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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2222)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

Highlights:

- Our revenue from sales for the six months ended 30 June 2011 amounted to US$266,992,000, representing an increase of 30.9% from US$204,034,000 recorded in the corresponding period of 2010.

- Our gross profit from sales for the six months ended 30 June 2011 amounted to US$70,311,000, representing an increase of 27.0% from US$55,377,000 recorded in the corresponding period of 2010.

- Our profit before tax for the six months ended 30 June 2011 amounted to US$47,242,000, representing an increase of 57.0% from US$30,097,000 recorded in the corresponding period of 2010.

- Profit attributable to owners of the Company for the six months ended 30 June 2011 amounted to US$39,575,000, representing an increase of 52.6% from US$25,934,000 recorded in the corresponding period of 2010.

- Basic earnings per share of the Group for the six months ended 30 June 2011 was 1.28 US cents.

- The Board of Directors has resolved to pay an interim dividend of HK2.5 cents per share for the six months ended 30 June 2011 (corresponding period of 2010: HK2 cents per share).

The board of directors (the "Board") of NVC Lighting Holding Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011 (the "Period under Review"). The interim results have not been audited, but have been reviewed by Ernst & Young, the Company's auditors, and the audit committee of the Company.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June **2011** ***US$'000***	 2010 *US$'000*
REVENUE	*2*	**266,992**	204,034
Cost of sales		**(196,681)**	(148,657)
GROSS PROFIT		**70,311**	55,377
Other income and gains	*3*	**8,375**	5,536
Selling and distribution costs		**(15,321)**	(14,480)
Administrative expenses		**(17,432)**	(13,909)
Other expenses		**(323)**	(728)
Finance income		**1,665**	238
Finance costs	*4*	**(94)**	(1,939)
Share of profits of an associate		**61**	2
PROFIT BEFORE TAX		**47,242**	30,097
Income tax expense	*5*	**(6,588)**	(3,002)
PROFIT FOR THE PERIOD		**40,654**	27,095
Attributable to:			
Owners of the Company		**39,575**	25,934
Non-controlling interests		**1,079**	1,161
		40,654	27,095
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	*6*	**1.28 US cents**	1.1 US cents
Diluted	*6*	**1.25 US cents**	1.0 US cent

For dividend proposed for the six months ended 30 June 2011, please refer to note 7 to the financial statements on page 13 of this announcement.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
PROFIT FOR THE PERIOD	**40,654**	27,095
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**6,641**	1,319
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**47,295**	28,414
Attributable to:		
Owners of the Company	**46,530**	27,215
Non-controlling interests	**765**	1,199
	47,295	28,414

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2011** ***US$'000***	31 December 2010 *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**108,327**	84,817
Prepaid land lease payments		**12,108**	11,536
Goodwill		**35,458**	34,121
Other intangible assets		**53,593**	53,032
Investment in an associate		**743**	689
Deferred tax assets		**2,888**	2,537
Deposits		**4,308**	–
Long-term deferred expenditure		**92**	64
Total non-current assets		**217,517**	186,796
CURRENT ASSETS			
Inventories	*8*	**71,501**	68,591
Trade and other receivables	*9*	**170,526**	119,503
Prepayments		**40,215**	8,494
Short-term deposits		**51,143**	60,648
Cash and cash equivalents		**147,740**	182,766
Total current assets		**481,125**	440,002
CURRENT LIABILITIES			
Trade and bills payables	*10*	**64,862**	51,297
Other payables and accruals		**48,638**	44,438
Interest-bearing loans	*11*	**9,937**	–
Income tax payable		**4,705**	3,442
Total current liabilities		**128,142**	99,177
NET CURRENT ASSETS		**352,983**	340,825
TOTAL ASSETS LESS CURRENT LIABILITIES		**570,500**	527,621

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	30 June 2011 US$'000	31 December 2010 US$'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**15,912**	15,038
Government grants	**18,028**	16,320
Total non-current liabilities	**33,940**	31,358
Net assets	**536,560**	496,263
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**–**	–
Share premium	**319,491**	315,130
Shareholders' contribution	**879**	879
Statutory reserve	**12,577**	10,445
Employee equity benefit reserve	**1,614**	1,768
Foreign currency translation reserve	**24,813**	17,858
Retained earnings	**171,813**	134,370
Proposed final dividend	**–**	11,811
	531,187	492,261
Non-controlling interests	**5,373**	4,002
Total equity	**536,560**	496,263

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
Net cash flows (used in)/from operating activities	**(35,084)**	8,999
Net cash flows used in investing activities	**(18,953)**	(87,526)
Net cash flows from financing activities	**17,156**	201,318
Net (decrease)/increase in cash and cash equivalents	**(36,881)**	122,791
Cash and cash equivalents at beginning of period	**182,766**	44,034
Effect of foreign exchange rate changes, net	**1,855**	510
Cash and cash equivalents at end of period	**147,740**	167,335

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six months ended 30 June 2011

	Attributable to owners of the Company										
	Issued capital (US$'000)	Share premium (US$'000)	Shareholders' contribution (US$'000)	Statutory reserve (US$'000)	Employee equity benefit reserve (US$'000)	Foreign currency translation reserve (US$'000)	Retained earnings (US$'000)	Proposed final dividend (US$'000)	Total (US$'000)	Non-controlling interests (US$'000)	Total equity (US$'000)
At 1 January 2011	–	315,130	879	10,445	1,768	17,858	134,370	11,811	492,261	4,002	496,263
Profit for the period	–	–	–	–	–	–	39,575	–	39,575	1,079	40,654
Other comprehensive income:											
Exchange differences on translation of foreign operations	–	–	–	–	–	6,955	–	–	6,955	(314)	6,641
Total comprehensive income for the period	–	–	–	–	–	6,955	39,575	–	46,530	765	47,295
Transfer to statutory reserve	–	–	–	2,132	–	–	(2,132)	–	–	–	–
Acquisition of non-controlling interests	–	(606)	–	–	–	–	–	–	(606)	606	–
Exercise of share options	–	5,207	–	–	(567)	–	–	–	4,640	–	4,640
Employee share option arrangements	–	–	–	–	413	–	–	–	413	–	413
2010 final dividend declared	–	(240)	–	–	–	–	–	(11,811)	(12,051)	–	(12,051)
At 30 June 2011	–	319,491	879	12,577	1,614	24,813	171,813	–	531,187	5,373	536,560

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(continued)

Six months ended 30 June 2011

	Attributable to owners of the Company										
	Issued capital *(US$'000)*	Share premium *(US$'000)*	Equity component of convertible preference shares *(US$'000)*	Shareholders' contribution *(US$'000)*	Statutory reserve *(US$'000)*	Employee equity benefit reserve *(US$'000)*	Foreign currency translation reserve *(US$'000)*	Retained earnings *(US$'000)*	Total *(US$'000)*	Non-controlling interests *(US$'000)*	Total equity *(US$'000)*
At 1 January 2010	–	23,556	54,481	879	7,157	2,172	9,627	66,320	164,192	3,526	167,718
Profit for the period	–	–	–	–	–	–	–	25,934	25,934	1,161	27,095
Other comprehensive income:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	1,281	–	1,281	38	1,319
Total comprehensive income for the period	–	–	–	–	–	–	1,281	25,934	27,215	1,199	28,414
Transfer to statutory reserve	–	–	–	–	988	–	–	(988)	–	–	–
Issuance of new shares, net of share issue expense	–	191,824	–	–	–	–	–	–	191,824	–	191,824
Conversion of preference shares to ordinary shares	–	113,728	(54,481)	–	–	–	–	–	59,247	–	59,247
Dividend distributed by a subsidiary to the non-controlling shareholder	–	–	–	–	–	–	–	–	–	(2,223)	(2,223)
Employee share option arrangements	–	–	–	–	–	255	–	–	255	–	255
At 30 June 2010	–	329,108	–	879	8,145	2,427	10,908	91,266	442,733	2,502	445,235

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with IAS34 Interim Financial Reporting issued by the International Accounting Standards Board.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

Impact of new and Revised IFRSs

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of the new standards and interpretations as of 1 January 2011.

• IAS 32 Amendment	*Classification of Rights Issues*
• IFRS 1 Amendment	*Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
• IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
• IFRIC 14 Amendment	*Prepayments of a Minimum Funding Requirement*
• Improvements to IFRSs 2010	*Amendments to a number of IFRSs issued in May 2010*

The adoption of these new and revised IFRSs has had no significant effect on the financial statements of the current period or the prior year. The description of those new and revised IFRSs that are most likely to have effect on the future periods are as follows:

Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IFRS 3 Business Combinations: Clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

  In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

  The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

1. **BASIS OF PREPARATION** *(continued)*

- IAS 1 Presentation of Financial Statements: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

- IAS 27 Consolidated and Separate Financial Statements: Clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

Impact of Issued but not yet Effective IFRSs

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

- IFRS 1 Amendments — *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
- IFRS 7 Amendments — *Disclosures – Transfers of Financial Assets*[1]
- IFRS 9 — *Financial Instruments*[4]
- IAS 12 Amendments — *Deferred Tax: Recovery of Underlying Assets*[2]
- Amended version of IAS19 — *Employee Benefits*[4]
- Amendment to IAS1 — *Presentation of Items of Other Comprehensive Income*[3]
- IFRS 10 — *Consolidated Financial Statements*[4]
- IFRS 11 — *Joint Arrangements*[4]
- IFRS 12 — *Disclosure of Interest in Other Entities*[4]
- IFRS 13 — *Fair Value Measurement*[4]
- IAS 27 — *Separate Financial Statements*[4]
- IAS 28 — *Investments in Associates and Joint Ventures*[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of the new and revised IFRSs and IFRIC interpretations upon initial application. The Group will adopt the above IFRSs when they become effective.

2. **REVENUE AND SEGMENT INFORMATION**

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

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

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

(b) Luminaire products segment produces complete lighting units each of which consists of a lighting fixture, a lamp, an outer shell for lamp alignment and protection, and a lighting electronic appliance; and

(c) Lighting electronic products segment produces transformers, electronic and inductive ballasts for fluorescent and HID lamps, and HID ballast boxes.

Segment information represents the revenue and gross profit from external customers. Our revenue from sales for the six months ended 30 June 2011 amounted to US$266,992,000, representing an increase of 30.9% from US$204,034,000 recorded in the corresponding period of 2010.

2. REVENUE AND SEGMENT INFORMATION *(continued)*

	Revenue Six months ended 30 June		Gross Profit Six months ended 30 June	
	2011	2010	**2011**	2010
	US$'000	*US$'000*	***US$'000***	*US$'000*
Luminaire products	**152,015**	99,073	**46,011**	29,873
Lamp products	**84,321**	78,030	**19,213**	20,415
Lighting electronics products	**30,656**	26,931	**5,087**	5,089
Total	**266,992**	204,034	**70,311**	55,377
Unallocated items				
Other income and gains			**8,375**	5,536
Selling and distribution costs			**(15,321)**	(14,480)
Administrative expenses			**(17,432)**	(13,909)
Other expenses			**(323)**	(728)
Finance income			**1,665**	238
Finance costs			**(94)**	(1,939)
Share of profits of an associate			**61**	2
Profit before tax			**47,242**	30,097
Income tax expense			**(6,588)**	(3,002)
Profit for the period			**40,654**	27,095

During the Period under Review, depreciation and amortisation cost recognised in the condensed consolidated income statement amounted to US$6,821,000, as compared to US$5,795,000 for the corresponding period of 2010.

3. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
Government grants	**1,287**	840
Trademark licence fees	**1,841**	1,254
Distribution commission	**3,739**	2,567
Gains from sales of scrap materials	**480**	329
Rental income	**144**	181
Exchange gain, net	**744**	–
Others	**140**	365
Total	**8,375**	5,536

4. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
Interest expense on convertible redeemable preference shares	**–**	1,315
Interest on bank loans	**30**	615
Other interest expenses	**64**	9
	94	1,939

5. INCOME TAX EXPENSE

The Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which the subsidiaries are domiciled and operate. No provision for Hong Kong profits tax or UK corporation income tax has been made as the Group had no assessable profits arising in Hong Kong or the UK during the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

The subsidiaries of the Group located in Mainland China are subject to enterprise income tax ("EIT") at the statutory tax rate of 25% since 1 January 2008. Pursuant to the effective PRC income tax laws and regulations when these subsidiaries were established, some subsidiaries were eligible to enjoy a two-year EIT exemption followed by a three-year 50% EIT reduction holiday and other preferential tax policies (for example, the tax incentives for high-tech enterprises). The table below sets out the applicable tax rates for the Group's PRC subsidiaries:

	Six months ended 30 June	
	2011	2010
Huizhou NVC	**15.0%**	12.5%
Chongqing NVC	**12.5%**	7.5%
Zhejiang NVC	**25.0%**	25.0%
Jiangshan Phoebus	**12.5%**	12.5%
Zhangpu Phoebus	**12.5%**	12.5%
Sunny	**25.0%**	15.0%
Shanghai Arcata	**12.5%**	12.5%

The table below sets out the items of income tax expense in the Period under Review, all of which represent PRC income tax expense.

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
Current income tax		
– Current income tax charge for the period	**7,313**	3,598
Deferred income tax		
– Relating to origination and reversal of temporary differences	**(725)**	(596)
Total tax charge for the period	**6,588**	3,002

6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the six months ended 30 June 2011 and 2010. The profit attributable to ordinary equity holders of the Company is the profit attributable to owners of the Company less the profit attributable to holders of preference shares of the Company, as each holder of preference shares was entitled to any dividends paid by the Company pro rata (on an as-converted basis) with the ordinary shares.

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity holders of the Company, adjusted to reflect the interest expense and fair value gain or loss of preference shares, and the profit attributable to the holders of the preference shares of the Company, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, which is the same as that used in the calculation of basic earnings per share, and also the weighted average number of dilutive ordinary shares assumed to have been issued at no consideration on the deemed exercise of share options or conversion of all dilutive potential ordinary shares into ordinary shares. The preference shares were converted into ordinary shares on completion of the Company's initial public offering on 20 May 2010 and had no dilutive effect from that date.

6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(continued)*

	Six months ended 30 June	
	2011	2010
	US cents	*US cents*
Earnings per share		
– Basic	**1.28**	1.1
– Diluted	**1.25**	1.0

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

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
Earnings:		
Profit attributable to equity holders of the Company	**39,575**	25,934
Less: Profit attributable to holders of the preference shares	**–**	(7,504)
Profit attributable to ordinary equity holders of the Company	**39,575**	18,430

	Six months ended 30 June	
	2011	2010
	'000 Shares	*'000 Shares*
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**3,090,215**	1,689,403
Effect of dilution – weighted average number of ordinary shares:		
Share options	**68,172**	159,550
	3,158,387	1,848,953

For the six months ended 30 June 2010, because the diluted earnings per share amount is increased when taking the preference shares into account, the preference shares had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share.

7. DIVIDEND

Pursuant to a meeting of the Board held on 24 August 2010, the Company declared an interim dividend of HK2 cents per share totaling HK$61,284,000 (before tax), of which an amount of HK$4,164,000 has not been collected as at the date of this announcement.

Pursuant to a resolution of the Board dated 23 March 2011, which was passed at the annual general meeting held on 24 June 2011, the Company declared a final dividend of HK3 cents per share and the total final dividend payable amounted to HK$93,880,000 (before tax), of which an amount of HK$6,250,000 has not been collected as at the date of this announcement.

The Board has resolved to pay an interim dividend of HK2.5 cents per share for the six months ended 30 June 2011. It is expected that the interim dividend payable will amount to HK$78,295,000 (equivalent to approximately US$10,061,000) (before tax) based on the 3,131,796,000 issued shares as at 30 June 2011.

8. INVENTORIES

The balance of inventories represented our balance of stock of raw materials, work in progress and finished goods as at the end of the Period under Review. We monitor our inventories on a regular basis. The following table sets out our inventories balance as at the end of the Period under Review, as well as the turnover of average inventories (in days) for the periods indicated.

	30 June 2011 *US$'000*	31 December 2010 *US$'000*
Raw materials	**27,040**	19,885
Work in progress	**4,515**	1,053
Finished goods	**39,946**	47,653
Total	**71,501**	68,591
Turnover of average inventories (in days)[1]	**64.1**	63.4

[1] Average inventories equal inventories at the beginning of the period plus inventories at the end of the period (after provision for impairment of inventories), divided by two. Turnover of average inventories (in days) equals the average inventories divided by the cost of sales and then multiplied by 180.

During the Period under Review, the amount of the write-down of inventories recognised was US$123,000.

9. TRADE AND OTHER RECEIVABLES

The balance of trade and bills receivables represented the outstanding amounts receivable by us from customers who have been granted credit periods. The following table sets forth our total trade receivables, bills receivable and other receivables as at the end of the Period under Review and the turnover of average trade and bills receivables (in days) for the periods indicated.

	30 June 2011 *US$'000*	31 December 2010 *US$'000*
Bills receivable	**36,202**	27,262
Trade receivables	**122,637**	85,321
Provision	**(2,697)**	(2,181)
	156,142	110,402
Other receivables	**14,650**	9,361
Provision	**(266)**	(260)
	14,384	9,101
Total	**170,526**	119,503
Turnover of average trade and bills receivables (in days)[1]	**91.5**	69.5

[1] Average trade and bills receivables equal trade and bills receivables (before impairment) at the beginning of the period plus trade and bills receivables at the end of the period, divided by two. Turnover of average trade and bills receivables (in days) equals the average trade and bills receivables divided by revenue and then multiplied by 180.

9. TRADE AND OTHER RECEIVABLES *(continued)*

An ageing analysis of the trade and bills receivable as at the end of the Period under Review, based on the invoice date and net of provision, is as follows.

	30 June 2011 *US$'000*	31 December 2010 *US$'000*
Within 3 months	**125,780**	94,924
Between 4 and 6 months	**12,124**	11,703
Between 7 and 12 months	**17,562**	2,427
Between 1 and 2 years	**668**	1,080
Between 2 and 3 years	**8**	268
	156,142	110,402

Trade and bills receivable represent proceeds receivable from the sale of goods. Our trading terms with our customers are mainly on credit, except for new customers where payment in advance is normally required. Our credit periods range from 90 to 120 days. We seek to maintain strict control over our outstanding receivables and have established a credit control management system. Overdue balances are reviewed regularly by senior management. Trade and bills receivables are non-interest-bearing.

During the Period under Review, turnover of average trade and bills receivables (in days) increased, primarily attributable to more credit limits granted to customers as a result of the increased sales as well as the effect of the outstanding balance of PRC government procurement with long ageing.

An ageing analysis of the other receivables as at the end of the Period under Review, based on the transaction date and net of provision, is as follows.

	30 June 2011 *US$'000*	31 December 2010 *US$'000*
Within 1 year	**13,569**	8,665
Between 1 and 2 years	**815**	382
Over 2 years	**–**	54
	14,384	9,101

10. TRADE AND BILLS PAYABLES

The following table sets forth the total amounts of our trade and bills payables as at the end of the Period under Review, and our turnover of average trade and bills payables (in days) for the periods indicated.

	30 June 2011 *US$'000*	31 December 2010 *US$'000*
Bills payable	**804**	–
Trade payables to third parties	**61,448**	48,076
Trade payables to related parties	**2,610**	3,221
Total	**64,862**	51,297
Turnover of average trade and bills payables (in days)[1]	**53.2**	57.9

[1] Average trade and bills payables equal trade and bills payables at the beginning of the period plus trade and bills payables at the end of the period, divided by two. Turnover of average trade and bills payables (in days) equals average trade and bills payables divided by cost of sales and then multiplied by 180.

An ageing analysis of the trade and bills payables as at the end of the Period under Review, based on the invoice date, is as follows.

	30 June 2011 *US$'000*	31 December 2010 *US$'000*
Within 3 months	**61,510**	50,194
Between 4 and 6 months	**2,490**	526
Between 7 and 12 months	**458**	193
Between 1 and 2 years	**127**	102
Over 2 years	**277**	282
	64,862	51,297

During the Period under Review, turnover of average trade and bills payables (in days) declined mainly due to the acceleration of payments to suppliers so as to obtain higher discounts.

11. INTEREST-BEARING LOANS

As at 30 June 2011, our total current portion of interest-bearing loans amounted to US$9,937,000 and we have no non-current interest-bearing loans.

	30 June 2011 *US$'000*	31 December 2010 *US$'000*
Current portion		
Bank loans – unsecured	**9,937**	–
Total	**9,937**	–

Note: Interest-bearing loans included (1) RMB-denominated loans of 32,428,000 at an interest rate of 3.158% per annum and 25,887,000 at an interest rate of 4.803% per annum with the maturity date before 31 December 2011; and (2) a GBP-denominated loan of 576,612 at an interest rate of Bank of England Base Rate plus 2.10% per annum with the maturity date before 30 April 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In the first half of 2011, the global economy slowly recovered amidst turbulence but the risk of global economic crisis still persisted. In particular, a new round of financial and debt crisis in some European countries and the US, the high and volatile prices of bulk commodities and the global inflation were still threatening the recovery of the world's economy.

According to the latest data released by the National Bureau of Statistics of the PRC government, the gross domestic product growth rate of China was 9.6% in the first half of 2011. With the implementation of China's proactive fiscal policies and prudent monetary policies as well as the intensified macro-economic adjustment and control, China's economy is expected to achieve steady growth in the second half as it did in the first half of this year. Despite the impact of the macro-economic adjustment and control policies, the real estate industry, which is closely related to the lighting industry, has also maintained steady growth. In the first half of this year, investments in property development projects increased by 32.9% nation-wide as compared with the corresponding period of the previous year, of which, investments in the development of residential properties increased by 36.1%. As compared to the corresponding period of the previous year, the floor area of new property projects increased by 23.6%; the floor area of property projects under development increased by 31.6%; the floor area of property projects completed increased by 12.8%; the floor area of commercial property sold increased by 12.9% (of which, the floor area of residential buildings sold increased by 12.1%); and the sales revenue of property projects increased by 24.1%. With the accelerating urbanisation process in China and the continued upgrade of the consumption structure, the demand for lighting products will continue to increase.

Since 2011, the price of rare earth escalated as a result of the consolidation in the rare earth industry in China, which in turn directly led to a rapid increase in the price of phosphor powder. Also, under the pressure of domestic inflation, labour cost continued its uptrend, which put the lighting industry under considerable cost pressure.

2011 is the first year of the "Twelfth Five-year Plan" period, under which the PRC government will provide additional support for green and environmental friendly lighting products, and continue implementing the national program of promoting "high efficiency and energy-saving lighting products", and the Group has won bids for a number of promotion projects. It is expected that, with gradually maturing LED technology and the continued downtrend in prices, LED products will in future become key products to be promoted by the PRC government. Meanwhile, the second batch of pilot cities for the demonstration project of the LED lighting product applications was approved in May 2011, and the demonstration program will be launched in 16 cities, which will further expand the market of LED lighting products and create better opportunities for the development of the Group's LED lighting products business.

Business review

During the Period under Review, faced with the pressure from the rising costs of raw materials and labour in China, the Group, being the largest domestic brand lighting product supplier in China, successfully took advantage of market opportunities, adopted effective business strategies including promoting the NVC brand profile, expanding its sales, production and product research and development capacity, enhancing the price-to-performance ratio of its products, and continuing to strengthen its close cooperation relationship with domestic exclusive regional distributors and proactively expanding its overseas markets and delivered outstanding performance and maintained its leading position in the lighting industry.

Sales and distribution

In terms of NVC brand sales in the PRC market during the Period under Review, the Group retained 36 exclusive regional distributors and continued to expand its sales network with a net increase of 78 outlets. As at 30 June 2011, the Group had a total of 2,888 outlets, covering 1,928 cities of different sizes (31 provincial capitals with a 100% coverage rate, 276 municipal cities with a 96.84% coverage rate, 1,198 county and county-level cities with a 60.41% coverage rate and 423 towns or townships with a 1.24% coverage rate). The Group has expanded the shopping area of the NVC outlets, unified and upgraded their exterior appearance, and improved the management efficiency of the NVC outlets. The Group also continued to develop new products, improve the price-to-performance ratio of its products and diversify the product portfolio as well as develop large Professional Engineering Customers and chain store customers that can bring repeat sales. During the Period under Review, the Group generated sales of US$24,300,000 from Professional Engineering Customers and sales of US$24,800,000 from chain store customers that can generated repeat sales. The Group has established "Lighting Environment Experience Halls" in cities including Huizhou, Beijing, Shanghai and Nanjing to demonstrate in a physical format the concept of the NVC "Lighting Environment". Furthermore, in the bidding for the 2011 government subsidised energy-saving lighting products, the Group won a bid for the second time to supply more than 7 million units of energy-saving lighting products.

In terms of non-NVC brand sales in the PRC market, the Group mainly provided energy-saving lamp tubes and accessories to energy-saving lamp manufacturers. The Group suffered a decrease in sales in non-NVC brand products as a result of changes in market preferences for product types and increases in product prices.

In terms of NVC brand sales in the international market, the Group adopted a development strategy which mainly focused on promoting the sales of NVC brand products supplemented by the production of famous brand products on an ODM/OEM basis. The Group strongly promoted the sales of NVC brand products through the mainstream outlets in the UK, and transferred the successful experience there to other markets with well-established channels. The Group also continued to strengthen the development of its sales channels in emerging markets. For instance, the Group appointed its own experienced executives to develop the markets in certain countries such as Qatar, Saudi Arabia, Brazil and New Zealand. Currently, the Group has developed sales channels for NVC brand products in more than 40 countries and regions.

In terms of non-NVC brand sales in the international market, the Group promoted its sales mainly on an ODM basis. The Group continued to develop new customers, strengthened its long-term cooperation relationship with customers, developed high-performance products and improved the price-to-performance ratio so as to meet the demand of different customer groups.

Production

The Group currently has five production bases, including Huizhou city in Guangdong Province, Wanzhou District in Chongqing, Jiangshan city in Zhejiang Province and Qingpu District in Shanghai. The breakdown of the production capacity of each production base is as follows:

	Luminaire production facilities		**Lamp production facilities**		**Lighting electronic production facilities**
Location	**Huizhou City Guangdong Province**	**Wanzhou District Chongqing**	**Jiangshan City Zhejiang Province[(1)]**	**Jiangshan City Zhejiang Province[(2)]**	**QingPu District Shanghai**
Date of commencement of production	November 1998	December 2006	September 1994	September 2007	March 2006
Design capacity (units) as at 30 June 2011	35,000,000	28,000,000	124,425,000	38,532,000	4,500,000
Actual production (units) as at 30 June 2011	32,743,261	25,856,117	86,760,840	35,965,102	4,397,671
Average utilisation rate as at 30 June 2011	93.6%	92.3%	69.7%	93.3%	97.7%
Standardised hours of operation	8 hours	8 hours	12 hours	8 hours	8 hours

Notes:

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

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

Product research and development

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

During the Period under Review, the Group invested a total of US$4,047,000 in research and development, representing 1.5% of the Group's total revenue. The Group developed a total of over 100 products, including various LED, HID and lighting electronic products. During the Period under Review, the laboratory of the Shanghai Research and Development Centre of the Group obtained the certificate issued by Deutscher Kraftfahrzeug uberwachungsverein (DEKRA) and two of its products passed the certification. In addition, the Group also obtained one scientific research project listed in the "National Technology Support Programme" funded by the Department of Science and Technology, and filed 25 new patent applications, and 19 patents have been approved and granted.

As at 30 June 2011, the Group had a workforce in research and development of 338, of which 114 were based in our Huizhou Research and Development Centre, 57 were based in our Shanghai Research and Development Centre and the others were based in various production bases.

Brand Promotion

During the Period under Review, the Group continued to strengthen its brand recognition as a leader in the lighting industry, and strived to build up a brand that was recognised and favoured by more customers. While enhancing the impression of NVC brand in the mind of professional customers, we always commit ourselves to promoting the popularity of NVC brand in the heart of ordinary consumers. We promoted NVC brand through advertising, media coverage, sponsorship and various community charities.

During the Period under Review, the Group maintained its NVC brand awareness by launching a series of brand promotion and media activities and promoted our brand by sponsoring, organising or participating in certain important events. For instance, in January, we participated in the "China Management School Award Competition" sponsored by Peking University Business Review, and the NVC channel model won the most important "China Management School Award"; in March, we participated in the "Evaluation by China's Top 500 Real Estate Developers", and NVC brand again surpassed other domestic and foreign brands such as Philips by a preference rate of 25%, attaining the top preferred lighting brand by the Top 500 real estate developers, and we participated in the energy-saving activity of "Earth Hour Event", and NVC obtained a participation certificate from World-Wide Fund for Nature; and in June, the Group sponsored "the 8th Gold Pillow Award – China Hotel Industry" presentation ceremony and enhanced the profile of the NVC brand in the luxury hotels lighting sector. In addition, the Group took part in the National Energy Saving Week, organising our regional distributors in Gansu, Tibet, Guangdong and Beijing to disseminate the environmental protection concept and the concept of "energy-saving, low carbon economy" by way of donating energy-saving lighting products and thus strengthened the image of the NVC brand.

Financial Review

Revenue

Revenue represents the invoiced value of the goods sold, net of sales returns and allowances. For the six months ended 30 June 2011, the Group recorded revenue of US$266,992,000, representing an increase of 30.9% as compared with US$204,034,000 recorded in the six months ended 30 June 2010. In particular, revenue of NVC brand products in the PRC market increased by 48.6%, primarily attributable to our continuous improvement and perfection of our distribution channels with a net increase of 78 outlets, the expansion of unit outlet area and the increase of unit outlet sales. In addition, we also continued to develop new Professional Engineering Customers and chain store customers that can bring repeat sales, which together contributed an aggregate of US$49,100,000 in sales revenue. Sales of NVC brand products in the international market increased by 42.4%, which was mainly attributable to the effective sales strategy and the steady expansion of overseas markets.

Revenue by product segment

The following table sets forth the revenue by product segment (luminaire, lamp and lighting electronics) during the period as indicated and the growth rate of each segment.

	Six months ended 30 June		
	2011	2010	Growth rate
	US$'000	*US$'000*	
Luminaire products	**152,015**	99,073	53.4%
Lamp products	**84,321**	78,030	8.1%
Lighting electronics products	**30,656**	26,931	13.8%
Total	**266,992**	204,034	30.9%

During the Period under Review, the sales of luminaire products increased by 53.4%, which was mainly attributable to the improvement of our distribution channels and increased number of outlets, and we also continued to develop new Professional Engineering Customers and chain store customers that can bring repeat sales. The sales of lamp products increased by 8.1%, of which NVC brand lamp products increased by 29.5%, mainly benefitting from energy-saving and emission reduction policies and the promotion of energy-saving lamp products by the Company, and NVC brand lamp products still have rapid growth; the sales of lighting electronics products increased by 13.8%, mainly benefitting from the increase in combined sales with luminaire products and lamp products.

Revenue by NVC brand sales and non-NVC brand sales

The following table sets forth the revenue for NVC brand products and non-NVC brand products sales during the period as indicated. Our non-NVC brand products primarily consist of ODM products.

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
NVC brand		
Luminaire products	**144,500**	93,423
Lamp products	**28,341**	21,887
Lighting electronic products	**14,492**	11,273
Subtotal	**187,333**	126,583
Non-NVC brand		
Luminaire products	**7,515**	5,650
Lamp products	**55,980**	56,143
Lighting electronic products	**16,164**	15,658
Subtotal	**79,659**	77,451
Total	**266,992**	204,034

Revenue by geography

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

	Six months ended 30 June		
	2011	2010	Growth rate
	US$'000	*US$'000*	
Revenue from PRC sales			
Luminaire products	**129,280**	83,415	55.0%
Lamp products	**59,868**	57,304	4.5%
Lighting electronic products	**15,087**	11,992	25.8%
Subtotal	**204,235**	152,711	33.7%
Revenue from international sales			
Luminaire products	**22,735**	15,658	45.2%
Lamp products	**24,453**	20,726	18.0%
Lighting electronic products	**15,569**	14,939	4.2%
Subtotal	**62,757**	51,323	22.3%
Total	**266,992**	204,034	30.9%

During the Period under Review, both our revenue from PRC sales and revenue from international sales achieved significant growth as compared with the six months ended 30 June 2010, while revenue from PRC sales recorded higher growth rate over revenue from international sales. Revenue from PRC sales increased by 33.7%, of which the NVC brand products' revenue increased by 48.6% to US$169,512,000 for the six months ended 30 June 2011 from US$114,073,000 for the six months ended 30 June 2010, and the non-NVC brand products' revenue decreased by 10.1% to US$34,723,000 for the six months ended 30 June 2011 from US$38,638,000 for the six months ended 30 June 2010. Revenue from international sales increased by 22.3%, of which the NVC brand products' revenue increased by 42.4% to US$17,821,000 for the six months ended 30 June 2011 from US$12,510,000 for the six months ended 30 June 2010, and the non-NVC brand products' revenue increased by 15.8% to US$44,936,000 for the six months ended 30 June 2011 from US$38,813,000 for the six months ended 30 June 2010.

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

The table below sets forth our revenue by energy-saving products and non-energy-saving products during the period as indicated.

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
Energy-saving products	**160,281**	123,966
Non-energy-saving products	**106,711**	80,068
Total	**266,992**	204,034

Cost of sales

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

	Six months ended 30 June			
	2011		2010	
	US$'000	***% of Revenue***	*US$'000*	*% of Revenue*
Raw materials	**140,608**	**52.7%**	103,974	51.0%
Outsourced manufacturing costs	**24,673**	**9.2%**	18,136	8.9%
Labour costs	**20,207**	**7.6%**	16,071	7.9%
Overhead	**11,193**	**4.2%**	10,476	5.1%
Total cost of sales	**196,681**	**73.7%**	148,657	72.9%

During the Period under Review, the Group's cost of sales increased by 32.3%. Such increase primarily reflected the increase in sales volume. The Group's cost of sales as a percentage of revenue increased to 73.7% for the six months ended 30 June 2011 from 72.9% for the six months ended 30 June 2010, resulting in a decrease in gross profit margin from 27.1% to 26.3%, mainly due to increases in raw material costs and labour costs.

Gross profit and gross profit margin

Gross profit is calculated by revenue less cost of sales.

During the Period under Review, gross profit increased by 27.0% to US$70,311,000 from US$55,377,000 for the six months ended 30 June 2010, primarily reflecting the increase in sales volume. The Group's gross profit and gross profit margin by segment are as follows:

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

	Six months ended 30 June			
	2011		2010	
	US$'000	***%***	*US$'000*	*%*
Luminaire products	**46,011**	**30.3%**	29,873	30.2%
Lamp products	**19,213**	**22.8%**	20,415	26.2%
Lighting electronics products	**5,087**	**16.6%**	5,089	18.9%
Total	**70,311**	**26.3%**	55,377	27.1%

During the Period under Review, gross profit from luminaire products increased by 54.0% to US$46,011,000 for the six months ended 30 June 2011 from US$29,873,000 for the six months ended 30 June 2010. Gross profit margin for luminaire products was approximately the same as last year.

During the Period under Review, gross profit from lamp products decreased by 5.9% to US$19,213,000 for the six months ended 30 June 2011 from US$20,415,000 for the six months ended 30 June 2010. Gross profit margin for lamp products decreased to 22.8% for the six months ended 30 June 2011 from 26.2% for the six months ended 30 June 2010, mainly influenced by increased cost as a result of the rapid rise of the phosphor powder price.

During the Period under Review, gross profit from lighting electronics products decreased to US$5,087,000 for the six months ended 30 June 2011 from US$5,089,000 for the corresponding period of 2010. Gross profit margin for lighting electronics products decreased to 16.6% for the six months ended 30 June 2011 from 18.9% for the corresponding period of 2010, mainly due to higher metal material prices, rising labour costs and the appreciation of the RMB.

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

	Six months ended 30 June			
	2011		2010	
	US$'000	*%*	*US$'000*	*%*
NVC brand	**55,592**	**29.7%**	39,199	31.0%
Non-NVC brand	**14,719**	**18.5%**	16,178	20.9%
Total	**70,311**	**26.3%**	55,377	27.1%

During the Period under Review, NVC brand products generated a gross profit of US$55,592,000, representing an increase of 41.8% from US$39,199,000 for the six months ended 30 June 2010, and gross profit margin decreased by 1.3%; non-NVC brand products generated a gross profit of US$14,719,000, representing a decrease of 9.0% from US$16,178,000 for the six months ended 30 June 2010, and gross profit margin decreased by 2.4%, mainly influenced by higher raw material costs and labour costs.

(iii) Gross profit and gross profit margin by domestic sales and international sales

	Six months ended 30 June			
	2011		2010	
	US$'000	***%***	*US$'000*	*%*
Gross profit from domestic sales:				
Luminaire products	**39,996**	**30.9%**	26,300	31.5%
Lamp products	**14,155**	**23.6%**	16,103	28.1%
Lighting electronics products	**3,180**	**21.1%**	2,862	23.9%
Subtotal	**57,331**	**28.1%**	45,265	29.6%
Gross profit from international sales:				
Luminaire products	**6,015**	**26.5%**	3,573	22.8%
Lamp products	**5,058**	**20.7%**	4,312	20.8%
Lighting electronics products	**1,907**	**12.2%**	2,227	14.9%
Subtotal	**12,980**	**20.7%**	10,112	19.7%
Total	**70,311**	**26.3%**	55,377	27.1%

During the Period under Review, domestic sales generated a gross profit of US$57,331,000, representing an increase of 26.7% from US$45,265,000 for the six months ended 30 June 2010. Of which, NVC brand products generated a gross profit of US$51,008,000, representing an increase of 39.6% from US$36,529,000 for the six months ended 30 June 2010; non-NVC brand products generated a gross profit of US$6,323,000, representing a decrease of 27.6% from US$8,736,000 for the six months ended 30 June 2010.

During the Period under Review, international sales generated a gross profit of US$12,980,000, representing an increase of 28.4% from US$10,112,000 for the six months ended 30 June 2010. Of which, NVC brand products generated a gross profit of US$4,584,000, representing an increase of 71.7% from US$2,670,000 for the six months ended 30 June 2010; non-NVC brand products generated a gross profit of US$8,396,000, representing an increase of 12.8% from US$7,442,000 for the six months ended 30 June 2010.

(iv) Gross profits and gross profit margins by our energy-saving lighting products and non-energy saving lighting products

The table below sets forth a breakdown of the gross profit and gross profit margins of our energy-saving lighting products and non-energy-saving lighting products:

	Six months ended 30 June			
	2011		2010	
	US$'000	***%***	*US$'000*	*%*
Energy-saving products	**43,723**	**27.3%**	33,032	26.6%
Light tubes for CFL	**6,213**	**19.1%**	9,253	23.5%
T4/T5 battens	**22,557**	**43.2%**	11,133	36.5%
Compact fluorescent lamps (CFL)	**8,071**	**21.0%**	7,662	26.0%
Electronic ballasts	**2,201**	**12.2%**	2,394	14.8%
HID lamps	**1,645**	**48.1%**	1,240	40.2%
Fluorescent lamps	**1,294**	**25.0%**	610	27.6%
LED products	**1,742**	**16.5%**	740	23.8%
Non-energy-saving products	**26,588**	**24.9%**	22,345	27.9%
Total gross profit	**70,311**	**26.3%**	55,377	27.1%

Other income and gains

Other income and gains mainly consist of trademark licence fees, distribution commission, rental income, gains from sales of scrap materials and government grants (the breakdown of other income and gains is provided in note 3 to the financial statement on page 11 of this announcement). We received various types of government grants as an incentive for export sales, technology research and development and recruitment of local workers, expansion of production for energy-saving lamp products and the acquisition of land use rights in connection with plant relocation. Government grants are provided by relevant authorities at their discretion, but may not necessarily be recurring in nature. We licensed our trademark to a limited number of lighting product manufacturers in the PRC and we received three percent of the licensees' annual turnover as trademark licence fees. In addition, we received distribution commission of six to eight percent from these licensees on revenue generated when products were sold through our distribution network.

Selling and distribution costs

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

During the Period under Review, selling and distribution costs were US$15,321,000, representing an increase of 5.8% as compared with US$14,480,000 for the six months ended 30 June 2010, accounting for 5.7% of the total revenue. This increase was primarily attributable to increased freight costs and employee costs.

Administrative expenses

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

During the Period under Review, administrative expenses were US$17,432,000, representing an increase of 25.3% from US$13,909,000 for the six months ended 30 June 2010, accounting for 6.5% of the total sales. This increase was primarily attributable to increased research and development input and employee costs.

Other expenses

Other expenses mainly consist of loss on disposal of property, plant and equipment and scrap materials and donations.

Finance income

Finance income mainly consists of interest income from bank deposits and other interest income.

Finance costs

Finance costs represent interest expense accrued on convertible redeemable preference shares and interest on bank loans. The host liability instrument of the convertible redeemable preference shares was carried as a liability at amortised cost calculated using the effective interest rate method. The interest expense on the convertible redeemable preference shares for the six months ended 30 June 2010 was US$1,315,000. On 20 May 2010, these convertible redeemable preference shares were entirely converted into ordinary shares and the accrual of interest is no longer required after the initial public offering.

Share of profits of an associate

This item represents the Group's share of the net profit of an associate, Mianyang Leici, for the six months ended 30 June 2011.

Income tax expense

During the Period under Review, income tax charged for the Group was US$6,588,000, representing an increase of 119.5% from US$3,002,000 for the six months ended 30 June 2010. The increase of income tax charge was partly due to more profit derived from the higher sales revenue made by the Group during the Period under Review, and partly due to the expiry of the corporate tax incentives policy for high-tech enterprise applicable to Sunny and western enterprise's development applicable to Chongqing NVC.

Profit for the period (including profit attributable to non-controlling interests)

Due to the factors mentioned above, profit (including profit attributable to non-controlling interests) for the period was US$40,654,000 as compared to US$27,095,000 for the six months ended 30 June 2010.

Exchange differences on translating of foreign operations

Our exchange differences on translating of foreign operations increased to US$6,641,000 for the six months ended 30 June 2011 from US$1,319,000 for the corresponding period of 2010. This difference primarily arose from the translation of financial statements of PRC subsidiaries which are denominated in RMB.

Profit attributable to owners of the Company for the period

Due to the factors mentioned above, profit attributable to owners of the Company increased to US$39,575,000 for the six months ended 30 June 2011 from US$25,934,000 for the corresponding period of 2010.

Profit attributable to non-controlling interests for the period

Profit attributable to non-controlling interests was US$1,079,000 for the six months ended 30 June 2011, while it was US$1,161,000 for the six months ended 30 June 2010.

CASH FLOW AND LIQUIDITY

Cash flows

The Group meets its working capital and other capital requirements principally with the following: (i) cash generated from our operations, (ii) short-term bank borrowings, and (iii) proceeds from the initial public offering and the exercise of their share options by our employees. On 20 May 2010, the Group received US$191,824,000 (net of share issue expense) from the completion of its initial public offering. The table below sets out the cash flow data extracted from our consolidated statement of cash flows.

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
Net cash flows (used in)/from operating activities	**(35,084)**	8,999
Net cash flows used in investing activities	**(18,953)**	(87,526)
Net cash flows from financing activities	**17,156**	201,318
Net (decrease)/increase in cash and cash equivalents	**(36,881)**	122,791
Cash and cash equivalents at beginning of period	**182,766**	44,034
Effect of foreign exchange rate changes, net	**1,855**	510
Cash and cash equivalents at end of period	**147,740**	167,335

Net cash flows (used in)/from operating activities

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

Our cash used in operating activities was US$35,084,000 for the six months ended 30 June 2011, while our operating cash inflows before changes in working capital were US$51,644,000. The changes in working capital included (i) an increase of US$3,033,000 in inventories; (ii) a total increase of US$78,778,000 in trade receivables, other receivables and prepayments, of which prepayments increased by US$31,721,000 mainly due to prepayments for the purchase of phosphor powder to stabilise its rapid rising price; (iii) income tax paid amounting to US$6,051,000; and (iv) an increase of US$1,134,000 in trade and bills payables, as well as other payables and accruals.

Net cash flows used in investing activities

Our cash used in investing activities mainly consists of payments for the purchases of property, plant and equipment, intangible assets other than goodwill and land use rights, the acquisition of non-controlling interests (net of cash acquired) and investments in term deposits. For the six months ended 30 June 2011, our net cash used in investing activities amounted to US$18,953,000. The net cash outflows were mainly due to (i) payment of US$29,320,000 for the purchase of property, plant and equipment, the addition of intangible assets other than goodwill and the purchase of land use rights; and (ii) payment of US$306,000 for merger and acquisition activities, which was partly offset by a decrease of US$9,505,000 in time deposits and the interest income of US$991,000.

Net cash flows from financing activities

Our cash flows from financing activities mainly consists of the proceeds from the exercise of share options, proceeds from new bank loans, receipt of government grants and proceeds from the initial public offering and the exercise of share options by our employees. Our cash flows used in financing activities consist of repayment of bank loans and payment of bank loan interest and dividends.

For the six months ended 30 June 2011, our net cash inflows from financing activities amounted to US$17,156,000. Such cash inflows were mainly from (i) the proceeds of US$9,937,000 from new bank loans; (ii) the proceeds of US$4,640,000 from the exercise of share options; and (iii) the receipt of government grants of US$2,609,000.

Liquidity

Net current assets and working capital sufficiency

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

	30 June 2011 *US$'000*	31 December 2010 *US$'000*
CURRENT ASSETS		
Inventories	**71,501**	68,591
Trade and other receivables	**170,526**	119,503
Prepayments	**40,215**	8,494
Short-term deposits	**51,143**	60,648
Cash and cash equivalents	**147,740**	182,766
Total current assets	**481,125**	440,002
CURRENT LIABILITIES		
Trade and bills payables	**64,862**	51,297
Other payables and accruals	**48,638**	44,438
Interest-bearing loans	**9,937**	–
Income tax payable	**4,705**	3,442
Total current liabilities	**128,142**	99,177
NET CURRENT ASSETS	**352,983**	340,825

As at 30 June 2011 and 31 December 2010, net current assets of the Group totalled US$352,983,000 and US$340,825,000, respectively, and our current ratio was 3.75 and 4.44, respectively. In light of our current liquidity position, and the net proceeds available to the Company from the initial public offering and our projected cash inflow generated from operations, the Directors believe that we have sufficient working capital for our present requirements and for the next 12 months.

Capital management

The following table presents our gearing ratios as at the end of the Period under Review.

	30 June 2011 *US$'000*	31 December 2010 *US$'000*
Interest-bearing loans	**9,937**	–
Total debt	**9,937**	–
Less: cash and short-term deposits	**(198,883)**	(243,414)
Net debt	**N/A**	N/A
Total equity attributable to owners of the Company	**531,187**	492,261
Gearing ratio	**N/A**	N/A

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

Capital expenditure

We funded our capital expenditure from cash generated from operations and bank loans as well as proceeds from the initial public offering and exercise of share options by our employees. Our capital expenditure primarily related to expenditure on property, plant and equipment, prepaid land lease payments, acquisition of subsidiaries, intangible assets (other than goodwill), investment in an associate and long-term deferred expenditure. Our capital expenditure in the six months ended 30 June 2011 amounted to US$28,299,000, of which US$5,806,000 was invested in machinery and equipment mainly for the expansion of production lines, US$5,088,000 for purchasing of warehouse by UK NVC and US$13,841,000 on construction in progress mainly for relocation and construction of the new Sunny industrial complex.

Pledge of assets

As at 30 June 2011, the Group had no pledged assets.

Off-balance sheet arrangement

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

Contingent liabilities

As at 30 June 2011, the Group had no material contingent liabilities.

Capital commitments

As at 30 June 2011, we had capital commitments of US$37,885,000 in respect of acquisition of property, plant and equipment and intangible assets other than goodwill. The details are set out below:

	30 June 2011 *US$'000*	31 December 2010 *US$'000*
Contracted but not provided for		
Acquisition of property, plant and equipment	**17,698**	10,997
Authorised but not contracted for		
Acquisition of property, plant and equipment	**19,513**	52,872
Acquisition of intangible assets other than goodwill	**674**	811
Acquisition of land use rights	**–**	504
Total	**37,885**	65,184

In addition to the capital commitments mentioned above, we had the following operating lease commitments as at the end of the Period under Review.

Operating lease commitments

During the Period under Review, we have entered into non-cancellable operating leases. The table below sets forth our future minimum rental payments under non-cancellable operating leases as at the dates indicated.

	30 June 2011 *US$'000*	31 December 2010 *US$'000*
Within one year	**418**	495
After one year but not more than five years	**867**	858
More than five years	**225**	225
Total	**1,510**	1,578

As a lessor, we lease plant and office premises under operating lease arrangements with lease terms ranging from one to five years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. As at the end of the Period under Review, we had total future minimum lease receivables under non-cancelable operating leases as follows:

	30 June 2011 *US$'000*	31 December 2010 *US$'000*
Within one year	**395**	399
After one year but not more than five years	**248**	325
More than five years	**–**	–
Total	**643**	724

PROSPECTS

Looking at the second half of the year, the Group will focus on the development of LED, overseas markets exploration, domestic sales channel expansion and brand building as well as cooperation with our new strategic shareholder and targetted acquisition and merger opportunities.

The Strategy to accelerate the development of the LED industry

The PRC government's 12th Five-year Plan supports the development of the LED industry. This will greatly promote the development and technology innovation of the entire industry, thereby accelerating the civilian use of the LED products. Since its establishment, the Group has been focusing on a sustainable development strategy by developing energy-efficient lighting products, and has adapted well to the changes in the market and technology evolutions achieving remarkable results.

The Group is now actively identifying enterprises with established brands and LED product core technology as acquisition targets , with a view to further expanding the Group's business and markets.

Expansion of presence in overseas markets

With respect to the markets with well-established channels, the Group will strongly promote the sales of NVC brand products, and transfer our successful experience to promote products in the mainstream outlets in the UK to the North American or European markets. The Group is also actively expanding in emerging markets such as the Oman and New Zealand markets where expansion is occurring in an orderly manner as planned. The Group also plans to build business relationship with five additional outlets and 30 franchise stores in four Asian countries, namely Saudi Arabia, Cambodia, Myanmar and India.

Enhancing the penetration of distribution channels and brand influence

In the second half of the year, the Group will improve the penetration of its distribution channels and further expand the coverage of its distribution network.

In July 2011, the Group became a partner to provide the Olympic Council of Asia ("OCA") luminaire products and services, whereby NVC will offer solutions in respect of professional lighting products and services for all OCA games that take place in Asia in the next four years. This marks another milestone in the history of NVC.

Currently, NVC has become a signatory supplier with the exclusive right to provide lighting products and services for the East Asian Games 2013 in Tianjin, and has formally submitted applications to the OCA for serving as an exclusive supplier of lighting products and services for the 17th Asian Games 2014 in Incheon, South Korea and for the 4th Asian Beach Games 2014 in Thailand, respectively. In addition, the Group is actively participating in providing lighting products and services for the National Games of the People's Republic of China 2014 in Shenyang, the National Peasant Games in Henan and other large events.

Introduction of a Strategic Shareholder

In July 2011, Schneider Electric Asia Pacific Limited ("Schneider") acquired approximately 9.2% of the Company's shares from existing shareholders at a price of HK$4.42 per share. In addition, we entered into a cooperation agreement with Schneider to allow them access to our distribution network in the PRC and to cooperate in the area of Project Sales. The introduction of Schneider as a strategic shareholder not only strengthens our shareholder base, but also helps both parties to benefit from their respective strengths.

The Group is committed to its philosophy and goal of "Becoming a World Brand and the Best Player in the Industry". The Group will continue to make further progress in manufacturing energy-saving and low-carbon products with its professionalism and dedication. We are committed to creating a beautiful, comfortable, safe and energy-efficient lighting environment for a wide variety of customers.

Continuing Connected Transactions

Continuing connected transactions of the Group for the six months ended 30 June 2011 were within the caps as set out in the prospectus and amended in the announcements dated 24 December 2010, 10 March 2011 and 31 May 2011, respectively.

Mergers and Acquisitions

On 6 April 2011, the Company agreed with Henry Sun and Steven Mark Jacobs (both being original shareholders of UK NVC) to acquire the remaining 20% equity interest in UK NVC for a consideration of RMB2 million. After the acquisition, the Company holds the entire equity interest in UK NVC. Save as disclosed above, the Group made no acquisition, merger or sale of subsidiaries and associates for the six months ended 30 June 2011.

Use of proceeds from the initial public offering

We do not propose to use the proceeds from the initial public offering in a manner different from that detailed in the prospectus of the Company dated 7 May 2010.

Market Risks

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

Foreign currency risk

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

Commodity price risk

We are exposed to fluctuations in the prices of raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect our financial performance. We have not entered into any commodity derivative instruments to hedge the potential commodity price changes.

Liquidity risk

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

Credit risk

The major concentration of credit risk arises from our exposure to a substantial number of trade receivables and other receivables from debtors. We have policies in place to ensure that the sales of products are made to customers with an appropriate credit limit, and we have strict control over credit limits of other receivables. Our cash and short-term deposits are mainly deposited with registered banks in China and Hong Kong. We have also policies that limit our credit exposure to any financial institution. The carrying amounts of trade and other receivables, cash and cash equivalents and short-term deposits included in the consolidated balance sheet represent our maximum exposure to credit risk in relation to our financial assets. We have no other financial assets which carry significant exposure to credit risk. In 2010, we entered into a number of one-year insurance contracts with China Export & Credit Insurance Corporation to insure up to 85% from domestic and 90% from overseas of any uncollectible amount derived from our sales between the period from 1 November 2010 to 31 October 2011 subject to a maximum uncollectible amount of RMB25.2 million for domestic sales and US$15 million for overseas sales. We purchased such insurance in order to minimise our exposure to credit risk as we expand our business. We plan to renew such insurance contracts as they become due.

Interim Dividend

The Board of Directors has resolved to declare an interim dividend of HK2.5 cents per share for the six months ended 30 June 2011 (corresponding period of 2010: HK2 cents per share) to shareholders whose names appear on the register of members of the Company on Friday, 23 September 2011. Based on the 3,131,796,000 shares in issue as at 30 June 2011, it is expected that the interim dividend payable will amount to approximately HK$78,295,000 (equivalent to approximately US$10,061,000) (before tax).

Closure of Register of Members

The Register of Members will be closed from 20 September 2011, Tuesday to 23 September 2011, Friday (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by share certificates and transfer forms must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 19 September 2011, Monday.

Employees

As at 30 June 2011, the Group has approximately 10,351 employees (31 December 2010: 9,988). The Group will regularly review remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes, and discretionary incentive and share option schemes.

Purchase, Sale or Redemption of Listed Securities

Other than shares issued under the Pre-IPO share option scheme adopted by the Company, as approved by the Board on 15 October 2006 and amended on 23 December 2009 and 24 March 2010, for the six months ended 30 June 2011, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Directors are of the opinion that, during the Period under Review, the Company has complied with the Code, except for the code provision A.2.1 which requires that the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

Under the code provision A.2.1, the role of chairman and chief executive officer should be separated and should not be performed by the same individual. As the duties of chairman of the Company and chief executive officer of the Company are performed by Mr. Wu Changjiang, the Company has deviated from the code. Mr. Wu Changjiang is the chairman and chief executive officer of the Company and the founder of the Group. The Board believes that it is necessary to vest the roles of chairman and chief executive officer in the same person due to its unique role, Mr. Wu Changjiang's experience and established market reputation in the PRC lighting products industry, and the importance of Mr. Wu Changjiang in the strategic development of the Company. The dual role arrangement helps provide strong and consistent market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding directors' securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code during the six months ended 30 June 2011.

AUDIT COMMITTEE

The Company established an audit committee on 27 April 2010 with written terms of reference in compliance with the Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members who are all independent non-executive directors. Mr. Alan Russell Powrie has been appointed as the chairman of the audit committee. The audit committee has reviewed and discussed the interim results for the six month ended 30 June 2011.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 27 April 2010 with the primary duties of establishing and reviewing the policy and structure of remuneration for the directors and senior management. The remuneration committee has three members, namely Mr. Yan Andrew Y, Mr. Alan Russell Powrie and Mr. Karel Robert Den Daas. Mr. Yan Andrew Y has been appointed as the chairman of the remuneration committee.

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Group's reviewed interim results will be included in the Company's interim report for the six months ended 30 June 2011 which will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.nvc-lighting.com.cn and will be dispatched to the Company's shareholders in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our appreciation to the management team and staff of the Group for their contribution during the Period under Review and also to give our sincere gratitude to all our shareholders for their continuous support.

DEFINITIONS

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

"China" or "PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to "China" and the "PRC" do not apply to Taiwan, the Macau Special Administrative Region and the Hong Kong Special Administrative Region.
"Chongqing NVC"	Chongqing NVC Lighting Co., Ltd.* (重慶雷士照明有限公司), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 1 December 2006 and our direct wholly-owned subsidiary.
"Code"	the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.
"Company" or "our Company"	NVC Lighting Holding Limited (雷士照明控股有限公司), a company incorporated in the BVI on 2 March 2006 and subsequently redomiciled to the Cayman Islands on 30 March 2010 as an exempted company with limited liability under the laws of the Cayman Islands.
"Corresponding Period"	means six months ended 30 June 2010 or six months ended 30 June 2011 (as the context may require).
"Director(s)"	the director(s) of the Company.
"Group"	our Company and its subsidiaries.
"HID"	High intensity dischange.
"Huizhou NVC"	NVC Lighting Technology Co., Ltd.* (惠州雷士光電科技有限公司), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 29 April 2006 and our direct wholly owned subsidiary.

"Jiangshan Phoebus"	Jiangshan Phoebus Lighting Electron Co., Ltd.* (江山菲普斯照明有限公司), a limited liability company incorporated in the PRC on 8 March 2006 and our indirect wholly-owned subsidiary.
"LED"	Light-emitting diode.
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.
"Mianyang Leici"	Mianyang Leici Electronic Technology Co., Ltd.* (綿陽雷磁電子科技有限公司), a limited liability company incorporated in the PRC, 35% of its equity interest being held by Huizhou NVC and its remaining equity interest being held by China Electronics Technology Group Corporation No. 9 Academy* (中國電子科技集團第九研究所) (as to 36%), Wen Jiatao (文家濤) (as to 15%) and Zhao Qiyi (趙七一) (as to 14%).
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.
"ODM"	original design manufacturing, a type of manufacturing under which the manufacturer is responsible for the design and production of the products and the products are marketed and sold under the customer's brand name.
"OEM"	original equipment manufacturing whereby products are manufactured in accordance with the customer design and specification and are marketed under the customer's brand name.
"Project Sales"	Project sales are conducted by sales people who will proactively approach potential clients and these clients are normally government agencies or corporates with ongoing or prospective building construction or renovation projects.
"Professional Engineering Customers"	Professional engineering customers mainly represent professional engineering projects in connection with railways, highways, airports, subways, tunnels, bridges, municipal lighting, energy efficiency remodification and reconstruction and construction of urban infrastructure.
"Period under Review"	the six months ended 30 June 2011
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
"Shanghai Arcata"	Shanghai Arcata Electronics Co., Ltd.* (上海阿卡得電子有限公司), a limited liability company incorporated in the PRC on 22 September 2005 and our indirect wholly-owned subsidiary.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.
"Sunny"	Zhejiang Jiangshan Sunny Electron Co., Ltd.* (浙江江山三友電子有限公司), a limited liability company incorporated in the PRC on 2 July 1994 and our indirect wholly-owned subsidiary.

"UK NVC"	NVC (Manufacturing) Limited, a private company incorporated in England and Wales on 31 May 2007, and our direct wholly-owned subsidiary.
"US$" or "US Dollar"	United States dollars, the lawful currency of the United States.
"we", "us" or "our"	our Company or our Group (as the context may require).
"World Through"	World Through Investments Limited (世通投資有限公司), a limited liability company incorporated in the BVI on 5 August 2005 and our wholly-owned subsidiary.
"Zhangpu Phoebus"	Zhangpu Phoebus Lighting Co., Ltd.* (漳浦菲普斯照明有限公司), a limited liability company incorporated in the PRC on 9 May 2004 and our indirect wholly-owned subsidiary.
"Zhejiang NVC"	Zhejiang NVC Lamps Co., Ltd.* (浙江雷士燈具有限公司), a limited liability company incorporated in the PRC on 28 September 2007, a 51% equity interest of which is held by Huizhou NVC and the remaining 49% equity interest of which is held by Zhejiang Tonking Investment Co., Ltd.

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

By Order of the Board
NVC LIGHTING HOLDING LIMITED
WU Changjiang
Chairman

Hong Kong, 24 August 2011

As at the date of this announcement, the directors of the Company are:

Executive Directors:
WU Changjiang
MU Yu

Non-executive Directors:
YAN Andrew Y
LIN Ho-Ping
HUI Ming Yunn, Stephanie

Independent non-executive Directors:
Alan Russell POWRIE
Karel Robert DEN DAAS
WANG Jinsui