaign initiated by The Climate Group
	"Dim It! 6.21 Lights Out!" and Conscientious Recycling Charter organised by the Friends of the Earth (Hong Kong)
	Fluorescent Lamp Recycling Programme (FLRP) initiated by the Hong Kong WEEE Recycling Association
	Earth Hour organised by World Wide Fund (WWF)

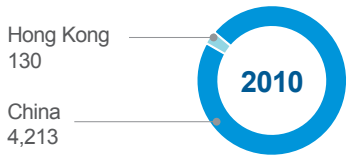
Taking Care of Our Employees

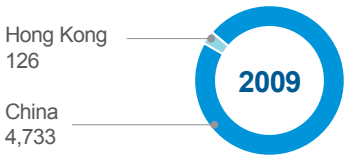
Another aspect of long-term business success is the need to attract and retain talented and ambitious people to work with us. More and more employees today would like to work for a company that behaves responsibly and is willing to invest in developing their careers. By providing a caring, open and rewarding workplace, we aspire to become an employer of choice, well positioned to attract the best talent.

Our Workforce

As of December 2010, there were approximately 4,300 employees, including workers at our production plants in mainland China.

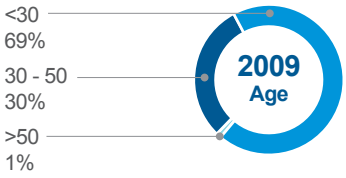
Number of Employee in 2009/10





Breakdown by Gender and Age (Employees in Hong Kong)

Breakdown by Gender and Age (Employees in mainland China)



Employees' Rights and Benefits

Neonlite recognises that respecting human rights of our employees is a fundamental responsibility. In our operation in mainland China, we have put in place a system which has been certified to SA 8000 Standard and BRC Global Standard. We are confident that adopting such a robust and comprehensive system not only provides a framework to support compliance with national laws and requirements from corporate customers worldwide regarding labour issues, but also helps to improve employees health and safety while implementing sound labour practices.

SA 8000 Standard

SA 8000 is an auditable standard based on national law, international human rights norms and the conventions of the International Labour Organisation (ILO), which set out the voluntary requirements to be met by employers in the workplace. These requirements include workers' rights, workplace conditions, and management systems.

BRC Global Standard, Consumer Products

The BRC Global Standards are a leading global product safety and quality certification programme used by certificated suppliers in over 100 countries.

The BRC Global Standards are a suite of four industry-leading Technical Standards that specify requirements to be met by an organisation to enable the production, packaging, storage and distribution of safe food and consumer products. The Standards have gained usage world-wide and are specified by a growing number of retailers and branded manufacturers in the EU, North America and further afield. Since our products are globally distributed we have achieved the certification to Global Standard. This is achieved through an audit by a third party Certification Body, which in turn reassures retailers and branded manufacturers of the capability and competence of the supplier. This also reduces the need for retailers and manufacturers to carry out their own audits, thereby reducing the administrative burden on both the supplier and the customer.

To become an employer of choice and hence tackle the labour shortage problem in mainland China, not only do we provide the basic benefits to our workers, we also take care of their wellbeing and strive to create a better living environment for them. For example, our new production plant in Xiang An provides a dormitory area of 40,000 m^2 with amenities such as gymnasiums, swimming pools, recreation facilities as well as schools.

Employee Communications

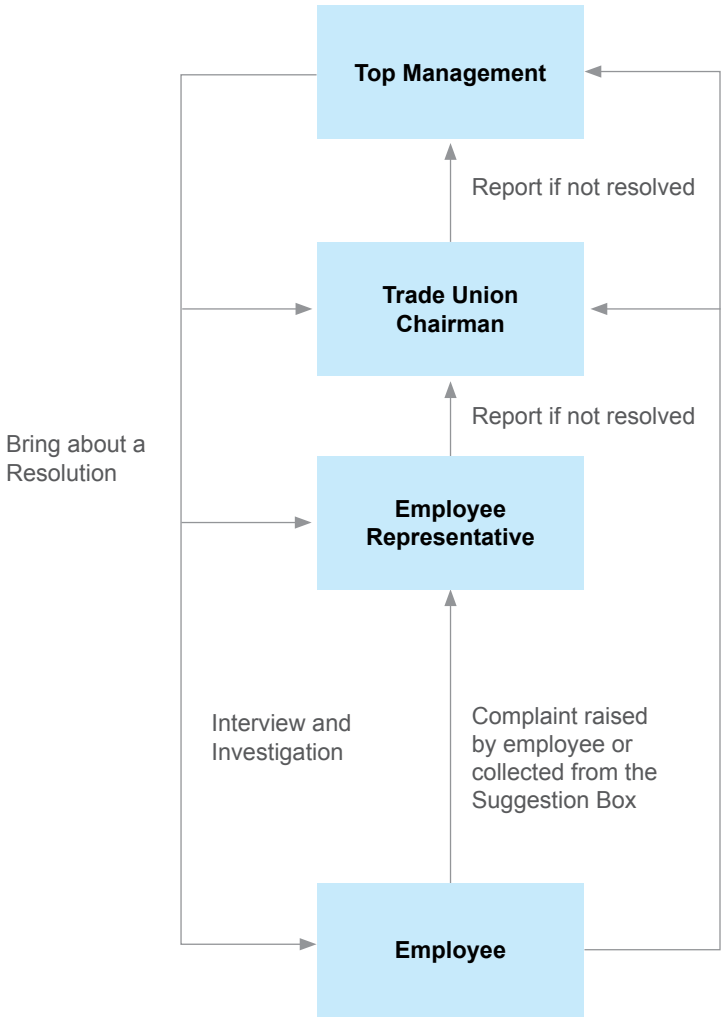
Internal communications play a key role in the drive to improve employees' commitment and engagement, and to ensure employees are well informed about the business. We maintain an "open door" culture in which open communication throughout the company is highly encouraged. Regular emails are circulated through company's intranet, and regular team meetings are organised to inform employees about the development and changes of the Company. Apart from the above formal communication platforms, we provide subsidies in monetary terms to employees to hold team gatherings and cross-team activities. Through these gatherings, we aim to create better cohesion within the company.

In addition, Neonlite believes that two-way communication within the company is important for maintaining a climate of open communication. We encourage employees to provide feedback on the company's policies, in particular those related to their wellbeing. Practical feedback and suggestions are discussed at the regular management meetings. For example, as suggested by employees, we have implemented a 5-day working week, and flexible working hours for employees with special needs. Furthermore, three-day marriage and two-day compassionate leave benefits are offered to eligible employees.

5-day working week for all employees in Hong Kong office since 2003.

In mainland China, a trade union was formed to facilitate communications between employees and management. We have also established a robust system for handling workers' concerns and complaints. A total of 36 formal meetings were held during 2007 to 2010 to discuss the operational issues and other related matters in factories. Through these meetings and other platforms, the number of complaints raised by our workers has been reduced by 86%, decreasing from over 50 cases in 2007 to less than 10 cases last year.

Maximum 48 working hours per week in mainland China, complied with SA 8000 standard.



Staff Complaint Procedure

Employees' Health and Safety

Occupational health and safety (OHS) is a material component of our employee management approach. It is an expression of our responsibility towards employees and, at the same time, it contributes a great deal to employee motivation and supports our competitiveness. As such we operate a health and safety management system in our production plants in mainland China. The system has been certified to OHSAS 18001 since 2004. Under the system, procedures and instructions were set to preserve the health and safety of every person who works for or with Neonlite. Moreover, a Health & Safety Committee, comprising major department leaders and employee representatives, is responsible for overseeing the implementation of the health and safety management system, organising any health and safety related activities and training, amalgamating OHS statistics and regularly reporting these figures to the management.

The promotion of health and safety is an integral aspect of our company culture. Health and safety information, including the basic components of OHSAS 18001, is incorporated in our staff manual in mainland China, and regular training is provided to all of our employees. our employees, covering the introduction of OHSAS 18001, safety regulation, fire safety and first aid.

For the occupational injuries, the number has decreased 66% to 30 cases in 2010 from 89 cases in 2007. Mainly as a result because of more training and guidelines being provided.

Training and Development

We believe the way to build a successful and sustainable business is to train and develop its employees. To achieve this, we are committed to ensuring, among other things that all employees, both in Hong Kong and in mainland China receive induction training which includes an introduction to our vision and mission, the knowledge and skills training to meet the requirements of their job, and also the management systems that we have in place. Furthermore, we develop an intranet platform, named "Portal" to share key documents with our employees. So they can now more easily search for relevant information with just a click.

Employees are encouraged to expand their knowledge and further develop their skills. In Hong Kong, education subsidies, which can be up to 100% of course costs, are provided to support employees in acquiring further training. In mainland China, a training plan is developed at the beginning of every year that covers both internal and external training courses arranged for workers of different departments. Training courses provided are grouped into categories: management system, health and safety, environmental, standard and regulation, operation and product-related. ■

Our Responsibility to the Community

At Neonlite, contributing to the development of society is another important component of our corporate ethos. To help enhance the wellbeing of people in the communities where we do business, Neonlite implements a wide variety of socially responsible related initiatives. Our commitment to society is reflected in our contributions to education, corporate giving, employee volunteering activities and community participation.

Education

Neonlite supports education with a particular emphasis on interior design, lighting, energy saving and environmental protection. Our initiatives aim to help raise public awareness, especially the younger generations, on lighting design and usage, as well as energy-saving lighting and solid state lighting.

MEGAMAN®
Charity Trust Fund

In recognition of the important role of meeting the social needs of the community, came the establishment of the MEGAMAN® Charity Trust Fund in 2008. With endowment contributions from Neonlite, the Trust Fund was set up with the major aim to promote education and environmental protection. Since its inception, the Trust Fund has donated to a wide variety of charitable causes, established partnerships with charities, colleges and non-governmental organisations around the world as well as funding research projects that help to increase the knowledge of light and its impact on everyday life. Recently funded research projects include:

Light Volumes, Dark Matters, 2008-2010

This is the first project undertaken by the MEGAMAN® Charity Trust Fund in partnership with Royal College of Art (RCA) Helen Hamlyn Centre and its Department of Architecture, in the UK. It aimed to investigate why levels of artificial light in commercial interiors are increasing and explored more efficient ways of lighting space using a more uniform lighting layout. Thus developed an alternative approach to how commercial interiors are lit while challenging architects and designers to rethink artificial lighting in buildings with the introduction of a more sustainable and inclusive lighting. The book 'Light Volumes, Dark Matters', released at the launching seminar on 29 September 2010 was the culmination of this 2-year research project.

The primary concern of the research was the impact that high levels of light have on people while working.

Cities in the shade 2010-2012: new strategies for sustainable lighting in the public realm

The second collaboration between the RCA Helen Hamlyn Centre, the RCA's Department of Architecture and the MEGAMAN® Charity Trust Fund was built to investigate new strategies for sustainable lighting in the public realm and established the 'Light Volumes and Dark Matters' research project. This project aimed to inspire architects and the public to rethink how the public realm is artificially illuminated at night, taking into consideration how low energy light sources are opening up new possibilities and that all cities are seeking to move towards a low carbon economy.

Following the success of these research projects, Neonlite will continue to investigate and promote the sustainable use of lighting, in particular in public space, to lighting designers, interior designers and other professional bodies, which will ultimately help to mitigate the light pollution problem in Hong Kong and many other renown cities around the world.

The Art of Light 2008-2011

Neonlite is also keen to educate the local community about the use of lighting. Neonlite has been supporting 'The Art of Light' programme organised by the Hong Kong Society for Education in Art (HKSEA) since its launch in 2008. Neonlite not only provides financial support to the programme, it also shares its expertise on lighting during knowledge sharing seminars as well as organising visits to the MEGAMAN® showroom for participating students.

HKSEA
Hong Kong Society For Education In Art
香港美術教育協會

Organised by the HKSEA, 'The Art of Light' programme aims to promote a green lifestyle and energy saving practices to kindergartens, primary schools, secondary schools and tertiary institutions through the use of visual art. A series of seminars, workshops and a design competition are held under the programme to enhance students' knowledge and encourage their participation. We seek to raise awareness of the fact lighting in our everyday lives is taken for granted and should we be able to make significant improvements in both energy efficiency as well as aesthetics it is possible to make a significant positive impact.

Other Educational Support in Hong Kong in 2009/10

Lighting Experience Centre with guided tour and knowledge sharing

Hong Kong Design Centre, The Wing On Department Stores, Anchavista, Hong Kong Design Institute and CO1 School of Visual Arts had visited the MEGAMAN® Lighting Experience centre.

Lighting Seminar for students

We ran seminars for the students of Hong Kong Design Institute and CO1 School of Visual Arts.

Sponsorship

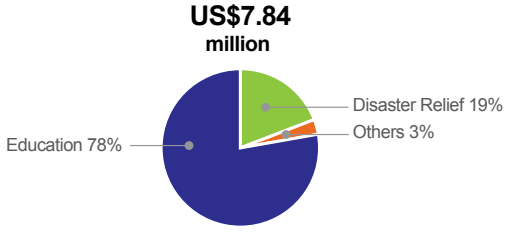
We sponsored the Annual Show of School of Design, Hong Kong Polytechnic University.

Workshop

We arranged workshop for the students of Hong Kong Design Institute.

Corporate Giving

We believe helping those in need is part of being a responsible corporate citizen. It not only demonstrates our commitment to society, but also helps to build a sustainable community where we operate. Over the last ten years, we have donated over US$7.84 million to different organisations and charities, of which 78% was for education, 19% for disaster relief and 3% for others.



Company donation up to 2010

Staff Volunteering

We also encourage our employees to contribute to the local community. With the support of the Company, the MEGAMAN® staff volunteer team was established in July 2010.

In 6 months, we had provided over 625 hours of volunteer service.

Thalassaemia Flag Day

Pass-it-On Campaign: charity sales

Replacement of compact fluorescent lamp to the elderly

Visit to elderly centre in Mid-Autumn Festival 2010

Up to December 2010, our staff volunteers had provided over 625 hours of volunteer service. Family members of employees are also encouraged to participate in voluntary services.

Date	Activity	Organiser
December 2010	Pass-it-On Campaign	Hong Kong Red Cross
November 2010	Replacement of compact fluorescent lamps	Evergreen Association
October 2010	ECSAF's Flag Day	End Child Sexual Abuse Foundation (ECSAF)
September 2010	Visit to elderly center	The Salvation Army
September 2010	Mooncake Charity Bazaar	The Salvation Army
August 2010	International Coastal Cleanup	Ocean Conservancy
July 2010	Thalassaemia Flag Day	Children's Thalassaemia Foundation

Summary of Volunteer Service

Community Participation

In addition to the community investment and philanthropic support, we also maintain close relationship with society through participating in various leading industry associations and organisations. Neonlite is a member of the following associations and organisations:

- Business Environment Council (www.bec.org.hk)
- Federation of Hong Kong Industries (www.industryhk.org)
- Hong Kong General Chamber of Commerce (www.chamber.org.hk)
- Hong Kong Interior Design Association (www.hkida.org)
- Hong Kong Retail Management Association (www.hkrma.org)
- Hong Kong Solid State Lighting Industry Consortium (www.hksslic.hkpc.org)
- Hong Kong WEEE Recycling Association (www.hkwra.org.hk)
- Hong Kong & Kowloon Electric Trade Association
- International Commission on Illumination (www.cie.co.at)
- International Facility Management Association – Hong Kong Chapter (www.ifma.org.hk/ifma)
- WWF – Hong Kong (www.wwf.org.hk)
- The Zhaga Consortium (www.zhagastandard.org) ■

Moving Forward

Given the increasing environmental concerns, the need for energy efficiency and legislative support, the energy-efficient lighting market is set to continue to grow. We will continue to position ourselves as a market leader in the high-performance energy-efficient lighting industry with advanced technology and innovative products which are of high energy-efficiency and low carbon footprint.

Further to our success in the European market, we will increase our market presence in North America and South America in 2011-2012. This will increase our market diversity and contribute to our sustainable business growth especially during times of economic turbulence.

LED has a bright future in the general lighting segment. However, there are also challenges for the industry players. One of which is the lack of international standards to benchmark performance and quality. Neonlite is taking part in the LED standardisation process as an active member of Zhaga, an industry-wide consortium which aims to develop standard specifications for LED lighting products.

Another challenge is the price level, which limits the market penetration of LED lighting products. Neonlite is aggressively adopting measures to lower the LED selling price to match customers' expectations. With a price reduction in the long term, LED will become the most favourable lighting solution in all applications.

Employees are regarded as our most valuable asset at Neonlite. Our success relies on their expertise, dedication and diligence regardless of their roles in the Company. We will continue to evaluate the training needs and provide suitable training for our employees such that they will be equipped with knowledge and skills to meet the changing needs from the market and customers. In addition, training will continue to focus on their health and safety so we can mitigate accidents and injuries.

We completed our first carbon audit that quantified our GHG emissions for 2010 and our carbon footprint during calendar year 2010 was 24,844.86 tons of CO_2e which includes emissions related to the fuel and electricity usage, transportation and refrigeration usage in our production plants in mainland China. In 2011, we target to reduce our carbon emissions by 3%.

In our office in Hong Kong, we have started the carbon footprint data collection programme in terms of overall electricity consumption, business travel, local transportation and company vehicles, where the year 2011 will serve as our baseline from which we will gauge our improvements.

The focus of our sustainability initiatives is to reduce resources, reduce environmental impact and have a harmonious relationship with our stakeholders while running a profitable business. We will continue to run our business by integrating economic, environmental and social considerations in our operations and products.■

Key Statistics

	2010	2009
Economic (Product Sales Value)		
Sales value of CFL products		
(year to year ratio in %)	77%	100%
Sales value of LED products		
(year to year ratio in %)	176%	100%
Number of Employee		
Hong Kong	130	126
China	4,213	4,733
Breakdown by Gender		
Male:Female (Hong Kong)	72 : 58 (55% : 45%)	66 : 60 (52% : 48%)
Male:Female (China)	1,721 : 2,492 (41% : 59%)	1,925 : 2,808 (41% : 59%)
Breakdown by Age Group		
Hong Kong		
< 30	23	24
30 – 50	103	99
> 50	4	3
China		
< 30	2,583	3,255
30 – 50	1,597	1,440
> 50	33	38
Innovation		
Number of patents granted	9	8
Number of design registration granted	66	99
Customer Satisfaction		
No. of response collected for customer satisfaction survey	25	20
Overall customer satisfaction rate	8.08	8.37
Health & Safety		
Staff injury cases	30	63
Product Safety (Mercury Content in Product)		
Average mercury usage per lamp (mg)	1.63	1.88
Environment – Carbon Footprint		
Scope 1 GHG Emissions (ton CO_2e)[1]	4,394.05	-
Scope 2 GHG Emissions (ton CO_2e)[1]	20,450.81	-
Scope 1 & 2 GHG Emissions (ton CO_2e)[1]	24,844.86	
Community		
No. of volunteer hours	625	-

Remarks:
1 The physical boundary of the GHG emission included Neonlite's production plants in mainland China only. Scope 1 emissions refer to direct GHG emissions from sources that are owned or controlled by Neonlite, while Scope 2 emissions refer to indirect GHG emissions associated with the generation of electricity, heating/cooling, or steam purchased for Neonlite's own consumption.

GRI Content Index

We are delighted to develop this Sustainability Report with reference to the Global Reporting Initiative (GRI) Sustainability Reporting Framework. The GRI Framework sets out principles and indicators for measuring and reporting on economic, environmental and social performance in a balanced and transparent manner. We self-assess our application of the GRI Reporting Framework to be at level B. An index of conformance with the guidelines and an explanation of how we comply with the framework and indicators is shown below.

Report Section	Standard Disclosure / Requirements Covered
About this Report	3.2, 3.3
Scope of the Report	3.1, 3.6, 3.8, 3.10, 3.11
Message from the Chairman and CEO	1.1, 1.2
Who We Are and What We Do	
• About Neonlite	2.1, 2.3, 2.4, 2.5, 2.8
• What We Do	2.2, 2.7, EC – DMA
• Financial Highlights	2.8, EC – DMA
• Awards and Recognitions	2.10
Our Sustainability Strategy, Values and Approach	
• Our Philosophy – “Life in Light” and Management Approach	4.8
• Corporate Governance	2.6, 4.1, 4.2, 4.3, 4.4, 4.6[4], 4.9, 4.11
• Engaging with our Stakeholders	3.5, 4.14, 4.15, 4.16, 4.17
Responsibility throughout the Value Chain	PR – DMA
• Product Innovation	EC2
• Product Life-cycle Assessment	EN26, SO5
• Product Recovery	
• Product Quality and Safety	PR1
• Customer Satisfaction	PR5
• Our Environmental Performance	
Environmental Management System	EN – DMA
• Energy Usage and Carbon Footprint	EN7, EN16, EN18
• Pollution Reduction	EN22
• Green Office	
• Environmental Education	

GRI Content Index

Report Section	Standard Disclosure / Requirements Covered
Taking Care of Our Employees	LA – DMA
• Our Workforce	2.9, LA1 (partial), LA13 (partial)
• Employees' Rights and Benefits	HR – DMA, HR6, HR7
• Employee Communications	LA5
• Employees' Health and Safety	LA7
• Training and Development	
Our Responsibility to the Community	SO – DMA
• Education	EC8
• Corporate Giving	EC8
• Staff Volunteering	
• Community Participation	4.13
Moving Forward	EC – DMA
Key Statistics	3.9
GRI Index table	3.5, 3.7[1], 3.12, 3.13[2], 4.5[3], 4.7[5], 4.10[6], 4.12[7]
	EC3[8], EC4[9], EN23[10], EN28[11], HR4[12], HR5[13], SO8[14], PR9[14]
Glossary of Terms	
Your Feedback	3.4

Remarks:

[1] 3.7 – There is no specific limitations on the report scope.
[2] 3.13 – Currently we do not have full external assurance for our sustainability report.
[3] 4.5 – Appraisal is conducted regularly to evaluate staff performance, including social and environmental performance wherever applicable.
[4] 4.6 – A Code of Conduct is to be released early 2011 which will contain formal guidelines for avoiding conflict of interest.
[5] 4.7 – Selection of a director or senior management is performed by the Chairman and CEO. Proposed new directors or senior management are selected based on skills and experience that will enable them to make positive contribution to the performance of the Company as a whole.
[6] 4.10 – The highest governance body, including the Chairman, CEO and Directors, evaluates the Company's performance regularly, which includes economic, environmental and social performance.
[7] 4.12 – Neonlite Electronic & Lighting (HK) Ltd is one of the endorsers of the Clean Air Charter (http://www.cleanair.hk/eng/index.htm) initiated by the Hong Kong General Chamber of Commerce and the Hong Kong Business Coalition on the Environment.
[8] EC3 – Employees in Hong Kong are all covered by the Mandatory Provident Fund scheme while workers in China are generally protected by the endowment insurance scheme as stated in the Labour Law.
[9] EC4 – Neonlite has not received any financial assistance from government during the reporting period.
[10] EN23 – There was no significant spills happened during the reporting period.
[11] EN28 – Neonlite complied with all environmental laws and regulations during the reporting period.
[12] HR4 – There was no discrimination incident happened during the reporting period.
[13] HR5 – Trade union was formed in accordance to the legal requirement in China.
[14] SO8 & PR9 – There was no non-compliance with laws and regulations during the reporting period.

Glossary of Terms

Amalgam
An alloy of mercury combined with other metals which is in a stable solid form under room temperature.

Burn-in Test
Burn-in is the process by which components of a system are put to operation in a controlled environment prior to being placed in service (and often, prior to the system being completely assembled from those components). The intention is to detect those particular components that would fail as a result of the initial, high-failure rate portion of the bathtub curve of component reliability. If the burn-in period is made sufficiently long (and, perhaps, artificially stressful), the system can then be trusted to be mostly from further early failures once the burn-in process is complete.

Compact Fluorescent Lamp (CFL)
A CFL is a type of fluorescent lamp, more compact in size, which produces electrical energy through the collision of electrons with ionised mercury atoms inside the lamp tube. Much of this energy is converted into ultraviolet light that is absorbed by the phosphor coating on the inner tube wall, thus exciting the phosphor atoms. The light given off from the phosphor is converted and emitted in the visible spectrum, which appears as white light to human eyes.

Cooling tube
A technology by MEGAMAN® to regulate the mercury vapour pressure at an optimal level. With cooling tube technology, the lamp can attain over 90% light flux output throughout the lamp life.

DIMMER*ABLE*®
A technology enables users to choose between dimmer atmospheric lighting and full lighting of MEGAMAN® CFL and LED with a brightness range from 100% to 10% using common dimmer switches. The smooth dimming experience is comparable to that of traditional incandescent and halogen lamps.

DorS Dimming
A technical feature which allows MEGAMAN® CFL and LED products to perform an instant 4-step dimming effect with any standard ON/OFF switches.

Greenhouse Gas (GHG)
A gaseous constituent of the atmosphere, both natural and anthropogenic, that absorbs and emits radiation at specific wavelengths within the spectrum of infrared radiation emitted by the Earth's surface, the atmosphere and clouds. GHG include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorcarbons (PCFs) and sulphur hexafluoride (SF_6).

Hipot Test
Meaning 'high potential' and also called a Dielectric Withstand test verifies that the insulation of a product or component is sufficient to protect the operator from electrical shock.

IECQ QC 080000
A specification helps manufacturers of electrical and electronic products and components to implement a Hazardous Substance Process Management (HSPM) system.

***INGENIUM*®**
A MEGAMAN® technology which can enhance the overall performance of CFL, with product life time up to 15,000 hours, switching cycle up to 600,000 times, and preheating time of less than 1 second.

ISO 14064 Part 1
An ISO standard that specifies principles and requirements at the organisation level for the quantification and reporting of greenhouse gas (GHG) emissions and removals. It includes requirements for the design, development, management, reporting and verification of an organisation's GHG inventory.

Glossary of Terms

ISO/IEC 17025
An ISO standard that specifies the general requirements for the competence to carry out tests and/or calibrations, including sampling. It covers testing and calibration performed using standard methods, non-standard methods, and laboratory-developed methods.

Light Emitting Diode (LED)
An electronic semi-conductor device that emits light when an electric current passes through it.

LM-79
A documentary standard published by the Illuminating Engineering Society of North America (IESNA), which describes the methods for testing solid-state lighting products for their light output (lumens), energy efficiency (lumens per watt) and chromaticity.

National Voluntary Laboratory Accreditation Programme (NVLAP)
A National Institute of Standards and Technology (NIST) programme which provides an unbiased third-party test and evaluation programme to accredit laboratories in their respective fields to the ISO/IEC 17025 standard.

OHSAS 18001
An Occupation Health and Safety Assessment Series for health and safety management systems which helps organisations to control their occupational health and safety risks.

Restriction of Hazardous Substances (RoHS) Directive
The Directive on the restrictive of the use of certain hazardous substances in electrical and electronic equipment (2002/95/EC) which restricts the use of six hazardous materials (namely lead (Pb), mercury (Hg), cadmium (Cd), hexavalent chromium (Cr^{6+}), polybrominated biphenyls (PBB), and polybrominated diphenyl ether (PBDE) in the manufacturing of various types of electronic and electrical equipment.

SA 8000
A global social accountability standard for decent working conditions, covering child labour, forced labour, health and safety, freedom of association, right to collective bargaining, discrimination, discipline, working hours, compensation and management systems for human resources.

Switching cycle
Refers to the number of times switching on and off a lamp throughout its product life-time.

Thermal Conductive Highway™ (TCH)
A MEGAMAN® patented technology represents an ingenious highway design across the reflector to dissipate heat efficiently, hence, achieving optimum thermal control.

Waste Electrical and Electronic Equipment (WEEE) Directive
The Waste Electrical and Electronic Equipment Directive (2002/96/EC) which sets collection, recycling and recovery targets for electrical and electronic equipment, and imposes the responsibility for the disposal of waste electrical and electronic equipment on the manufacturers.

Feedback Form

Neonlite Sustainability Report 2009-2010

1. How would you rate the overall report?

   ☐ Excellent

   ☐ Above Average

   ☐ Average

   ☐ Below Average

   ☐ Poor

2. Please rate the content and quality of Neonlite's Sustainability Report 2009-2010 by the following criteria:

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Most relevant issues are covered	☐	☐	☐	☐	☐
Content is balanced and reliable	☐	☐	☐	☐	☐
Content is clear and easy to understand	☐	☐	☐	☐	☐
Structure and layout are rational and easy to use	☐	☐	☐	☐	☐

3. Do you consider Neonlite's Sustainability Report 2009-2010 useful in understanding of Neonlite's sustainability performance?
   (1 – Not useful at all; 5 – Very useful)

Very useful Not useful

☐ 5 ☐ 4 ☐ 3 ☐ 2 ☐ 1

4. Which of the following best describes you?

   ☐ Neonlite's Business Partner

   ☐ Neonlite's Supplier

   ☐ Neonlite's Employee

   ☐ Environmental Non-governmental Organisation

   ☐ Social Non-governmental Organisation

   ☐ Government Department

   ☐ Media

   ☐ General Public

   ☐ Others. Please specify:

5. Please provide your comments on Neonlite's sustainability performance and reporting and suggestions on further improvement.

Please provide your name and contact if you could like to receive our response to your comments and future reports:

Name: .....

Designation: .....

Company Name: .....

Telephone Number: .....

Email Address: .....

Please return the feedback form to us by sending email to sr@neonlite.com.hk or by fax to (852) 2758 5957. Alternatively, you are welcome to fill in the form online at www.megaman.cc/sustainability-report.

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