

Foshan Electrical & Lighting Company Limited

Summary of Interim Report 2006

§1. Important Hints

1.1 The Board of Directors, the Supervisory Committee as well as directors, supervisors and senior management of the Foshan Electrical & Lighting Company Limited (hereinafter referred to as the Company) individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading. The summary of interim report 2006 is abstracted from full text of the interim report, which is published on the Internet website <http://www.cninfo.com.cn> in the mean time. The investors are suggested to read the full text of interim report 2006 to understand more details. The interim accounting and financial report of the Company has not been audited. This interim report was prepared in both Chinese and English. Should there be any difference in interpretation of the two versions, the Chinese version shall prevail.

1.2 Mr. Martin Goetzeler, a director of the Company, was absent from the Board meeting due to business trip, and has entrusted Mr. Johannes Narger, another director of the Company, to vote on his behalf.

1.3 Mr. Zhong Xincai, the Chairman of the Board and concurrently person in charge of accounting work, and Ms. Wang Shuqiong, the Manager of the Financial Department hereby declared that the financial report enclosed in the interim report is true and complete.

§2. Company Profile

2.1 Basic information

Short form of the stock	G FSL (A-Share), Yue Electrical & Lighting (B-Share)	
Stock code	000541 (A-Share), 200541(B-Share)	
Listed stock exchange	Shenzhen Stock Exchange	
	Secretary of the Board	Securities Affairs Representative
Name	Lin Yihui	
Contact address	No. 15 Fenjiang North Road, Shancheng District, Foshan	
Telephone	86-757-82966098, 82810239	
Fax	86-757-82816276	
E-mail	gzfsligh@pub.foshan.gd.cn	

2.2 Major financial data and indexes

2.2.1 Major accounting data and financial indexes

Unit: RMB Yuan

Items	At the end of this report period	At the end of the last year	Increase/decrease at the end of this report period compared with the end of the last year (%)
Current assets	1,346,070,856.72	1,432,621,239.52	-6.04
Current liabilities	231,168,917.88	233,367,291.78	-0.94
Total assets	2,502,520,595.60	2,563,697,231.55	-2.39
Shareholders' equity (excluding minority interest)	2,245,193,544.74	2,304,699,122.97	-2.58
Net assets per share	6.26	6.43	-2.64
Net assets per share after adjustment	6.26	6.42	-2.49
Items	In this report period (Jan. to Jun. 2006)	At the same period of the last year	Increase/decrease in this report period compared with the same period of the last year (%)
Net profit	116,133,429.76	119,399,249.65	-2.74
Net profit after deducting non-recurring gains and losses	93,952,279.93	115,840,253.73	-18.89
Earnings per share	0.32	0.33	-3.03
Earnings per share (note)	-	-	-
Return on equity (%)	5.17	5.42	-0.25
Net cash flow arising from operating activities	153,705,116.66	99,083,149.05	55.13

Note: Earnings per share was calculated based on new share capital if the Company's share capital from the end of report period to disclosure date of this report had been changed.

2.2.2 Items of non-recurring gains and losses

Applicable Inapplicable

Unit: RMB Yuan

Items of non-recurring gains and losses	Amounts
Net non-operating income and expense	3,515,224.43
Investment income	22,580,245.96
Less: impact on income tax	3,914,320.56
Total	22,181,149.83

2.3.3 Difference between CAS and IAS

Applicable Inapplicable

Unit: RMB

	CAS	IAS
Net profit	116,133,429.76	116,133,429.76
Explanation on difference	There was no difference in net profit as of the report period calculated according to CAS and IAS.	

§3. Changes in Share Capital and Particulars about Shares held by Main Shareholders

3.1 Statement of change in shares

Applicable Inapplicable

Unit: share

Type of shares	Before the change		Increase/decrease in this time (+, -)					After the change	
	Number of shares	Proportion (%)	Issuance of new shares	Bonus shares	Capitalization of public reserve	Other	Subtotal	Number of shares	Proportion (%)
I. Shares subject to moratorium	132,431,761	36.95						132,431,761	36.95
1. Shares held by the State	85,922,100	23.97				-85,922,100	-85,922,100	0	0
2. Shares held by state-owned legal persons									
3. Shares held by other domestic investors	43,935,161	12.26						43,935,161	12.26
Among which:									
Shares held by domestic legal persons	42,990,745	11.99						42,990,745	11.99
Shares held by domestic natural persons	944,416	0.26						944,416	0.26
4. Shares held by foreign investors	2,574,500	0.72				+85,922,100	+85,922,100	88,496,600	24.69
Among which:									
Shares held by overseas legal persons						+85,922,100	+85,922,100	85,922,100	23.97
Shares held by overseas natural persons	2,574,500	0.72						2,574,500	0.72
II. Shares not subject to moratorium	226,016,498	63.05						226,016,498	63.05
1. RMB ordinary shares	146,090,998	40.76						146,090,998	40.76
2. Domestically listed foreign shares	79,925,500	22.30						79,925,500	22.30
3. Overseas listed foreign shares									

4. Others									
III. Total shares	358,448,259	100						358,448,259	100

Number of shares held by the top ten shareholders subject to moratorium and trading moratorium

Unit: share

No.	Name of shareholders subject to moratorium	Number of holding shares subject to moratorium	Date of listing for trade	Number of additional shares could list for trade	Trading moratorium
1	OSRAM PROSPERITY Holding Company Limited	48,284,134	Apr. 25, 2011	48,284,134	No listing and transfer may be taken within 5 years as of the date when the shares of the Company held by this company obtain the trading right.
2	Prosperity Lamps and Components Limited	37,637,966	Apr. 25, 2007	17,922,412	No trading and transfer may be taken within 12 months as of the date when nontradable shares of the Company held by this company obtain the trading right. This company would sell shares held by it through listing and trading in Shenzhen Stock Exchange after expiration of the aforesaid commitment, but proportion of number of shares could be sold in total shares of the Company shall not exceed 5 percent within 12 months, as well as not exceed 10 percent with 24 months.
			Apr. 25, 2008	17,922,412	
			Apr. 25, 2009	1,793,142	
3	Guangzhou Prosperity Lamps and Components Trade Co., Ltd.	7,497,641	Apr. 25, 2007	7,497,641	No trading and transfer may be taken within 12 months as of the date when corporate shares of the Company held by this company obtain the trading right.
4	Foshan Organ Service Station	1,361,250	Apr. 25, 2007	1,361,250	
5	Foshan Fung Shun Industrial Corp.	1,237,500	Apr. 25, 2007	1,237,500	
6	Nanhai Wuzhuang Color Glaze Brick Field	1,237,500	Apr. 25, 2007	1,237,500	
7	Foshan Financial Development Company	1,113,750	Apr. 25, 2007	1,113,750	
8	Foshan Jinge Mansion	990,000	Apr. 25, 2007	990,000	

9	Trade Union Committee to Foshan Electrical and Lighting Co., Ltd.	987,500	Apr. 25, 2007	987,500	
10	Foshan Industry Economics Development Corporation	928,125	Apr. 25, 2007	928,125	

3.2 Particulars about shares held by the top ten shareholders and the top ten shareholders not subject to moratorium

Unit: share

Total shareholders at the end of report period		58926			
Particulars about shares held by the top ten shareholders					
Name of Shareholders	Nature of shareholders	Proportion	Total number of shares held	Number of shares subject to moratorium	Number of share pledged/frozen
OSRAM PROSPERITY Holding Company Limited	Foreign share	13.47	48,284,134	48,284,134	0
Prosperity Lamps and Components Limited	Foreign share	10.5	37,637,966	37,637,966	0
Guangzhou Prosperity Lamps and Components Trade Co., Ltd.	—	2.09	7,497,641	7,497,641	0
102 Combination of National Social Insurance Funds	—	2.08	7,472,582	—	Unknown
EAST ASIA SECURITIES COMPANY LIMITED	Foreign share (B-share)	0.97	3,491,773	—	Unknown
VALUE PARTNERS CLASSIC FUND	Foreign share (B-share)	0.86	3,090,854	—	Unknown
HTHK-VALUE PARTNERS INTELLIGENT FD-CHINA B SHS FD	Foreign share (B-share)	0.85	3,063,049	—	Unknown
108 Combination of National Social Insurance Funds	—	0.84	3,000,000	—	Unknown
103 Combination of National Social Insurance Funds	—	0.77	2,742,908	—	Unknown
Alfred K. N. Chong	Foreign share (B-share)	0.72	2,574,500	2,574,500	0
Particulars about shares held by the top ten shareholders not subject to moratorium					
Name of Shareholders (full name)	Number of tradable shares not subject to moratorium at the period-end		Type of shares		
102 Combination of National Social Insurance Funds	7,472,582		A-share		
EAST ASIA SECURITIES COMPANY LIMITED	3,491,773		B-share		
VALUE PARTNERS CLASSIC FUND	3,090,854		B-share		

HTHK-VALUE PARTNERS INTELLIGENT FD-CHINA B SHS FD	3,063,049	B-share
108 Combination of National Social Insurance Funds	3,000,000	A-share
103 Combination of National Social Insurance Funds	2,742,908	A-share
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS	2,502,895	B-share
UBS WARBURG CUSTODY PTE LTD. Bank of Switzerland	2,318,034	B-share
MERRILL LYNCH PIERCE FENNER & SMITH INC	2,264,561	B-share
Goldman Sachs Asset Management International – Goldman Sachs International China Fund	2,139,909	A-share
Explanation on associated relationship among the top ten shareholders or acting-in-concert	Among the top ten shareholders, there exists association relationship among OSRAM PROSPERITY Holding Company Limited, Prosperity Lamps and Components Limited and Alfred K. N. Chong, but they did not belong to acting-in-concert as described by the Administrative Rules on Information Disclosure about Changing of Shareholding Status. The Company was unknown whether there is any associated relationship among the any other shareholders among the top ten shareholders and among the top ten shareholders not subject to moratorium, or whether there is any action-in-concert among them as described by the Administrative Rules on Information Disclosure about Changing of Shareholding Status.	

3.3 Particulars about change in controlling shareholder and actual controller of the Company

Applicable Inapplicable

Name of new controlling shareholder	
Name of new actual controller	OSRAM PROSPERITY Holding Company Limited
Changing date	Apr. 7, 2006
Disclosure date and newspaper of the changing of controlling shareholder	
Disclosure date and newspaper of the changing of actual controller	China Securities Journal, Securities Times and Hong Kong Ta Kung Pao dated April 7, 2006

§4. Particulars about Directors, Supervisors and Senior Management

4.1 Particulars about changes in shares held by directors, supervisors and senior management

Applicable Inapplicable

Name	Office title	Holding shares at the period-begin	Holding shares at the period-end	Reason for change
Zhong Xincai	Chairman of the Board	242,650	309,050	Purchasing shares with incentive funds

Alfred K. N. Chong	Vice Chairman of the Board	2,415,500 (B-share)	2,574,500	Purchasing from the market
Liu Xingming	Standing Director, General Manager	104,300	140,500	Purchasing shares with incentive funds
Martin Goetzeler	Director	—	—	—
Johannes Narger	Director	—	—	—
Ye Zaiyou	Director	—	—	—
Liang Zhen	Independent Director	—	—	—
Wu Jianhong	Independent Director	—	—	—
Chen Ziyun	Independent Director	—	—	—
Huang Guanxiong	Chairman of the Supervisory Committee	38,600	54,600	Purchasing shares with incentive funds
Mei Feixing	Supervisor	18,600	27,300	Purchasing shares with incentive funds
Li Jianwu	Supervisor	20,700	29,400	Purchasing shares with incentive funds
Chen Guanbiao	Supervisor	—	—	—
Shen Weiqiang	Supervisor	—	—	—
Ou Muben	Deputy General Manager	90,800	113,300	Purchasing shares with incentive funds
Guo Jieming	Deputy General Manager	58,636	83,436	Purchasing shares with incentive funds
Cai Jiantai	Deputy General Manager	—	—	—
Lin Yihui	Secretary of the Board	38,200	54,170	Purchasing shares with incentive funds
Wang Shuqiong	Manager of Financial Department	43,360	63,060	Purchasing shares with incentive funds

§5. Discussion and Analysis of the Management

The business scope of the Company remained unchanged during the report period. In accordance with the market status and the production and operation target for the year 2006, the Company has strengthened the operation management, controlled the costs, enlarged the market development force and expanded the production scale. Meanwhile, the Company was continuing to build factory buildings of FSL industrial Park and introduce the partial equipments, and four T8 product lines has been put into production and six product lines of common bulb were installing and debugging. During the report period, the Company has kept a steady development in its production and operation as a whole. But the continuous rise of price of copper products, heavy oil and petroleum gas and influence on export products due to the appreciation of the Renminbi have brought a pressure on production and operation of the Company. The Sales income for the first half year of 2006 basically kept the same level over the same period of last year, but the profit suffered the certain influence. From Jan. to Jun. 2006, the Company has realized the income from main operations

of RMB 602.33 million, an increase of 0.89% compared with the same period of last year, and total profit amounting to RMB 141.72 million, down 3.05% year-on year, as well as net profit of RMB 116.13 million, a decrease of 2.74% than that of the same period of last year.

5.2 Main operations classified according to industries or products

Unit: RMB'0000 Yuan

Industries	Income from main operations	Cost of main operations	Profit ratio of main operations (%)	Increase or decrease of income from main operations compared with the last year (%)	Increase or decrease of cost from main operations compared with the last year (%)	Increase or decrease of profit ratio of main operations compared with the last year (%)
Lighting Wares Industry	60,233.47	45,131.50	25.07	0.89	7.94	-4.9
Classified Products Circs in Main Business						
Electro-optical source products	60,233.47	45,131.50	25.07	0.89	7.94	-4.9

5.3 Main operations classified according to region

Unit: RMB'0000 Yuan

Region	Income from main operations	Increase/decrease in income from main operations over the last year (%)
Domestic	38,218.15	-4.19
Overseas	22,015.33	11.12

5.4 Other operations activities having significant influence on net profit

Applicable Inapplicable

5.5 Operation of share-holding companies

Applicable Inapplicable

5.6 Reasons of significant changes in main operations and its structure

Applicable Inapplicable

5.7 Reasons of significant changes in profitability capability of main operations (gross profit ratio) than that in the last year

Applicable Inapplicable

The gross profit ratio as of this report period was 25.07%, a drop of 4.9 percent compared with the gross profit ratio of 29.97% in the same period of last year, which

was mainly due to the higher market price of raw materials and fuels in the first half year.

5.8 Analysis to reasons of significant changes in profit breakdown compared with the previous year

Applicable Inapplicable

5.9 Utilization of the raised proceeds

5.9.1 Utilization of the raised proceeds

Applicable Inapplicable

In the second half year of 2000, the Company has raised proceeds amounting to RMB 667 million by issuing A shares additionally, and invested in the nine investment projects disclosed in the Prospectus. As at the end of year 2005, all raised proceeds were used out. As the major investment projects, the product lines for T8 and T5 fluorescent lamp invested with the said raised proceeds has been put into production. The commitment in the Prospectus: introducing 12 production lines for T8 fluorescent lamp with an annual production of 90 million fluorescent lamps; introducing 4 production lines for T5 fluorescent lamp with an annual production of 30 million fluorescent lamps.

In the recent years, in accordance with the market development situation, the Company has also added and introduced the production lines for T8 fluorescent lamps with self-owned capital except 12 production lines for T8 fluorescent lamps and 4 production lines for T5 fluorescent lamps completed in term of the commitment. At present, the Company has 24 production lines for T8 fluorescent lamps as well as 4 production lines for T5 fluorescent lamps. In the first half year of 2006, the Company has produced 75.04 million T8 and T5 fluorescent lamps with income of RMB 48.38 million, an increase of 18.35% compared with the same period of last year. The fluorescent lamps have a good sales market at present, which became the stress project of the Company and created the greater economical benefit for the Company in the first half year.

5.9.2 Change of projects

Applicable Inapplicable

5.10 Revised business plan of the Board for the second half of 2006

Applicable Inapplicable

5.11 Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its significant change compared with the corresponding period of the last year and explanation on reason

Applicable Inapplicable

5.12 Explanation of the Management Team on “Qualified Opinion” from the Certified Public Accountants in the report period

Applicable Inapplicable

5.13 Explanation of the Management Team on changes and solutions of the issues involved in “Qualified Opinion” from the Certified Public Accountants in the last year

Applicable Inapplicable

§6. Important Events

6.1 Purchase, sales and reorganization of assets

6.1.1 Purchase of assets or assets bought-in

Applicable Inapplicable

6.1.2 Sales of assets or assets sold

Applicable Inapplicable

6.1.3 Progress of these events after the publication of the Assets Reorganization Report or public notices on the purchases or sales of assets, as well as the influences of these events on the operation results and financial status of the Company in the report period

Applicable Inapplicable

6.2 Important guarantee events

Applicable Inapplicable

6.3 Related credits and liabilities current

Applicable Inapplicable

Related parties	Selling products and providing labor to related parties		Purchasing products and receiving labor from related parties	
	Transaction amount	Proportion in same transaction amount	Transaction amount	Proportion in same transaction amount
Prosperity lamps	22,060,582.46	3.66%	4,405,996.26	1.46%
Hangzhou prosperity	1,277,233.23	0.21%	9,000,000.00	9.43%
Hangzhou Times	897.44	0.0001%	—	—
Prosperity Electrical	1,579,368.34	0.26%	96,239.92	0.03%
Nanjing prosperity	196,843.68	0.03%	—	—
OSRAM	20,985,389.18	3.48%	—	—
Foshan Xinxiang	—	—	928,000.00	0.97%
Prosperity Foshan	—	—	226,542.00	0.24%
Total	46,100,314.33	7.64%	14,656,778.18	12.13%

- The Company has paid RMB 695,909.07 to Prosperity Lamps as the service charge for the import of equipment, accounting for 3% of the price of such equipment.
- The above transactions are all priced based on the market price, which is fair and just.
- The related transactions are necessary for the normal operation of the Company, which is benefit to the long-term development of the Company.
- No related transaction would adversely affect the independence of the Company.

6.4 Significant lawsuits and arbitrations

Applicable Inapplicable

6.5 Other important events as well as analyses and explanations on their influences and solutions

Non-operating capital occupation and clearing progress

Applicable Inapplicable

6.6 Special commitments made by the originally non-circulating shareholder during the Share Merger Reform and their implementation

Applicable Inapplicable

Name of the shareholder	Special commitments	Implementation of the agreement	Implementation of the commitments
OSRAM PROSPERITY Holding Company Limited	1. No listing and transfer may be taken within 60 months as of the date when the shares of the Company held by this company obtain the trading right [i] or before Dec. 31, 2011 [ii] (taking the earlier date between [i] and [ii]). Osram Prosperity would submit Shenzhen Stock Exchange to lock up the said shares in the course of the moratorium of trading right of the aforesaid shares after transfer of the shares. 2. Germany OSRAM Company would purchase the lamp products from FSL in accordance with the clauses of the Purchase Contract on Lamp Products signed between Germany OSRAM Company and FSL on Aug. 31, 2004. 3. As required by FSL, OSRAM PROSPERITY should urge Germany OSRAM Company to provide the relevant technology abidance and skill to FSL in accordance with the clauses and conditions negotiated between FSL and Germany OSRAM Company.	In implementing	Implementing based on commitments

OSRAM PROSPERITY Holding Company Limited Prosperity Lamps Components Co., Ltd.	1. Within four years after completion of the share merger reform and transfer procedure, the profit distribution plan would be proposed in the Annual Shareholders' General Meeting of FSL, and the said two companies would vote the affirmative votes, which the proportion of profit distribution in the said profit distribution plan is not less than 65% of profit available for distribution realized of FSL in the current year. 2. In order to keep the stabilization of FSL's Management Team, OSRAM PROSPERITY and Hong kong Prosperity undertook: they would exercise the voting right in the Board meeting and the Shareholders' General Meeting of FSL after the completion of share transfer to support continually Mr. Zhong Xincui to take the post of Chairman of the Board, so as to ensure that the existing management team remained unchanged basically within three years, but the conditions are: the existing management team does very well in the work and no disadvantage influence on the achievement outstanding of FSL.	In implementing	Implementing based on commitments
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Note: Special commitments are refer to the other commitments except for the legal commitments in the share merger reform.

6.7 Explanation on the time arrangements for the share merger reform by companies that have not carried out the reform

Applicable Inapplicable

§7. Financial Report

7.1 Auditors' opinions

Financial Report	<input checked="" type="checkbox"/> Un-audited	<input type="checkbox"/> Audited
Auditors' opinions	<input type="checkbox"/> Standard and unqualified	<input type="checkbox"/> Qualified

7.2 Financial Statement

7.2.1 Statement of Profit and Profit Distribution

Statement of Profit and Profit Distribution
Prepared by Foshan Electrical and Lighting Co., Ltd. Jan.-Jun. 2006 Unit: RMB

Items	Notes	Jan. – Jun. 2006		Jan. – Jun. 2005	
		Consolidated	Parent Company	Consolidated	Parent Company
I. Income from main operations	23	602,334,740.24	586,172,083.39	597,027,665.57	577,761,927.37
Less: discount and		—	—	—	—

Net amount of income from main operations		602,334,740.24	586,172,083.39	597,027,665.57	577,761,927.37
Less: Cost of main operations		451,314,989.55	442,485,463.53	418,113,651.49	404,666,583.00
Taxes and extras of main operations	24	5,024,950.67	4,893,159.49	4,459,298.18	4,391,832.92
II. Profit from main operations		145,994,800.02	138,793,460.37	174,454,715.90	168,703,511.45
Add: Other operating profit	25	2,414,886.49	5,658,478.34	2,178,564.37	5,616,786.19
Less: Operating expenses		14,505,888.04	13,697,389.10	15,774,311.45	14,906,316.51
Administrative expenses		21,759,655.84	19,369,495.11	23,647,280.60	23,447,587.63
Financial expenses	26	-3,476,327.43	-2,870,004.20	-4,775,146.97	-4,261,004.12
III. Operating profit		115,620,470.06	114,255,058.70	141,986,835.19	140,227,397.62
Add: Investment income	27	22,580,245.96	23,297,562.97	3,288,102.23	4,265,865.37
Subsidy income		—	—	—	—
Non-operating income	28	88,170.91	88,170.91	909,571.95	909,571.95
Less: Non-operating expenses	29	-3,427,053.52	-3,427,053.52	10,620.16	10,540.16
IV. Total profit		141,715,940.45	141,067,846.10	146,173,889.21	145,392,294.78
Less: Income tax		25,205,468.32	24,934,416.34	26,143,856.57	25,993,045.13
Less: Minority interests	30	377,042.37	—	630,782.99	—
V. Net profit		116,133,429.76	116,133,429.76	119,399,249.65	119,399,249.65
Add: Retained earnings at the year-begin		89,737,874.38	89,737,874.38	78,731,628.85	78,731,628.85
VI. Profit available for distribution		205,871,304.14	205,871,304.14	198,130,878.50	198,130,878.50
Less: appropriating statutory capital reserve		—	—	—	—
Appropriating statutory public welfare reserve		—	—	—	—
VII. Profit available for distribution to investor		205,871,304.14	205,871,304.14	198,130,878.50	198,130,878.50
Less: Appropriating discretionary reserve		—	—	—	—
Dividend for ordinary shares		—	—	—	—
Dividend for ordinary shares converted to share capital		—	—	—	—
VIII. Retained earnings		205,871,304.14	205,871,304.14	198,130,878.50	198,130,878.50

7.3 Notes to the statements

7.3.1 Compared with the latest Annual Report, there were no changes in accounting policies or accounting estimations, nor were there any corrections of accounting errors.

7.3.2 Should there be any significant changes in the consolidation scope of the financial statements, give the reasons and the amounts influenced.

√ Applicable Inapplicable

FSL Times Lamps and Lanterns Co., Ltd. was founded in January 2006, whose 70% equity was held by the Company. The Company brings it into the consolidated scope of accounting statement according to the relevant regulations.

**Board of Directors of
Foshan Electrical and Lighting Co. Ltd.**
Aug. 23, 2006