CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
	Notes	***US$'000***	*US$'000*
REVENUE	*2*	**204,034**	109,780
Cost of sales		**(148,657)**	(81,911)
GROSS PROFIT		**55,377**	27,869
Other income and gains	*3*	**5,536**	3,342
Selling and distribution costs		**(14,480)**	(6,925)
Administrative expenses		**(13,909)**	(10,534)
Other expenses		**(728)**	(65)
OPERATING PROFIT		**31,796**	13,687
Finance income		**238**	442
Finance costs	*4*	**(1,939)**	(4,311)
Net fair value loss on convertible redeemable preference shares		**–**	(16,540)
Share of profit of an associate		**2**	16
PROFIT/(LOSS) BEFORE INCOME TAX		**30,097**	(6,706)
Income tax expense	*5*	**(3,002)**	(1,495)
PROFIT/(LOSS) FOR THE PERIOD		**27,095**	(8,201)
Profit/(loss) for the period attributable to:			
Owners of the Company		**25,934**	(8,590)
Non-controlling interests		**1,161**	389
		27,095	(8,201)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic		**1.1 US cents**	(0.4) US cents
Diluted		**1.0 US cents**	(0.4) US cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
PROFIT/(LOSS) FOR THE PERIOD	**27,095**	(8,201)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translating foreign operations	**1,319**	tram

CONSOLIDATED BALANCE SHEET
30 June 2010

	Notes	**30 June 2010 US$'000**	31 December 2009 US$'000
Non-current assets			
Property, plant and equipment		**76,678**	67,824
Prepaid land lease payments		**11,427**	11,570
Goodwill		**33,928**	33,896
Intangible assets		**51,585**	52,916
Investments in an associate		**542**	540
Deferred tax assets		**1,641**	1,329
Long-term deferred expenditure		**67**	72
Other non-current financial assets		**–**	221
Total non-current assets		**175,868**	168,368
Current assets			
Inventories	*7*	**57,562**	47,567
Trade and other receivables	*8*	**104,192**	85,795
Prepayments		**4,256**	6,692
Cash and short-term deposits		**238,352**	47,292
Total current assets		**404,362**	187,346
Current liabilities			
Trade and bills payables	*9*	**62,288**	54,769
Other payables and accruals		**29,060**	41,864
Interest-bearing loans	*10*	**13,060**	6,093
Income tax payable		**2,442**	3,208
Total current liabilities		**106,850**	105,934
Net current assets		**297,512**	81,412
Total assets less current liabilities		**473,380**	249,780

Continued/...

CONSOLIDATED BALANCE SHEET *(Continued)*

	30 June 2010 *US$'000*	31 December 2009 *US$'000*
Non-current liabilities		
Deferred tax liabilities	**14,952**	15,157
Convertible redeemable preference shares	**–**	57,932
Government grants	**13,193**	8,680
Interest-bearing loans	**–**	293
Total non-current liabilities	**28,145**	82,062
Net assets	**445,235**	167,718
Equity		
Equity attributable to owners of the Company		
Issued capital	**–**	
Share premium	**329,108**	23,556
Equity component of convertible preference shares	**–**	54,481
Shareholders' contribution	**879**	879
Statutory reserve	**8,145**	7,157
Employee equity benefit reserve	**2,427**	2,172
Foreign currency translating reserve	**10,908**	9,627
Retained earnings	**91,266**	66,320
	442,733	164,192
Non-controlling interests	**2,502**	3,526
Total equity	**445,235**	167,718

CONDENSED CASH FLOW STATEMENT

Six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Net cash flows from operating activities	**8,999**	21,628
Net cash flows used in investing activities	**(87,526)**	(7,314)
Net cash flows from financing activities	**201,318**	6,038
Net increase in cash and cash equivalents	**122,791**	20,352
Cash and cash equivalents at beginning of the period	**44,034**	22,085
Effect of foreign exchange rate changes, net	**510**	347
Cash and cash equivalents at end of the period	**167,335**	42,784

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2010

	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 arising on translating 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 fund	–	–	–	–	988	–	–	(988)	–	–	–
Issuance of new shares, net of allocated incremental cost	–	191,824	–	–	–	–	–	–	191,824	–	191,824
Conversion from preference shares to ordinary shares	–	113,728	(54,481)	–	–	–	–	–	59,247	–	59,247
Distribution of dividend by a subsidiary	–	–	–	–	–	–	–	–	–	(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
At 1 January 2009		23,556	6,988	879	5,525	2,098	9,499	55,109	103,654	1,679	105,333
Loss for the period								(8,590)	(8,590)	389	(8,201)
Other comprehensive income:											
Exchange differences arising on translating foreign operations							549		549		549
Total comprehensive income for the period							549	(8,590)	(8,041)	389	(7,652)
Transfer to statutory reserve fund					776			(776)			
Employee share option arrangements						37			37		37
At 30 June 2009		23,556	6,988	879	6,301	2,135	10,048	45,743	95,650	2,068	97,718

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The consolidated financial statements are presented in United States dollars (“US$”) and all values are rounded to the nearest thousand (’000) unless otherwise indicated.

STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise standards and interpretations approved by the International Accounting Standards Board (the “IASB”), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group for the Period under Review. Subsidiaries are fully consolidated from the date of of un / Period,

1. BASIS OF PREPARATION *(Continued)*

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 Amendment	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[2]
•	IFRS 9	Financial Instruments[4]
•	IAS 24 (Revised)	Related Party Disclosures[3]
•	IAS 32 Amendments	Classification of Rights Issues[1]
•	IFRIC 14 Amendments	Prepayments of a Minimum Funding Requirement[3]
•	IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]

Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 January 2013

Apart from the above, the IASB has issued Improvements to IFRSs 2010 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard and interpretation.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs and IFRICs upon initial application. Except for IAS 24 (Revised) which may have impact on the disclosure, so far the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operation and financial position.

2. REVENUE AND SEGMENT INFORMATION

Revenue represents the invoice value of the goods sold, net of sales returns and allowances. Segment information represents the revenue and gross profit from external customers. For the six months ended 30 June 2010, the Group recorded revenue of US$204,034,000, representing an increase of 85.9% as compared with US$109,780,000 recorded in the corresponding period of 2009.

	Revenue		Gross Profit	
	Six months ended 30 June		Six months ended 30 June	
	2010	2009	**2010**	2009
	US$'000	*US$'000*	***US$'000***	*US$'000*
Luminaire products	**99,073**	52,673	**29,873**	14,084
Lamp products	**78,030**	44,014	**20,415**	10,935
Lighting electronics products	**26,931**	13,093	**5,089**	2,850
Total	**204,034**	109,780	**55,377**	27,869
Unallocated items				
Other income and gains			**5,536**	3,342
Selling and distribution costs			**(14,480)**	(6,925)
Administrative expenses			**(13,909)**	(10,534)
Other expenses			**(728)**	(65)
Finance income			**238**	442
Finance costs			**(1,939)**	(4,311)
Net fair value loss on convertible redeemable preference shares			**–**	(16,540)
Share of profit of an associate			**2**	16
Profit/(loss) before income tax			**30,097**	(6,706)
Income tax expense			**(3,002)**	(1,495)
Profit/(loss) for the period			**27,095**	(8,201)

3. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Government grants	**840**	1,126
Trademark licence fees	**1,254**	771
Distribution commission	**2,567**	712
Rental income	**181**	220
Exchange gains, net	**–**	45
Others	**694**	468
Total	**5,536**	3,342

4. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Interest expense on convertible redeemable preference shares	**1,315**	3,881
Bank loan interest	**624**	430
	1,939	4,311

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Current	**3,598**	1,859
Deferred	**(596)**	(364)
	3,002	1,495

6. INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK2 cents per share for the six months ended 30 June 2010.

7. INVENTORIES

	30 June 2010	31 December 2009
	US$'000	*US$'000*
Raw materials	**16,104**	13,707
Work in progress	**2,950**	1,297
Finished goods	**38,508**	32,563
Total	**57,562**	47,567
Turnover of average inventories (in days)[1]	**63.6**	57.0

(1) Average inventory equals to the 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 to the average inventories divided by the cost of sales and then multiplied by 180.

8. TRADE AND OTHER RECEIVABLES

The balance of trade and bills receivables represented the outstanding amounts receivable by us from customers who have been granted with credit periods. The following table sets forth our total trade and bills receivables and trade and bills receivable turnover days for the periods indicated.

	30 June 2010 *US$'000*	31 December 2009 *US$'000*
Trade and bills receivables	**92,919**	67,186
Provision	**(1,820)**	(1,858)
	91,099	65,328
Other receivables	**13,339**	20,859
Provision	**(246)**	(392)
	13,093	20,467
Total	**104,192**	85,795
Turnover of average trade all bills receivables (in days)[1]	**70.6**	74.4

(1) Average trade and bills receivables equal to the 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 to the average trade and bills receivables divided by revenue and then multiplied by 180.

9. TRADE AND BILLS PAYABLES

The following table sets forth the total amounts of our trade and bills payables as at the balance sheet dates indicated, and our trade and bills payable turnover days.

	30 June 2010 *US$'000*	31 December 2009 *US$'000*
Trade and bills payable to third parties	**57,595**	48,527
Trade payables to related parties	**4,693**	6,242
Total	**62,288**	54,769
Turnover of average trade and bills payables (in days)[1]	**70.9**	70.9

(1) Average trade and bills payables equal to the 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.

10. INTEREST-BEARING LOANS

As at 30 June 2010, our total borrowings amounted to US$13,060,000.

	30 June 2010 *US$'000*	31 December 2009 *US$'000*
Current portion		
Bank loans – unsecured	**1,473**	
Bank loans – secured	**11,587**	6,093
Subtotal of current portion	**13,060**	6,093
Non-current portion		
Loans (unsecured) – Jiangshan municipal government	**–**	293
Subtotal of non-current portion	**–**	293
Total	**13,060**	6,386

Note: Interest-bearing loans included (1) RMB-denominated loans of RMB40 million at 4.779% per annum, RMB20 million at 5.045% per annum and RMB20 million at 4.617% per annum; and (2) GBP-denominated loans of GBP850,585 at local benchmark interest rate plus 1.6%

DEFINITIONS

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

"Champion Alliance" — the first pan-home industry alliance in China which consists of the six largest brands in domestic home industry, namely, Optima Kitchen, Dongpeng Ceramic, Nature Flooring, NVC Lighting, Red Apple Furniture and Midea Central Air Conditioning, for the purpose of promoting the cross-industries upgrading of the home industry and providing consumers with the most trusted all-in-one home solutions.

"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 report to "China" and the "PRC" do not apply to Taiwan, the Macau Special Administrative Region and 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

"Period under Review"	the six months ended 30 June 2010.
"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 infrastructures.
"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, 80% of its equity interest held by the Company and its remaining issued share capital being held by two independent third parties, namely, Mr. Henry Hangmin Sun (as to 10%) and Mr. Steven Mark Jacobs (as to 10%).
"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*

MANAGEMENT DISCUSSION AND ANALYSIS

Overall business review

During the Period under Review, the Group achieved revenue of US$204,034,000, representing an increase of 85.9% from US$109,780,000 for the corresponding period of 2009, and recorded gross profit of US$55,377,000, representing an increase of 98.7% from US$27,869,000 for the corresponding period of 2009. The Group's operating profit was US$31,796,000, representing a growth of 132.3% as compared with US$13,687,000 recorded in the corresponding period of 2009, the profit before tax was US$30,097,000 while it was the loss of US$6,706,000 for the corresponding period of 2009. And the profit attributable to the owners of the Company during the Period under Review was US$25,934,000 while it was the loss of US$8,590,000 for the corresponding period of 2009.

Market Review

In the first half of 2010, the Chinese economy maintained its rapid growth momentum with an increase of 11.1% in the gross domestic production as compared with the corresponding period of the previous year. Despite decelerating economic growth in the second quarter, the healthy growth momentum was in general maintained. In the first half of the year, the total domestic retail consumption maintained a relatively high growth rate of 18.2%.

This was reflected in the development of the real estate industry, which is closely related to the lighting industry. In the first half of this year, investment in property development recorded an increase of 38.1% as compared with the corresponding period of the previous year, of which, the investment in the development of commercial residential buildings increased by 34.4% as compared with the corresponding period of the previous year, and the investment in the development of commercial property (including office buildings) increased by 47% as compared with the corresponding period of the previous year. Total floor area of completed properties was 244,000,000 m^2, representing an increase of 18.2% as compared with the corresponding period of the previous year, of which, total floor area of completed residential buildings increased by 15.5% to 196,000,000 m^2, and total floor area of completed commercial property (including office buildings) increased by 30% to 48,000,000 m^2 as compared with the corresponding period of the previous year.

In the first half of 2010, the lighting industry showed certain signs of growth along with the recovery of the macro-economy. Large enterprises with an annual turnover of RMB5 million or above from their main businesses completed in aggregate industrial gross output of RMB114.779 billion, representing an increase of 29.6% as compared with the corresponding period of the previous year. In the first half of the year, manufacturers in the lighting industry produced an aggregate of 9,023,000,000 lamp products, representing an increase of 32.23% as compared with the corresponding period of the previous year, and 1,010,000,000 units of luminaire products and lighting products, representing an increase of 25.32% as compared with the corresponding period of the previous year. In the first half of 2010, the total export value of lighting products was US$8,017 million, representing an increase of 34.56% as compared with the corresponding period of the previous year. Of exports, the total export value of lamp products reached US$2,682 million, representing an increase of 42.48% as compared with the corresponding period of the previous year; the total export value of luminaire products amounted to US$4,038 million, representing an increase of 30.5% as compared with the corresponding period of the previous year and the total export value of the lighting electronic products reached US$465 million, representing an increase of 33.74% as compared with the corresponding period of the previous year. (Source: China Association of Lighting Industry)

In 2010, China has been or will be hosting two international events, namely, the Shanghai World Expo and the Guangzhou Asian Games. Holding these two major events in the midst of the gradual recovery of the global economy after the financial crisis is significant to China. They offer a good opportunity for China to showcase its national power and economic achievements, and the resultant economic benefits for domestic enterprises will be immeasurable. For example, the venue, stadiums and ancillary facilities built for these two events have directly brought large amount of orders and opportunities for product demonstration for China's lighting industry.

Energy-saving and emission reduction is an international trend, and also a consistent policy of China. Pursuing energy-saving can not only generate significant economic benefits, but also meet better environmental protection obligations and social responsibilities. Energy-saving fluorescent lamps have replaced incandescent lamps to become the most widely used lamps in China. In 2009, China's output of fluorescent lamps was two times more than that of incandescent lamps. China has made great efforts to encourage the use of energy-saving lighting products, especially energy-saving lamps and fluorescent lamps. The Chinese government subsidized the total use of 180,000,000 units of energy-saving lighting products in 2008 and in 2009 and planned to promote the use of more than 150,000,000 units of energy-saving lighting products in 2010.

(The above analysis and data are derived from the National Development and Reform Commission, the Ministry of Finance of China, the National Bureau of Statistics of China, China Association of Lighting Industry and China Illuminating Engineering Society respectively.)

Business review

During the Period under Review, benefiting from the favourable environment with the recovery of the economy, the Group fully took the market opportunities with effective business strategies such as promoting the brand profile of NVC and furthering its sales, production and product research and development efforts, with a view to maintaining the Group's leading position in the lighting industry and delivering outstanding results which were better than the industrial average. The Group was successfully listed on the Main Board of the Stock Exchange on 20 May 2010, symbolizing a new milestone for the Group's further development, and the proceeds from which allowed us to accelerate the pace of corporate development, enhance our core competitiveness and profile and consolidate our leading position in the industry.

Sales and distribution

In terms of NVC brand sales in the PRC market, the Group furthered its efforts in strengthening its control over its exclusive regional distributors and NVC outlets during the Period under Review. During the first half of 2010, the Group maintained the original 36 exclusive regional distributors and has strengthened its control and guidance over their implementation of the Company's policies. Meanwhile, it has also endeavored to raise the price-to-performance ratio of its products by perfecting the price management system and maintaining competitive products in its sales channels and sales outlets through optimizing the product portfolio. The Group has also established additional outlets and a total of 405 NVC outlets were established in the first half of the year, and after taking into account of the 216 NVC outlets closed down or re-organized, the net increase in the number of NVC outlets was 189, among which 51 were in the provincial capital cities, 20 were in the municipal cities and 118 were in the counties. As at 30 June, 2010, the Group had a total of 2,650 NVC outlets. We have enlarged the shop area of the NVC outlets and increased turnover in each single NVC outlet to greatly increase domestic sales, and the Group has also committed to develop new products, increase sales volume of new products and develop large Professional engineering customers and key accounts (the professional engineering customers and key accounts are operated by exclusive regional distributors) such as large-scale government invested projects such as the Shanghai World Expo 2010 and Guangzhou 2010 Asian Games. During the Period under Review, the Group has newly developed 18 large Professional engineering customers with transaction value exceeding RMB1 million (with total transaction value reached US$14.8 million) and 46 key accounts (such as Kappa fashion chain store and ERKE chain store, with total transaction value of US$24.05 million). The sales to Professional engineering customers and key accounts grew by 120.4% as compared with the corresponding period of 2009. Furthermore, in bidding for 2010 government subsidized

Production capacity

The Group has five production bases, including Huizhou in Guangdong Province, Wanzhou District in Chongqing, Jiangshan city in Zhejiang Province and Qingpu District in Shanghai, with an aggregate floor area of approximately 266,165 square meters and a total of 156 production lines. During the first half of the year, the Group had increased a total of 7 production lines in energy-saving lights and one production line in lighting electronic products. The breakdown of the production capacity of each production line 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
Production lines as at 30 June 2010	35	37	61	19	4
Designed capacity (units) as at 30 June 2010	30,000,000	25,000,000	93,469,000	38,532,000	4,500,000
Actual capacity (units) as at 30 June 2010	26,877,698	21,831,171	95,755,698	30,467,168	3,385,389
Average utilization rate as at 30 June 2010	89.6%	87.3%	102.4%	79.1%	75.2%
Standardized hours of operation	8 hours	8 hours	12 hours	8 hours	8 hours
Newly-added production line as compared with the beginning of the year (number)				6	
Increase in design capacity as compared with the corresponding period	20.0%	19.0%	6.1%	42.5%	33.3%
Increase in actual capacity as compared with the corresponding period	62.1%	52.9%	53.3%	71.6%	82.0%

In addition, the Group has also established a production base in also a f so as [illegible]

During the Period under Review, the Group invested a total of US$3,135,000 in research and development, representing 1.5% of the Group's total revenue. During the first half of 2010, the Group developed a total of 30 new products, including various LED, HID and lighting electronic products.

As at 30 June, 2010, the Group had a workforce in research and development of 248. Of which 80 are based in Huizhou Research and Development Center, 61 are based in Shanghai Research and Development Center and the others are based in various production bases.

Quality control

We have developed a comprehensive and effective quality management system, which is evidenced by our obtaining the ISO 9001:2000 quality management system certificate from the China Quality Assurance Centre of China Association for Quality (中質協質量保證中心) in 2005. We have also obtained a number of international product quality and safety certifications such as CSA (Canada) and UL (US).

To enhance our quality management system, we have established a laboratory in our production centre in Huizhou with advanced equipment and stringent testing standards for lighting products that exceed quality control standards imposed at national level. In the first half of 2010, Huizhou Production Base has passed the inspection and review on laboratory undertaken by China National Accreditation Service for Conforming Assessment and it is expected that the certificate will be awarded in late August.

Our quality control process starts early at the research and development stage where we consider the functionality and qualities of materials to be used for production and increase automatisation in the production process to stabilise product quality. At the raw material purchasing stage, we employ strict criteria in selecting our suppliers and conduct tests on substantially all of the raw materials and other components by appearance and characteristics inspections as well as testing equipment to ensure that they meet our quality standards. At each stage of our production process, we arrange for our quality control staff members to conduct on-site inspections of substantially all semi-finished components at our production facilities. After the assembly stage, our quality control staff members conduct sample tests on some of the finished products manufactured at our own production facilities to assess their functionality and quality. We also conduct detailed analyses of failing samples in order to improve production performance and. As at 30 June, 2010, we have a workforce of 684 on quality control.

Brand promotion

In terms of the PRC market, the Group has been placing strong emphasis on brand promotion. During the Period under Review, the Group furthered its effort in raising the brand profile and in the marketing and promotion of the brand of NVC. The Group actively participated in industry seminars, such as "China Sustainable Building Forum" and the "5th China International Construction and Interior Design Festival" (第五屆中國國際建築及室內設計節), attended the awarding ceremony of "Star of China Zero-Carbon Construction Materials (Products)" (中國零碳建材(產品)之星) besides attending the activities organized under the "9th Hotel Procurement of China Hotel Alliance – China Trip" (中國酒店聯盟第九期" 酒店採購　中華行 "), the "2nd China Hotel Engineering Renovation Seminar" (第二屆中國酒店工程改造論壇) and the "2010 China Hotel Lighting Renovation Seminar" (20 0中國酒店照明改造論壇). Such initiatives have helped establish the image of the Company and promote the brand name of NVC.

In terms of the international brand market, the product demand increased persistently under the turnaround of economies of various countries. During the Period under Review, to raise the public awareness of NVC products, the Group has participated in various overseas promotional activities, such as Middle East Power Exhibition in February, the Building Materials Exhibition in Brazil in March, Frankfurt Construction Lighting Exhibition in April and the Building Materials Exhibition in Israel in May.

Financial review

Revenue

Revenue represents the invoice value of the goods sold, net of sales returns and allowances. For the six months ended 30 June 2010, the Group recorded revenue of US$204,034,000, representing an increase of 85.9% as compared with US$109,780,000 recorded in the corresponding period last year. In particular, revenue of NVC brand products in the domestic market rose by 85.6% as compared to the corresponding period of the previous year, primarily attributable to our continuous improvement and perfection of our distribution channels with a net increase of 189 outlets, the expansion of unit outlet area, and the increae of unit outlet sales. In addition, we also continued to develop new professional engineering customers and Key Accounts, who together contributed an aggregate of US$38,850,000 in sales revenue, representing an increase of 120.4% as compared to the corresponding period in 2009. Sales of NVC brand products in the international market amounted to US$12,510,000, representing a growth of 269.0 % as compared to the corresponding period in 2009, which was mainly attributable to the global economic recovery.

Revenue by Product Segment

The following table sets forth the revenue by product segment (Luminaire, Lamp and Lighting electronics) and revenue as a percentage of total revenue for the periods indicated.

	Six months ended 30 June		
	2010	2009	Growth rate
	US$'000	*US$'000*	
Luminaire products	**99,073**	52,673	88.1%
Lamp products	**78,030**	44,014	77.3%
Lighting electronics products	**26,931**	13,093	105.7%
Total	**204,034**	109,780	85.9%

During the six months ended 30 June 2010, the Group achieved high revenue growth in both PRC sales and international sales, while international sales had a higher growth rate over PRC sales. Revenue from domestic sales increased by 78.1%, of which the NVC brand products' revenue increased by 85.6% to US$114,073,000 in the first half of 2010 from US$61,477,000 for the corresponding period of 2009, and the non-NVC brand products' revenue increased by 59.1% to US$38,638,000 in the first half of 2010 from US$24,280,000 for the corresponding period of 2009. Revenue from international sales increased by 113.6%, of which the NVC brand products' revenue increased by 269.0% to US$12,510,000 in the first half of 2010 from US$3,390,000 for the corresponding period of 2009, and the non-NVC brand products' revenue increased by 88.1% to US$38,813,000 in the first half of 2010 from US$20,633,000 for the corresponding period of 2009.

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 and their respective revenue as a percentage of total revenue for the periods as indicated.

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Energy-saving products	**123,966**	68,507
Non-energy-saving products	**80,068**	41,273
Total	**204,034**	109,780

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, phosphors powder and glass tubes and electronics components. Outsourced manufacturing costs primarily include the cost of purchasing semi-finished products and finished products produced by other manufacturers 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			
	2010		2009	
	US$'000	***% of Revenue***	*US$'000*	*% of Revenue*
Raw materials	**103,974**	**51.0%**	53,743	49.0%
Outsourced manufacturing costs	**18,136**	**8.9%**	10,809	9.8%
Labour costs	**16,071**	**7.9%**	10,555	9.6%
Overhead	**10,476**	**5.1%**	6,804	6.2%
Total cost of sales	**148,657**	**72.9%**	81,911	74.6%

During the Period under Review, the cost of sales increased by 81.5% to US$148,657,000 in the first half of 2010 from US$81,911,000 for the corresponding period of 2009. Such increase primarily reflected the increase in sales volume. The Group's cost of sales as a percentage of revenue decreased to 72.9% in the first half of 2010 from 74.6% for the corresponding period of 2009, resulting in an increased gross profit margin from 25.4% to 27.1%. This reflected our efforts in improving our manufacturing efficiency and enhancing the vertical integration of products and the scale of the economies.

Gross profit and gross profit margin

Gross profit is calculated by revenue less cost of sales and sales tax.

For the six months ended 30 June 2010, gross profit increased by US$27,508,000 or 98.7% to US$55,377,000 from US$27,869,000 for the corresponding period of 2009, primarily reflecting the increase in sales volume and gross profit margin. 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			
	2010		2009	
	US$'000	***%***	*US$'000*	*%*
Luminaire products	**29,873**	**30.2%**	14,084	26.7%
Lamp products	**20,415**	**26.2%**	10,935	24.8%
Lighting electronics products	**5,089**	**18.9%**	2,850	21.8%
Total	**55,377**	**27.1%**	27,869	25.4%

During the Period under Review, gross profit from luminaire products increased by 112.1% to US$29,873,000 in the first half of 2010 from US$14,084,000 for the corresponding period of 2009. Gross profit margin for luminaire products increased to 30.2% in the first half of 2010 from 26.7% for the corresponding period of 2009.This increase in gross profit margin for luminaire products was mainly attributable to the technological innovation in late 2009 and the rapid rise in the gross profit margin of fast-moving battens products.

During the Period under Review, gross profit from lamp products increased by 86.7% to US$20,415,000 in the first half 2010 from US$10,935,000 for the corresponding period of 2009. Gross profit margin for lamp products increased to 26.2% in the first half of 2010 from 24.8% for the corresponding period of 2009. This increase mainly reflected the strengthened vertical integration of our lamp products.

During the Period under Review, gross profit from lighting electronics products increased by 78.6% to US$5,089,000 in the first half of 2010 from US$2,850,000 for the corresponding period of 2009. Gross profit margin for lighting electronics products decreased to 18.9% in the first half of 2010 from 21.8% for the corresponding period of 2009, mainly due to two general price reductions made on lighting electronics products under the NVC brand in April and September 2009 as a part of our efforts in expanding sales and gaining market share.

(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			
	2010		2009	
	US$'000	***%***	*US$'000*	*%*
NVC brand	**39,199**	**31.0%**	18,740	28.9%
Non-NVC brand	**16,178**	**20.9%**	9,129	20.3%
Total	**55,377**	**27.1%**	27,869	25.4%

During the Period under Review, NVC brand products made a gross profit of US$39,199,000, representing an increase of US$20,459,000 or 109.2% from US$18,740,000 for the corresponding period of 2009; non-NVC brand products made a gross profit of US$16,178,000, representing an increase of US$7,049,000 or 77.2% from US$9,129,000 for the corresponding period of 2009;

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

	Six months ended 30 June			
	2010		2009	
	US$'000	***%***	*US$'000*	*%*
From domestic sales:				
Luminaire products	**26,300**	**31.5%**	12,097	27.2%
Lamp products	**16,103**	**28.1%**	9,314	26.1%
Lighting electronics products	**2,862**	**23.9%**	1,468	26.1%
Subtotal	***45,265***	***29.6%***	*22,879*	*26.7%*
From international sales				
Luminaire products	**3,573**	**22.8%**	1,987	24.1%
Lamp products	**4,312**	**20.8%**	1,621	19.5%
Lighting electronics products	**2,227**	**14.9%**	1,382	18.5%
Subtotal	***10,112***	***19.7%***	*4,990*	*20.8%*
Total	**55,377**	**27.1%**	27,869	25.4%

During the Period under Review, domestic sales made a gross profit of US$45,265,000, representing an increase of US$22,386,000 or 97.8% from US$22,879,000 for the corresponding period of 2009. In particular, NVC brand products made a gross profit of US$36,529,000, representing an increase of US$18,844,000 or 106.6% from US$17,685,000 for the corresponding period of 2009; non-NVC brand products made a gross profit of US$8,736,000, representing an increase of US$3,542,000 or 68.2% from US$5,194,000 for the corresponding period of 2009.

During the Period under Review, international sales made a gross profit of US$10,112,000, representing an increase of US$5,122,000 or 102.6% from US$4,990,000 for the corresponding period of 2009. In particular, NVC brand products made a gross profit of US$2,670,000, representing an increase of US$1,615,000 or 153.1% from US$1,055,000 for the corresponding period of 2009; non-NVC brand products made a gross profit of US$7,442,000, representing an increase of US$3,507,000 or 89.1% from US$3,935,000 for the corresponding period of 2009.

(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			
	2010		2009	
	US$'000	***%***	*US$'000*	*%*
Energy-saving products	**33,032**	**26.6%**	16,774	24.5%
Light tubes for CFL	**9,253**	**23.5%**	5,303	22.6%
T4/T5 battens	**11,133**	**36.5%**	5,069	28.8%
Compact fluorescent lamp (CFL)	**7,662**	**26.0%**	4,034	27.1%
Electronic ballast	**2,394**	**14.8%**	1,419	16.4%
HID lamp	**1,137**	**43.8%**	516	35.2%
Fluorescent lamp	**610**	**27.6%**	328	23.2%
LED products	**740**	**23.8%**	55	8.0%
HID street lighting	**103**	**21.1%**	50	16.6%
Non-energy-saving products	**22,345**	**27.9%**	11,095	26.9%
Total gross profit	**55,377**	**27.1%**	27,869	25.4%

The Group recorded a gross profit margin of 27.1% for the six months ended 30 June 2010 compared with that of 25.4% for the corresponding period of 2009. This was mainly due to: (1) the strengthening of the vertical integration of lamp products and improving gross margin of lamp products; (2) higher fixed cost per unit due to low capacity utilisation rate in the corresponding period of 2009; (3) technological innovation on luminaire products generating higher gross profit margin.

Other income and gains

Other income and gains mainly consist of trademark licence fees, distribution commission, rental income, sales of materials and government grants. We received various types of government grants as an incentive for export sales, technology research and development and recruitment of local workers, as well as financial support for our expansion of production capacity for energy saving lamp products. Government grants are provided by relevant authorities at their discretion, but may not necessarily be recurring in nature. We licensed our trademark to some of the lighting product manufacturers in the PRC and we received three percent of the licensees' annual turnover as trademark license 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. The table below shows a breakdown of our other income and gains.

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Government grants	**840**	1,126
Trademark licence fees	**1,254**	771
Distribution commission	**2,567**	712
Rental income	**181**	220
Exchange gain	**–**	45
Others	**694**	468
Total	**5,536**	3,342

Selling and distribution costs

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

Selling and distribution costs in the first half of 2010 were US$14,480,000, representing an increase of US$7,555,000 or 109.1% as compared with US$6,925,000 in the corresponding period of 2009, accounting for 7.1% of the Company's revenue (2009: 6.3%). The increase in selling and distribution costs was primarily attributable to (1) increased advertising costs which increased approximately US$4,007,000 in the first half of 2010 as compared with the corresponding period of 2009; and (2) the increase of US$1,673,000 in freight costs reflecting increased sales volume as compared with the corresponding period of 2009.

Administrative expenses

Administrative expenses mainly consist of staff costs, amortisation and depreciation, research and development expenses, bad debt provision, commission fee for the initial public offering, share-based compensation costs and others. Others include taxes, office expenses, audit fees, professional fees and other miscellaneous items. These taxes mainly include land use tax and stamp duty in connection with our administrative functions.

Administrative expenses in the first half of 2010 were US$13,909,000, representing an increase of 32.0% or US$3,375,000 from US$10,534,000 for the corresponding period of 2009. Such increase was primarily attributable to an increase of US$595,000 in research and development expenses, as well as an increase of US$1,844,000 in professional fees which was mainly in connection with the global offering of the Company's shares. The proportion of administrative costs to revenue decreased to 6.8 % in the first half of 2010 from 9.6% in the corresponding period of 2009.

Other expenses

Other expenses mainly consist of loss on disposal of items of property, plant and equipment, scrap materials, net foreign exchange loss and donations. Other expenses in the first half of 2010 were US$728,000 compared to US$65,000 for the corresponding period of 2009. The increase of other expenses was primarily caused by the loss on disposal of assets and higher exchange losses in the first half of 2010.

Finance income

Finance income mainly consists of interest income from bank deposits and loans, discounts from payables paid in advance, and other interest income.

Finance costs

Finance costs represent interest expense accrued on convertible redeemable preference shares, interest on bank loans and interest on discounted bills. The host liability instrument of the convertible redeemable preference shares are carried as a liability at amortised cost calculated under the effective interest rate method. Financial costs accrued due to the interest expense on the convertible redeemable preference shares in first half of 2010 were US$1,315,000 as compared to US$3,881,000 for the corresponding period of 2009. As a result of the Company's initial public offering, these convertible redeemable preference shares were entirely converted into ordinary shares and the accrual of interest is no longer required after the listing date.

Net fair value loss on convertible redeemable preference shares

According to the terms of preference shares, preference shares will be automatically converted into ordinary shares on the date of the successful listing of the Company's shares. Before conversion into ordinary shares, net fair value loss of US$16,540,000 from our preference shares was recorded for the six months ended 30 June 2009, primarily attributable to the higher equity value of the Company resulting from the Group's business expansion. As at 31 December 2009, the holders of our preference shares agreed to waive their respective rights to adjust the conversion price applicable to our preference shares. Therefore, there will be no adjustment to the fair value of the derivatives of preference shares from 2010 onwards.

Share of profit of an associate

This item represents the Group's share of the current net profit of an associate, Mianyang Leici, in the first half of 2010.

Income tax expense

Income tax expense represents our current income tax and deferred income tax. The member companies of the Group are subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies are domiciled or operated. The member companies of the Group located in PRC are subject to enterprise income tax ("EIT") at the rate of 25% since 2008. Pursuant to the effective PRC income tax laws and regulations when these members were established, some companies 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 inini [illegible]

Profit/(loss) attributable to owners of the Company for the period

Due to the factors mentioned above, we recorded a profit attributable to owners of the Company of US$25,934,000 in the six months ended 30 June 2010, representing a turnaround from a loss of US$8,590,000 for the corresponding period of 2009.

Profit attributable to non-controlling interests for the period

Profit attributable to non-controlling interests increased to US$1,161,000 for the six months ended 30 June 2010 from US$389,000 for the corresponding period of 2009.

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 global offering. The table below sets out selected cash flow data from our consolidated statements of cash flows.

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Net cash flows from operating activities	**8,999**	21,628
Net cash flows used in investing activities	**(87,526)**	(7,314)
Net cash flows from financing activities	**201,318**	6,038
Net increase in cash and cash equivalents	**122,791**	20,352
Cash and cash equivalents at beginning of the period	**44,034**	22,085
Effect of foreign exchange rate changes, net	**510**	347
Cash and cash equivalents at the end of the period	**167,335**	42,784

Cash flows 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 net cash flows from operating activities were US$8,999,000 in the first half of 2010, while our operating cash inflows before changes in working capital was US$41,243,000. The changes in working capital included (i) an increase of US$11,742,000 in inventories; (ii) an increase of US$20,463,000 in trade receivables, other receivables and prepayments; (iii) income tax paid amounting to US$4,379,000; and (iv) an increase of US$4,340,000 in trade and bills payables, as well as other payables and accruals.

Our net cash flows from operating activities were US$21,628,000 in the first half of 2009, while our operating cash inflows before changes in working capital was US$19,283,000. The changes in working capital included (i) an increase of US$19,482,000 in inventories; (ii) a decrease of US$10,757,000 in trade receivables, other receivables and prepayments; (iii) income tax paid amounting to US$3,491,000; and (iv) an increase of US$14,561,000 in trade and bills payable as well as other payables and accruals.

Cash flows used in investing activities

Our cash flows used in investing activities mainly consists of purchases of property, plant and equipment, acquisitions of subsidiaries and other businesses net of cash acquired. In the first half of 2010, our net cash flows used in investing activities amounted to US$87,526,000. The net cash outflows were mainly due to (i) payment of US$12,482,000 for the purchase of machinery, equipment and related auxiliary facilities; (ii) balance payment of US$7,736,000 for the acquisition of World Through; and (iii) an increase of US$67,758,000 in term deposits.

During the corresponding period in 2009, our net cash flows used in investing activities amounted to US$7,314,000. The net cash outflows mainly represented our expenditure of US$3,363,000 for the purchase of machinery, equipment and related auxiliary facilities, and our payment of US$16,079,000 for acquisition of subsidiaries and other business.

Cash flows from financing activities

Our cash inflow from financing activities mainly consists of the proceeds from the Global Offering and proceeds from new bank borrowings. Our cash flows used in financing activities consists of repayment of borrowings, bank loan interest payment, the issuance costs relating to the issue of ordinary shares and professional fees paid for the IPO transaction.

In the six months ended 30 June 2010, our net cash inflows used in financing activities amounted to US$201,318,000. Such cash inflows were mainly from (i) the proceeds of US$201,238,000 from the issue of new shares; (ii) the proceeds of US$17,932,000 from new bank borrowings; and (iii) the receipt of government grants of US$5,286,000. The cash inflows were partly offset by US$11,289,000 for the repayment of bank borrowings, US$2,223,000 for the payment of dividends to non-controlling shareholder in a subsidiary and payment of under writing commission of US$9,002,000 for the Company's global offering.

During the corresponding period in 2009, our net cash inflows from financing activities amounted to US$6,038,000. Such cash inflows were mainly from the proceeds of US$18,292,000 from new bank borrowings and US$985,000 receipts of government grants. The cash inflows were partly offset by US$12,809,000 for repayment of the bank borrowings.

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 balance sheet date.

	30 June 2010 *US$'000*	31 December 2009 *US$'000*
CURRENT ASSETS		
Inventories	**57,562**	47,567
Trade and other receivables	**104,192**	85,795
Prepayments	**4,256**	6,692
Cash and short-term deposits	**238,352**	47,292
Subtotal of current assets	**404,362**	187,346
CURRENT LIABILITIES		
Trade and bills payables	**62,288**	54,769
Other payables and accruals	**29,060**	41,864
Interest-bearing loans	**13,060**	6,093
Income tax payable	**2,442**	3,208
Subtotal of current liabilities	**106,850**	105,934
NET CURRENT ASSETS	**297,512**	81,412

As at 30 June 2010 and 31 December 2009, net current assets of the Group totalled US$297,512,000 and US$81,412,000, respectively, and our current ratio was 3.78 and 1.77, respectively. Liquidity was better than that as at 31 December 2009, mainly attributable to the proceeds from the Global Offering available to us. In light of our current liquidity position, and the net proceeds available to the Company from the global offering, banking facilities available 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 balance sheet dates indicated.

	30 June 2010	31 December 2009
	US$'000	*US$'000*
Interest-bearing loans	**13,060**	6,386
Convertible redeemable preference shares	**–**	57,932
Total debt	**13,060**	64,318
Less: cash and short-term deposits	**238,352**	47,292
Net debt	**(225,292)**	17,026
Total equity attributable to owners of the Company	**442,733**	164,192
Gearing ratio	**0.0%**	10.4%

Note: Interest-bearing loans included (1) RMB-denominated loans of RMB40 million at 4.779% per annum, RMB20 million at 5.045% per annum and RMB20 million at 4.617% per annum; and (2) GBP-denominated loans of GBP850,585 at local benchmark interest rate plus 1.6%

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 includes the balance of interest-bearing loans and convertible redeemable preference shares, less cash and short-term deposits.

As at 30 June 2010, gearing ratio of the Group was nil, which was attributable to the conversion of the convertible redeemable preference shares of the Company into ordinary shares on the listing date, and the large amount of proceeds from the Global Offering, resulting in that cash and short-term deposits were significantly higher than the total amount of debt. As at 31 December 2009, our gearing ratio was 10.4%, mainly indicating the potential liability effect of the convertible redeemable preference shares of the Company.

Inventories analysis

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. We monitor our inventories on a regular basis. The following table sets out a summary of our inventories balance as at the respective balance sheet dates, as well as the turnover of average inventories for the periods indicated.

	30 June 2010 *US$'000*	31 December 2009 *US$'000*
Raw materials	**16,104**	13,707
Work in progress	**2,950**	1,297
Finished goods	**38,508**	32,563
Total	**57,562**	47,567
Turnover of average inventories (in days)[1]	**63.6**	57.0

(1) Average inventory equals to the 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 to the average inventories divided by the cost of sales and then multiplied by 180.

In the six months ended 30 June 2010, the amount of the write-down of inventories recognized as an expense was US$1,727,000.

In the six months ended 30 June 2010 and the year 2009, our inventory turnover days were 63.6 days and 57 days, respectively. The increase in inventory turnover days in the first half of 2010 was primarily attributable to the build-up of relevant inventory for the peak sales season in the second half of 2010 by the Group.

Trade and other receivables

	30 June 2010 *US$'000*	*US$'000*
	92,919	
	(1,820)	
	91,099	
	13,339	
	(246)	
	13,093	4
	104,192	
	70.6	4 4

Trade and bills payables

The following table sets forth the total amounts of our trade and bills payables as at the balance sheet dates indicated, and our average trade and bills payable turnover days for the periods indicated.

	30 June 2010 *US$'000*	31 December 2009 *US$'000*
Trade and bills payables to third parties	**57,595**	48,527
Trade payables to related parties	**4,693**	6,242
Total	**62,288**	54,769
Turnover of average trade and bills payables (in days)(1)	**70.9**	70.9

(1) Average trade and bills payables equal to the 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.

Turnover days of trade and bills payables were 70.9 days and 70.9 days, respectively, as at 30 June 2010 and 31 December 2009, and trade and bills payables was US$7,519,000 higher than that at 31 December 2009 mainly due to the build-up of inventory by the Group in preparation for the peak season in the second half of the year, thus resulting in an increase in trade payables.

Interest-bearing loans

As at 30 June 2010, our total interest-bearing loans amounted to US$13,060,000. On the same date, we had bank facilities of approximately RMB630,000,000, of which approximately RMB620,000,000 was yet to be utilized.

Current portion	**30 June 2010** *US$'000*	31 December 2009 *US$'000*
Bank loans – unsecured	**1,473**	
Bank loans – secured	**11,587**	6,093
Subtotal of current portion	**13,060**	6,093
Non-current portion		
Loans (unsecured) – Jiangshan municipal government	**–**	293
Subtotal of non-current portion	**–**	293
Total	**13,060**	6,386

Note: Interest-bearing loans included (1) RMB-denominated loans of RMB40 million at 4.779% per annum, RMB20 million at 5.045% per annum and RMB20 million at 4.617% per annum; and (2) GBP-denominated loans of GBP850,585 at local benchmark interest rate plus 1.6%

Our total bank borrowings were US$13,060,000 on 30 June 2010, representing an increase of US$6,674,000 as compared to US$6,386,000 on 31 December 2009.

Certain of our bank loans were secured as follows:

Certain of our buildings with an aggregate carrying amount of approximately US$10,597,000 and US$10,717,000 on 30 June 2010 and 31 December 2009, respectively.

Certain of our land use rights with an aggregate carrying amount of approximately US$1,480,000 and US$1,489,000 on 30 June 2010 and 31 December 2009, respectively.

Certain of our trade receivables with an aggregate carrying amount of approximately US$5,253,000 and US$293,000 on 30 June 2010 and 31 December 2009, respectively.

Convertible redeemable preference shares

The Company issued the convertible redeemable preference shares to investors on 1 August 2006 and 29 August 2008, respectively. Pursuant to the Preference Share Purchase Agreement, the holders of the preference shares may convert their preference shares into ordinary shares or have them redeemed at a specified price when certain conditions are met. Given the nature of the preference shares and the requirements of the International Financial Reporting Standards, the Company accounted for these preference shares as liabilities before they were converted or redeemed providing for the corresponding interest incurred, and recognized the movement in fair value in accordance with their nature and terms. According to the terms set out in the Preference Share Purchase Agreement, the preference shares shall be converted into ordinary shares on the basis of one preference share for one ordinary share immediately after the completion of the Global Offering by the Company, and the Company shall reclassify the preference shares from liabilities to equity after the listing of the Company's shares. There were outstanding convertible redeemable preference shares with an amount of US$57,932,000 on 31 December 2009, which were reduced to be nil as as 30 June 2010 after conversion into ordinary shares (being reclassified to be equity).

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 2010, the Group had no contingent liabilities.

Capital commitments

As at 30 June 2010, we had capital commitments of US$39,000,000 for the construction of fixed assets which were used for the construction of plant, office buildings and dormitories. In addition to the operating lease commitments which are set forth below, we had the following commitments as at the dates indicated.

	30 June 2010 *US$'000*	31 Decmber 2009 *US$'000*
Contracted but not provided for		
Acquisition of fixed assets	**9,511**	8,981
Authorised but not contracted for		
Acquisition of fixed assets	**28,997**	33,181
Acquisition of land use rights	**492**	489
Total	**39,000**	42,651

Operating leases commitments

As at 30 June 2010, We leased a number of properties under 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 2010 *US$'000*	31 Decmber 2009 *US$'000*
Within one year	**740**	642
After one year but not more than five years	**1,220**	1,304
More than five years	**320**	418
Total	**2,280**	2,364

As a lessor, we lease plants and office premises under operating lease arrangements with lease terms ranging from ten months to four years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions. As at the respective balance sheet dates, we had total future minimum rental receivables under the non-cancellable operating leases as follows:

	30 June 2010 *US$'000*	31 Decmber 2009 *US$'000*
Within one year	**488**	381
After one year but not more than five years	**660**	798
More than five years	**–**	550
Total	**1,148**	1,729

PROSPECTS

The Group is part of a fasting growing industry that has great potential for growth. The demand in the Chinese lighting market is enormous with a bright growth prospects. The Group, therefore, is optimistic about the prospects of the industry.

In future, we will implement the following strategies to achieve the goal of "Becoming a world famous brand and the best player in the industry".

We will continue to secure our leading position in the industry through technological transformation, introduction of advanced production facilities, enrichment of our product portfolio, and expansion of our market share in both domestic and overseas markets. We will also keep on increasing our production capacity, especially that of energy-saving lamp products which, for example, includes the phase II project of our Zhejiang production base that is currently under construction. Meanwhile, we will further enhance our expertise in production automation and professional technology so as to improve production efficiency.

We will also make our best efforts in brand building, strengthening the market position of our brand, focus on the production of energy-saving products and consolidating our the image as a green brand. In addition, we will increase our investment in product research and development, improve production efficiency and the features of existing products, and keep abreast with the state-of-the-art, internationally advanced technologies (such as LED), so as to maintain our technologically advanced position.

Additionally, we will enhance our distribution channels, further expand the coverage of our distribution network, penetrate deeper into existing markets and explore new distribution models. We will also keep an eye on target enterprises that have developed new products and technologies, or those engaged in the upstream or downstream businesses in the industry chain, and continue to perfect our product mix and market system through acquisition and merger activities.

Continuing Connected Transactions

Continuing connected transactions of the Group for the six months ended 30 June 2010 were within the annual cap requirements set out in the prospectus dated 7 May 2010.

Merger and Acquisition

For the six months ended 30 June 2010, no acquisition of subsidiaries or associates was made by the Group.

Use of proceeds from the Global Offering

We do not propose to use the proceeds from the gobal 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 minimize 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. We do not use foreign currency forward exchange contracts to hedge the currency exposure arising from individual transactions. We have conducted a sensitivity analysis to determine our exposure to the changes in foreign currency exchange rates. If RMB appreciates or depreciates against U.S. dollar by 5% within a reasonable and possible range for the six months ended 30 June 2010 while other variables remain unchanged, our profit before tax would decrease or increase by US$960,000, respectively.

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 borrowings. 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. We have also policies that limit our credit exposure to any financial institutions. The carrying amounts of trade and other receivables, cash 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 2009, we entered into a number of 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 2009 to 31 October 2010 subject to a maximum uncollectible amount of RMB25.2 million for domestic sales and US$10 million for overseas sales. We purchased such insurance in order to minimize 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 cents per share for the six months ended 30 June 2010 to shareholders.

Closure of Register of Members

The Register of Members will be closed from 21 September 2010, Tuesday to 24 September 2010, 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 20 September 2010, Monday.

Employees

As at 30 June 2010, the Group has approximately 10,876 employees (31 December 2009: 10,375). 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, discretionary incentive and share option schemes.

Purchase, Sale or Redemption of Listed Securities

For the six months ended 30 June 2010, except for the Company's initial public offering neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Directors are of the opinion that, as at 30 June 2010, the Company has complied with the Code, except for the code provision A.2.1which 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 2010.

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 2010.

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.

Change in Directors' information

Under the Rule 13.51B(1) of the Listing Rules, the Company would like to disclose that Mr. YAN Andrew Y (being a non-executive director of the Company) has been a non-executive director of China Hui Yuan Juice Group Limited since 28 July 2010.

Publication of Interim Report on the Websites of the Stock Exchange and the Company

The Group's audited interim results will be included in the Company's interim report for the six-month period ended 30 June 2010 which will be published on the website of the Stock Exchange 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.

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

Hong Kong, 24 August 2010

As at the date of this announcement, the Board consists of the following directors:

Executive Directors:
WU Changjiang
WU Jiannong
MU Yu

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

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