NVC LIGHTING HOLDING LIMITED

雷士照明控股有限公司

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

		Yea e ded 31 Dece be	
		2010	2009
	No		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2010

	Yea e ded 31 Dece be	
	2010	2009
	US$'000	*US$'000*
PROFIT FOR THE YEAR	**73,894**	14,690
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**8,374**	128
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**82,268**	14,818
Attributable to:		
Owners of the Company	**79,569**	12,971
Non-controlling interests	**2,699**	1,847
	82,268	14,818

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2010

		31 Dece be	
		2010	2009
	Notes	***US$'000***	*US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**84,817**	67,824
Prepaid land lease payments		**11,536**	11,570
Goodwill		**34,121**	33,896
Other intangible assets		**53,032**	52,916
Investment in an associate		**689**	540
Deferred tax assets		**2,537**	1,329
Long-term deferred expenditure		**64**	72
Other non-current financial assets			221
T a -c e a e		**186,796**	168,368
CURRENT ASSETS			
Inventories	*8*	**68,591**	47,567
Trade and other receivables	*9*	**119,503**	85,795
Prepayments		**8,494**	6,692
Short-term deposits		**60,648**	3,258
Cash and cash equivalents		**182,766**	44,034
T a c e a e		**440,002**	187,346
CURRENT LIABILITIES			
Trade and bills payables	*10*	**51,297**	54,769
Other payables and accruals		**44,438**	41,864
Interest-bearing loans	*11*		6,093
Income tax payable		**3,442**	3,208
T a c e ab e		**99,177**	105,934
NET CURRENT ASSETS		**340,825**	81,412
TOTAL ASSETS LESS CURRENT LIABILITIES		**527,621**	249,780

Continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
31 December 2010

	31 Dece be	
	2010	2009
	US$'000	*US$'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**15,038**	15,157
Convertible redeemable preference shares		57,932
Government grants	**16,320**	8,680
Interest-bearing loans		293
T a -c e ab e	**31,358**	82,062
Ne a e	**496,263**	167,718
EQUITY		
E[illegible] a b ab e [illegible] e f e C a [illegible]		
Issued capital		–
Share premium	**315,130**	23,556
Equity component of convertible preference shares		54,481
Shareholders' contribution	**879**	879
Statutory reserve	**10,445**	7,157
Employee equity benefit reserve	**1,768**	2,172
Foreign currency translation reserve	**17,858**	9,627
Retained earnings [illegible]		

CONDENSED STATEMENT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	A b abe e f e C a											
	I ed ca a (US$'000)	S a e e (US$'000)	E c e f c e be efe e ce a e (US$'000)	S a e de ' c b (US$'000)	S a e e e (US$'000)	E ee e be ef e e e (US$'000)	F e c e c a a e e e (US$'000)	Re a ed ea (US$'000)	P ed f a d de d (US$'000)	T a (US$'000)	N - c e e (US$'000)	T a e (US$'000)
A 1 Ja a 2010		**23,556**	**54,481**	**879**	**7,157**	**2,172**	**9,627**	**66,320**		**164,192**	**3,526**	**167,718**
Profit for the year								**71,338**		**71,338**	**2,556**	**73,894**
Other comprehensive income:												
Exchange differences on translation of foreign operations							**8,231**			**8,231**	**143**	**8,374**
Total comprehensive income for the year							**8,231**	**71,338**		**79,569**	**2,699**	**82,268**
Transfer to statutory reserve					**3,288**			**(3,288)**				
Issue of new shares in the initial public offering ("IPO"), net of share issue expenses		**191,824**								**191,824**		**191,824**
Conversion of preference shares to ordinary shares		**113,728**	**(54,481)**							**59,247**		**59,247**
Exercise of share options		**5,709**				**(1,148)**				**4,561**		**4,561**
Employee share option arrangements						**744**				**744**		**744**
Dividend distributed by a subsidiary to the non-controlling shareholder											**(2,223)**	**(2,223)**
2010 interim dividend		**(7,876)**								**(7,876)**		**(7,876)**
Proposed 2010 final dividends		**(11,811)**							**11,811**			
A 31 Dece be 2010		**315,130**		**879**	**10,445**	**1,768**	**17,858**	**134,370**	**11,811**	**492,261**	**4,002**	**496,263**
A 1 Ja a 2009	–	23,556	6,988	879	5,525	2,098	9,499	55,109		103,654	1,679	105,333
Profit for the year	–	–	–	–	–	–	–	12,843		12,843	1,847	14,690
Other comprehensive income:												
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	128	–		128	–	128
Total comprehensive income for the year	–	–	–	–	–	–	128	12,843		12,971	1,847	14,818
Transfer to statutory reserve	–	–	–	–	1,632	–	–	(1,632)		–	–	–
Equity component of preference shares arising from changes in term of conversion feature			47,493							47,493		47,493
Employee share option arrangements	–	–	–	–	–	74	–	–		74	–	74
A 31 Dece be 2009	–	23,556	54,481	879	7,157	2,172	9,627	66,320		164,192	3,526	167,718

NOTES TO 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, and the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF CONSOLIDATION

Ba f c da f 1 Ja a y 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2010. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same Reporting Period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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IMPACT OF NEW AND REVISED IFRS

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements. The adoption of these new and revised IFRSs has had no significant effect on the financial statements of the current year or the prior year.

• IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standards*
• IFRS 1 Amendments	*Additional Exemptions for First-time Adopters*
• IFRS 2 Amendments	*Group Cash-settled Share-based Payment Transactions*
• IFRS 3 (Revised)	*Business Combinations*
• IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
• IAS 39 Amendment	*Eligible Hedged Items*
• IFRS 5 Amendments (included in Improvements to IFRSs 2008)	*Plan to sell the controlling interest in a subsidiary*
• IFRIC 17	*Distributions of Non-cash Assets to Owners*
• Improvements to IFRSs 2009	*Amendments to a number of IFRSs issued in May 2009*

[#] *The IASB has issued Improvements to IFRSs in April 2009 which include amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 2, IFRS 5, IFRS 8, IFRIC 9, IFRIC 16, IAS 1, IAS 7, IAS 17, IAS 36, IAS 38 and IAS 39 have been adopted by the Group for the first time in 2010.*

IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRS

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 1 Amendments	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[4]
• IFRS 7 Amendments	*Transfers of Financial Assets*[6]
• IFRS 9	*Financial Instruments*[6]
• IAS 12 Amendments	*Deferred Tax: Recovery of Underlying Assets*[5]
• IAS 24 (Revised)	*Related Party Disclosures*[3]
• IAS 32 Amendment	*Classification of Rights Issues*[1]
• IFRIC 14 Amendments	*Prepayments of a Minimum Funding Requirement*[3]
• IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

1 *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 July 2011*
5 *Effective for annual periods beginning on or after 1 January 2012*
6 *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 whereas 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.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs and IFRIC interpretations upon initial application. 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, after allowance 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.

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information represents the revenue and gross profit from external customers. For the year ended 31 December 2010, the Group recorded revenue of US$471,725,000, representing an increase of 54.3% as compared with US$305,770,000 recorded in the year ended 31 December 2009.

	Re e e		**G P f**	
	Yea e ded 31 Dece be		**Yea e ded 31 Dece be**	
	2010	2009	**2010**	2009
	US$'000	*US$'000*	***US$'000***	*US$'000*
Luminaire products	**258,300**	153,799	**82,319**	41,841
Lamp products	**157,624**	118,048	**43,603**	34,410
Lighting electronics products	**55,801**	33,923	**11,331**	7,779
Total	**471,725**	305,770	**137,253**	84,030
U a ca ed e				
Other income and gains			**13,329**	7,659
Selling and distribution costs			**(36,347)**	(20,654)
Administrative expenses			**(30,097)**	(26,588)
Other expenses			**(1,291)**	(633)
Finance income			**1,938**	755
Finance costs			**(2,598)**	(8,737)
Net fair value loss on convertible redeemable preference shares				(15,780)
Share of profits of an associate			**129**	58
Profit before tax			**82,316**	20,110
Income tax expense			**(8,422)**	(5,420)
Profit for the year			**73,894**	14,690

3. OTHER INCOME AND GAINS

	Yea e ded 31 Dece be	
	2010	2009
	US$'000	*US$'000*
Government grants	**3,587**	1,644
Trademark licence fees	**3,228**	2,249
Distribution commission	**4,210**	2,406
Gain of scraps and materials	**861**	656
Rental income	**500**	423
Exchange gain, net	**673**	–
Others	**270**	281
Total	**13,329**	7,659

4. FINANCE COSTS

Yea e ded 31 Dece be

5. INCOME TAX EXPENSE *(Continued)*

The reconciliation between income tax expense based on applicable tax rates and accounting profit/(loss) is as follows:

	Ma a d C a	**O e**	**T a**
	US$'000	***US$'000***	***US$'000***
Profit/(loss) before income tax	**86,143**	**(3,827)**	**82,316**
Tax at the statutory income tax rate	**21,536**	**(135)**	**21,401**
Lower tax rates enacted by local authority	**(8,426)**		**(8,426)**
Tax exemption	**(3,724)**		**(3,724)**
Income not subject to tax	**(1,102)**		**(1,102)**
Expenses not deductible for tax	**310**		**310**
Tax losses not recognised		**135**	**135**
Effect of change in rates on opening deferred tax	**(172)**		**(172)**
Income tax expense for the year	**8,422**		**8,422**

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 year. 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 during the year, 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.

On 20 May 2010, the Company subdivided each ordinary share into 1,000 ordinary shares. The sub-division was retrospectively applied to the comparative shares existing as at 1 January 2009.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest expense on the Series A-1/Series B preference shares, fair value gain or loss of embedded derivatives of the Series A-1/Series B preference shares, and the profit attributable to the holders of the Series A-1/Series A-2/Series B preference shares of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, witch 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 potential dilutive ordinary shares into ordinary shares.

	Yea e ded 31 Dece be	
	2010	2009
	US cents	*US cents*
Earnings per share		
– Basic	**2.69**	0.58
– Diluted	**2.53**	0.53

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

	Yea e ded 31 Dece be	
	2010	2009
	US$'000	*US$'000*
Profit attributable to equity holders of the Company	**71,338**	12,843
Less: Profit attributable to holders of Series A-1/Series A-2/Series B preference shares	**(7,504)**	(5,154)
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**63,834**	7,689
Add: Interest expense of Series A-1 preference shares	**455**	–
Profit attributable to holders of Series A-1/Series A-2 preference shares	**5,507**	–
Profit attributable to ordinary equity holders of the Company used in the diluted earnings per share calculation	**69,796**	7,689

Yea e ded 31 Dece be

8. INVENTORIES

	31 Dece be	
	2010	2009
	US$'000	*US$'000*
Raw materials	**19,885**	13,707
Work in progress	**1,053**	1,297
Finished goods	**47,653**	32,563
Total	**68,591**	47,567
Turnover of average inventories (in days)[1]	**63.4**	57.0

[1] Average inventory equals to the inventories at the beginning of the year plus inventories at the end of the year (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 365.

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 and bills receivables as at the end of the Reporting Period and the turnover of average trade and bills receivables (in days) for the years indicated.

	31 Dece be	
	2010	2009
	US$'000	*US$'000*
Trade and bills receivables	**112,583**	67,186
Provision	**(2,181)**	(1,858)
	110,402	65,328
Other receivables	**9,361**	20,859
Provision	**(260)**	(392)
	9,101	20,467
Total	**119,503**	85,795
Turnover of average trade and bills receivables (in days)[1]	**69.5**	74.4

[1] Average trade and bills receivables equal to the trade and bills receivables (before impairment) at the beginning of the year plus trade and bills receivables at the end of the year, 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 365.

9. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	31 Dece be	
	2010	2009
	US$'000	*US$'000*
Within 3 months	**94,924**	59,252
Between 4 and 6 months	**11,703**	4,407
Between 7 and 12 months	**2,427**	1,073
Between 1 and 2 years	**1,080**	595
Between 2 and 3 years	**268**	1
	110,402	65,328

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

	31 Dece be	
	2010	2009
	US$'000	*US$'000*
Within 1 year	**8,665**	5,624
Between 1 and 2 years	**382**	13,200
Over 2 years	**54**	1,643
	9,101	20,467

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 Reporting Period, and our turnover of average trade and bills payables (in days) for the years indicated.

	31 Dece be	
	2010	2009
	US$'000	*US$'000*
Trade and bills payable to third parties	**48,076**	48,527
Trade payables to related parties	**3,221**	6,242
Total	**51,297**	54,769
Turnover of average trade and bills payables (in days)[1]	**57.9**	70.9

(1) Average trade and bills payables equal to the trade and bills payables at the beginning of the year plus trade and bills payables at the end of the year, 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 365.

10. TRADE AND BILLS PAYABLES *(Continued)*

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

	31 Dece be	
	2010	2009
	US$'000	*US$'000*
Within 3 months	**50,194**	53,383
Between 4 and 6 months	**526**	902
Between 7 and 12 months	**193**	120
Between 1 and 2 years	**102**	261
Over 2 years	**282**	103
	51,297	54,769

11. INTEREST-BEARING LOANS

As at 31 December 2010, the Group had no interest-bearing loans.

	31 Dece be	
	2010	2009
	US$'000	*US$'000*
C e		
Bank loans – secured		6,093
Subtotal of current portion		6,093
N -c e		
Loans (unsecured) – Jiangshan municipal government		293
Subtotal of non-current portion		293
Total		6,386

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS REVIEW

During the Reporting Period, the Group generated revenue of US$471,725,000, representing an increase of 54.3% from US$305,770,000 for the year ended 31 December 2009, and recorded gross profit of US$137,253,000, representing an increase of 63.3% from US$84,030,000 for the year ended 31 December 2009. The Group's profit before tax amounted to US$82,316,000, representing an increase of 309.3% from US$20,110,000 for the year ended 31 December 2009. And the profit attributable to the owners of the Company during the Reporting Period was US$71,338,000, representing an increase of 455.5% from US$12,843,000 for the year ended 31 December 2009.

MARKET REVIEW

Looking back over 2010, the global economy gradually bottomed out from recession and began its recovery, which was exemplified by the rapid growth of the PRC economy throughout the year. According to the data released by National Bureau of Statistics on 20 January 2011, the preliminarily estimated gross domestic production in 2010 reached RMB39,798.3 billion, an increase of 10.3% compared to 2009. Despite the impact of macro control policies, the real estate industry, which is closely related to the lighting industry, has maintained a steady growth. The total investment in real estate development for the year was RMB4,826.7 billion, representing a growth of 33.2%.

In 2010, China was the host of two successful international events, namely, the Shanghai World Expo and the Guangzhou Asian Games. China once again was in the international spotlight as in the 2008 Beijing Olympic Games. These two big events have greatly boosted the rapid growth of many industries including the lighting industry. Meanwhile, proactive fiscal policies and the RMB4 trillion of investments instigated by the Chinese government since the financial crisis in 2008 began to bear fruit. A number of completed projects such as high-speed railways and airports, along with the progressive advancement of China's urbanisation have created numerous market opportunities for China's lighting industry. From January to October 2010, the industrial output of China's lighting industry achieved a growth of 29.8% compared to the first ten months of 2009, and large-scale lighting enterprises (with an annual turnover of RMB5 million or above from their principal businesses) produced an aggregate of 15.49 billion lamps, representing an increase of 22.6% compared to the first ten months of 2009, and produced an aggregate of 1.85 billion luminaire products and lighting devices, representing a growth of 24% compared to the first ten months of 2009. (Source: China Association of Lighting Industry)

Due to the influence of the UN Climate Change Conference held in Copenhagen in December 2009, the concept of developing a low carbon economy has been one of the focal points in 2010. Low carbon products including lighting products have drawn great attention from society. The Chinese government continued its national program of promoting high efficiency and energy-saving lighting products, and promoted the use of and

BUSINESS REVIEW

During the Reporting Period, benefiting from the favourable environment associated with the economic recovery, the Group successfully took advantage of the market opportunities with effective business strategies including promoting the brand profile of NVC and furthering its sales, production and product research and development efforts, with a view of maintaining the Group's leading position in the lighting industry and delivered 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, symbolising a new milestone for the Group's further development.

Sa e a d d b

In terms of NVC brand sales in the PRC market during the Reporting Period, the Group retained its original 36 exclusive regional distributors and aggressively expanded its sales network with a net increase of 349 outlets (of which 62 were established in provincial capitals, 42 in municipal cities, 181 in counties or county-level cities and 64 in towns or townships). As at 31 December 2010, the Group had a total of 2,810 outlets, covering 1,851 cities of different sizes (31 in provincial capitals with a 100% coverage rate, 264 in municipal cities with a 91.35% coverage rate, 1,154 in county and county-level cities with a 58.43% coverage rate and 402 in towns or townships with a 1.18% coverage rate). The Group has enlarged the shopping area of the NVC outlets, unified and upgraded their exterior appearance, improved the management efficiency of NVC outlets and aggressively expanded their market share. The Group is also committed to

In terms of NVC brand sales in the international market, the Group continued to develop new customers and strengthened the development of its sales channels. With respect to emerging markets such as Asian and African countries and other regions, the Group has adopted strategies with reference to its China model to develop new distributors. With respect to the markets with well- established channels such as Europe and the USA and other regions, the Group has accelerated its pace in brand building and cooperated with experienced channel operators. For example, UK NVC has gradually switched to the wholesaling of NVC brand products from the sole OEM sales model and successfully cooperated with a number of well-known local electrical appliances chain stores, whereby NVC brand products gained access to the main stream channels.

In terms of the non-NVC brand sales in the international market, the Group promoted its sales through ODM and continued to develop new customers. The Group has strengthened its long-term cooperation relationship with customers by implementing differentiated sales strategies for different customers in different markets, and has developed high-performance products and improved the price-to-performance ratio so as to meet the demands of different customers.

P d c

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. In 2010, the Group added a total of seven production lines for energy-saving lights and one production line for lighting electronic products. The breakdown of the production of each production base is as follows:

	L ae d c fac e		La d c fac e		L e ec c d c fac e
L ca	**H C Ga d P ce**	**Wa D c C q**	**J a a C Z e a P ce(1)**	**J a a C Z e a P ce(2)**	**Q P D c S a a**
Date of commencement of production	November 1998	December 2006	September 1994	September 2007	March 2006
Design capacity (units) as at 31 December 2010	75,000,000	60,000,000	234,867,500	77,064,000	9,000,000
Actual production (units) as at 31 December 2010	67,790,162	52,598,024	189,201,275	63,846,973	7,409,485
Average utilisation rate as at 31 December 2010	90.4%	87.7%	80.6%	82.8%	82.3%
Standardised hours of operation	8 hours	8 hours	12 hours	8 hours	8 hours
Increase in design capacity as compared with the previous year	25.0%	39.5%	9.2%	42.7%	33.3%
Increase in production as compared with the previous year	36.9%	48.1%	10.7%	35.8%	68.2%

In addition, the Group has also established a production base in energy-saving light tubes in Zhangpu, Fujian province. The design capacity and actual production for the whole year of 2010, calculated on the basis of 24 hours per day, were 54.48 million and 41.12 million units, respectively, and the average utilisation rate was 75.5%.

Notes:

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

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

P d c eeac a d de e e

The Group has two research and development centres, one in Huizhou, Guangdong province (mainly focusing on the research and development of new product design of luminaire products) and the other one 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 Reporting Period, the Group invested a total of US$5,120,000 in research and development, representing 1.1% of the Group's total revenue. The Group developed a total of over 30 products, including various LED, HID and lighting electronic products. In December 2010, the laboratory of the Shanghai Research and Development Centre of the Group passed the certification of Keuring Elektrotechnische Materialen (KEMA), a Netherlands-based international certification assessment organisation, and received the certificate on 18 January 2011. During the Reporting Period, the Group applied for 38 new patents, 27 of which have been approved and granted.

As at 31 December 2010, the Group had a workforce in research and development of 279, of which 98 were based in our Huizhou Research and Development Centre, 62 were based in our Shanghai Research and Development Centre and the others were based in various production bases.

Q a y c

During the Reporting Period, Huizhou NVC, a subsidiary of the Group, passed the AAAA-class "Good Behavior Standardised Enterprise" Certification in Guangdong, representing the highest honour for all enterprises. It also passed the inspection and review on laboratories undertaken by China National Accreditation Service for Conforming Assessment, and received the relevant certificate on 4 August 2010. The Group's T5 lamp tubes passed the Certification of China Quality Certification Centre. By jointly investing RMB700,000, the Group's Zhejiang production centre and Philips established the Mercury Chemical Analysis Laboratory. The laboratory is in a leading position in respect of the quantitative detection of mercury.

As at 31 December 2010, we had a workforce of 657 in quality control.

B a d

Our Group enjoys high brand recognition in the PRC. We believe that a successful brand is vital to the development of the Group. Only a successful brand can make it possible for our ict / bran

Revenue by product segment

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

	Yea e ded 31 Dece be		
	2010	2009	Growth rate
	US$'000	*US$'000*	
Luminaire products	**258,300**	153,799	67.9%
Lamp products	**157,624**	118,048	33.5%
Lighting electronics products	**55,801**	33,923	64.5%
Total	**471,725**	305,770	54.3%

During the Reporting Period, the sales of luminaire products increased by 67.9%, which was mainly attributable to our improvement of our distribution channels and increased number of outlets, meanwhile, we also continued to develop new Professional Engineering Customers and key accounts. The sales of lamp products increased by 33.5%, with NVC brand lamp products increasing by 65.7% and non-NVC brand lamp products increasing by 21.1%, which benefited from the global economic recovery, energy-saving and emission reduction policies and increased promotion of energy-saving lamp products by the Company. The sales of lighting electronics products increased by 64.5%, mainly benefiting 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 for the years indicated. Our non-NVC brand products primarily consist of ODM products.

	Yea e ded 31 Dece be	
	2010	2009
	US$'000	*US$'000*
NVC b a d		
Luminaire products	**246,680**	141,479
Lamp products	**54,345**	32,792
Lighting electronic products	**27,303**	17,016
Subtotal	**328,328**	191,287
N -NVC b a d		
Luminaire products	**11,620**	12,320
Lamp products	**103,279**	85,256
Lighting electronic products	**28,498**	16,907
Subtotal	**143,397**	114,483
T a	**471,725**	305,770

Revenue by geography

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

	Yea e ded 31 Dece be		
	2010	2009	Growth rate
	US$'000	*US$'000*	
Revenue from PRC sales			
Luminaire products	**224,765**	134,677	66.9%
Lamp products	**118,342**	89,828	31.7%
Lighting electronics products	**29,008**	18,088	60.4%
Subtotal	**372,115**	242,593	53.4%
Revenue from international sales			
Luminaire products	**33,535**	19,122	75.4%
Lamp products	**39,282**	28,220	39.2%
Lighting electronics products	**26,793**	15,835	69.2%
Subtotal	**99,610**	63,177	57.7%
Total	**471,725**	305,770	54.3%

During the Reporting Period, the Group achieved high revenue growth in both PRC sales and international sales compared with the year ended 31 December 2009, while international sales had a higher growth rate over PRC sales. Revenue from PRC sales increased by 53.4%, of which the NVC brand products' revenue increased by 65.1% to US$300,726,000 in the year ended 31 December 2010 from US$182,176,000 for the year ended 31 December 2009, and the non-NVC brand products' revenue increased by 18.2% to US$71,389,000 in the year ended 31 December 2010 from US$60,417,000 for the year ended 31 December 2009. Revenue from international sales increased by 57.7%, of which the NVC brand products' revenue increased by 203.0% to US$27,602,000 in 2010 from US$9,111,000 for the year ended 31 December 2009, and the non-NVC brand products' revenue increased by 33.2% to US$72,008,000 in the year ended 31 December 2010 from US$54,066,000 for the year ended 31 December 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 for the years as indicated.

	Yea e ded 31 Dece be	
	2010	2009
	US$'000	*US$'000*
Energy-saving products	**283,964**	183,810
Non-energy-saving products	**187,761**	121,960

G f a d f a

Gross profit is calculated by revenue less cost of sales.

During the Reporting Period, gross profit increased by US$53,223,000 or 63.3% to US$137,253,000 from US$84,030,000 for the year ended 31 December 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 years as indicated:

	Yea e ded 31 Dece be			
	2010		2009	
	US$'000	***%***	*US$'000*	*%*
Luminaire products	**82,319**	**31.9%**	41,841	27.2%
Lamp products	**43,603**	**27.7%**	34,410	29.1%
Lighting electronics products	**11,331**	**20.3%**	7,779	22.9%
Total	**137,253**	**29.1%**	84,030	27.5%

During the Reporting Period, gross profit from luminaire products increased by 96.7% to US$82,319,000 from US$41,841,000 for the year ended 31 December 2009. Gross profit margin for increased 20 the3

year ended 31 from

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the for

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

	Yea e ded 31 Dece be			
	2010		2009	
	US$'000	***%***	*US$'000*	*%*
NVC brand	**108,085**	**32.9%**	53,229	27.8%
Non-NVC brand	**29,168**	**20.3%**	30,801	26.9%
Total	**137,253**	**29.1%**	84,030	27.5%

During the Reporting Period, NVC brand products generated gross profit of US$108,085,000, representing an increase of 103.1% from US$53,229,000 for the year ended 31 December 2009, and gross profit margin increased by 5.1%, which was mainly attributable to the rapid growth in the gross profit margin of battens products; non-NVC brand products generated a gross profit of US$29,168,000, representing a decrease of 5.3% from US$30,801,000 for the year ended 31 December 2009, and gross profit margin decreased by 6.6%, which was mainly attributable to the price reduction of certain lamp products and the impact of changes in product mix.

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

	Yea e ded 31 Dece be			
	2010		2009	
	US$'000	***%***	*US$'000*	*%*
Gross profit from PRC sales:				
Luminaire products	**74,719**	**33.2%**	37,872	28.1%
Lamp products	**35,675**	**30.1%**	30,035	33.4%
Lighting electronics products	**7,212**	**24.9%**	5,195	28.7%
Subtotal	**117,606**	**31.6%**	73,102	30.1%
Gross profit from international sales:				
Luminaire products	**7,600**	**22.7%**	3,969	20.8%
Lamp products	**7,928**	**20.2%**	4,375	15.5%
Lighting electronics products	**4,119**	**15.4%**	2,584	16.3%
Subtotal	**19,647**	**19.7%**	10,928	17.3%
Total	**137,253**	**29.1%**	84,030	27.5%

During the Reporting Period, PRC sales generated a gross profit of US$117,606,000, representing an increase of 60.9% from US$73,102,000 for the year ended 31 December 2009, of which NVC brand products generated gross profit of US$101,117,000, representing an increase of 95.6% from US$51,692,000 for the year ended 31 December 2009 and non-NVC brand products generated gross profit of US$16,489,000, representing a decrease of 23.0% from US$21,410,000 for the year ended 31 December 2009.

During the Reporting Period, international sales generated gross profit of US$19,647,000, representing an increase of 79.8% from US$10,928,000 for the year ended 31 December 2009, of which NVC brand products generated gross profit of US$6,968,000, representing an increase of 353.4% from US$1,537,000 for the year ended 31 December 2009 and non-NVC brand products generated gross profit of US$12,679,000, representing an increase of 35.0% from US$9,391,000 for the year ended 31 December 2009.

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

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

	Yea e ded 31 Dece be			
	2010		2009	
	US$'000	**(%)**	*US$'000*	**(%)**
Energy-saving products	**86,487**	**30.5%**	50,063	27.2%
Light tubes for CFL	**17,603**	**24.5%**	19,692	33.3%
T4/T5 battens	**39,925**	**41.6%**	14,728	28.8%
Compact fluorescent lamps (CFL)	**17,262**	**27.3%**	9,806	22.3%
Electronic ballasts	**4,670**	**15.6%**	2,800	16.0%
HID lamps	**3,306**	**43.3%**	1,522	36.3%
Fluorescent lamps	**1,576**	**27.3%**	816	23.6%
LED products	**1,908**	**23.2%**	348	13.9%
HID street lighting	**237**	**23.1%**	351	17.7%
Non-energy-saving products	**50,766**	**27.0%**	33,967	27.9%
Total gross profit	**137,253**	**29.1%**	84,030	27.5%

During the Reporting Period, the Group recorded a gross profit margin of 30.5% for the energy-saving products, representing an increase of 3.3% as compared with that of 27.2% for the year ended 31 December 2009. This was mainly due to: (1) technological innovation on luminaire products resulting in higher gross profit margins for T4/T5 battens products; and (2) a larger proportion of products with higher profit margin sold in the government purchase of energy-saving products.

O e c ea d a

Other income and gains mainly consist of trademark licence fees, distribution commission, rental income, gain of scraps and 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, 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 some of the 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. The table below shows a breakdown of other income and gains:

	Yea e ded 31 Dece be	
	2010	2009
	US$'000	*US$'000*
Government grants	**3,587**	1,644
Trademark licence fees	**3,228**	2,249
Distribution commission	**4,210**	2,406
Gain of scraps and materials	**861**	656
Rental income	**500**	423
Exchange gain, net	**673**	–
Others	**270**	281
Total	**13,329**	7,659

Se a d d b c

Selling and distribution costs mainly consist of freight costs, advertising and promotion expenses, staff costs and others. Others include office expenses, and and exp

O e e e

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

Other expenses in 2010 were US$1,291,000 as compared to US$633,000 for the year ended 31 December 2009.

F a ce c e

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

F a ce c

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 in the year ended 31 December 2010 were US$1,315,000 as compared to US$7,763,000 for the year ended 31 December 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.

Ne fa a e c e b e edee ab e efe e ce a e

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, a net fair value loss of US$15,780,000 on the derivative component of the preference shares and the modification of terms of Series A-1/B preference shares was recorded in 2009, primarily due to higher equity value resulting from the Group's business expansion in 2009. At 31 December 2009, holders of our preference shares agreed to waive their respective rights to adjust the conversion price applicable to the preference shares. As a result, the conversion feature of the Series A-1/B preference shares was accounted for as equity starting from 31 December 2009. Therefore, there was no adjustment to the fair value of the derivatives of preference shares in 2010.

S a e f f a a c a e

This item represents the Group's share of the net profit of an associate, Mianyang Leici, for the year ended 31 December 2010.

I c e a e e e

Income tax expense represents our current income tax and deferred income tax. 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 companies are domiciled and operated. Further information on the tax rates is provided in note 5 to the financial statement on page 12 to page 13 of this announcement.

The table below sets out income tax expense in the Reporting Period (all of which are PRC income tax expense).

	Yea e ded 31 Dece be	
	2010	2009
the of Rlthe ged	***US$'000***	*US$'000*
Current income tax	**10,150**	6,119
Deferred income tax	**(1,728)**	(699)
Total tax expense for the year	**8,422**	5,420

During the Reporting Period, income tax charged for the Group was US$8,422,000, representing an increase of 55.4% from US$5,420,000 in the year, the increase of

E c a ed ffe e ce a a f f e e a

Our exchange differences on translation of foreign operations increased to US$8,374,000 in the year ended 31 December 2010 from US$128,000 for the year ended 31 December 2009. This difference primarily arose from the translation of the financial statements of the PRC subsidiaries which are denominated in RMB.

P f a b ab e e f e C a f e ea

Due to the factors mentioned above, profit attributable to owners of the Company increased to US$71,338,000 in the year ended 31 December 2010 from US$12,843,000 for the year ended 31 December 2009.

P f a b ab e -c e e f e ea

Profit attributable to non-controlling interests increased to US$2,556,000 in the year ended 31 December 2010 from US$1,847,000 for the year ended 31 December 2009.

CASH FLOW AND LIQUIDITY

Our net cash flows from operating activities were US$36,878,000 in the year ended 31 December 2010, while our operating cash inflows before changes in working capital were US$95,352,000. The changes in working capital included (i) an increase of US$19,306,000 in inventories; (ii) an increase of US$37,624,000 in trade receivables, other receivables and prepayments; (iii) income tax paid amounting to US$9,916,000; and (iv) an increase of US$8,372,000 in trade and bills payables, as well as other payables and accruals.

Our net cash flows from operating activities were US$42,073,000 in the year ended 31 December 2009, while our operating cash inflows before changes in working capital were US$57,317,000. The changes in working capital included (i) an increase of US$23,776,000 in inventories; (ii) an increase of US$3,496,000 in trade receivables, other receivables and prepayments; (iii) income tax paid amounting to US$6,399,000; and (iv) an increase of US$18,427,000 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 consist of payment for purchases of property, plant and equipment, acquisitions of subsidiaries and other businesses (net of cash acquired) and investment in term deposits. In the year ended 31 December 2010, our net cash flows used in investing activities amounted to US$89,135,000. The net cash outflows were mainly due to (i) payment of US$27,208,000 for the purchase of property, plant and equipment and intangible assets other than goodwill; (ii) payment of the remaining consideration balance of US$7,736,000 for the acquisition of World Through; and (iii) an increase of US$56,148,000 in term deposits.

In the year ended 31 December 2009, our net cash flows used in investing activities amounted to US$25,048,000. The net cash outflows mainly represented our payment of US$15,736,000 for the acquisition of property, plant and equipment, intangible assets other than goodwill and land use rights, our payment of US$20,777,000 for acquisition of subsidiaries and other businesses (net of cash acquired) and a decrease of US$6,059,000 in term deposits.

Cash flows from financing activities

Our cash inflows from financing activities mainly consist of the proceeds from issue of new share in the initial public offering and upon the exercise of share options, proceeds from new bank loans and receipt of government grant. Our cash flows used in financing activities consist of repayment of bank loans, bank loan interest paid, payment of listing expenses including share issue costs and dividends paid.

In the year ended 31 December 2010, our net cash inflows from financing activities amounted to US$187,702,000. Such cash inflows were mainly from (i) the proceeds of US$205,799,000 from the issuance of new shares; (ii) the proceeds of US$23,834,000 from new bank loans; and (iii) the receipt of government grants of US$10,802,000. The cash inflows were partly offset by US$30,412,000 for the repayment of bank loans, US$2,223,000 for the payment of dividends to a non-controlling shareholder of a subsidiary, US$7,355,000 for the payment of interim dividends and payment of listing expenses including share issue costs of US$11,460,000.

In the year ended 31 December 2009, our net cash inflows from financing activities amounted to US$4,849,000. Such cash inflows were mainly from the proceeds of US$34,589,000 from new bank loans and the receipts of government grants of US$8,712,000. The cash inflows were partly offset by US$37,138,000 for repayment of bank loans.

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 Reporting Period.

	31 December	
	2010	2009
	US$'000	*US$'000*
CURRENT ASSETS		
Inventories	**68,591**	47,567
Trade and other receivables	**119,503**	85,795
Prepayments	**8,494**	6,692
Short-term deposits	**60,648**	3,258
Cash and cash equivalents	**182,766**	44,034
Total current assets	**440,002**	187,346
CURRENT LIABILITIES		
Trade and bills payables	**51,297**	54,769
Other payables and accruals	**44,438**	41,864
Interest-bearing loans		6,093
Income tax payable	**3,442**	3,208
Total current liabilities	**99,177**	105,934
NET CURRENT ASSETS	**340,825**	81,412

As at 31 December 2010 and 31 December 2009, net current assets of the Group totalled US$340,825,000 and US$81,412,000, respectively, and our current ratio was 4.44 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 and the repayment of interest-bearing loans. 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 end of the Reporting Period.

	31 December	
	2010	2009
	US$'000	*US$'000*
Interest-bearing loans		6,386
Convertible redeemable preference shares		57,932
Total debt		64,318
Less: cash and short-term deposits	**(243,414)**	(47,292)
Net debt	**(243,414)**	17,026
Total equity attributable to owners of the Company	**492,261**	164,192
Gearing ratio	**0.0%**	10.4%

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

As at 31 December 2010, the 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, as a result of which 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.

Inventory 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 Reporting Period. We monitor our inventories on a regular basis. The following table sets out a summary of our inventories balance as at the end of the Reporting Period, as well as the turnover of average inventories (in days) for the years indicated.

	31 December	
	2010	2009
	US$'000	*US$'000*
Raw materials	**19,885**	13,707
Work in progress	**1,053**	1,297
Finished goods	**47,653**	32,563
Total	**68,591**	47,567
Turnover of average inventories (in days)[1]	**63.4**	57.0

[1] Average inventories equal to the inventories at the beginning of the year plus inventories at the end of the year (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 365.

During the year ended 31 December 2010, the amount of the write-down of inventories recognised was US$178,000.

During the years ended 31 December 2010 and 2009, our inventory turnover days were around 63.4 days and 57 days, respectively.

T ade a d e ece ab e

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 other receivables as at the end of the Reporting Period and the turnover of average trade and bills receivables (in days) for the years indicated.

	31 Dece be	
	2010	2009
	US$'000	*US$'000*
Trade and bills receivables	**112,583**	67,186
Provision	**(2,181)**	(1,858)
	110,402	65,328
Other receivables	**9,361**	20,859
Provision	**(260)**	(392)
	9,101	20,467
Total	**119,503**	85,795
Turnover of average trade and bills receivables (in days)[1]	**69.5**	74.4

[1] Average trade and bills receivables equal to the trade and bills receivables (before impairment) at the beginning of the year plus trade and bills receivables at the end of the year, 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 365.

Trade and bills receivables 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. We have been purchasing one-year credit insurance to insure up to 90% of any uncollectible amount derived from our overseas sales, provided that the aggregate amount of compensation does not exceed US$15 million for overseas sales. The credit insurance contracts for our domestic sales are currently under renewal. We have extended credit periods up to the range from 90 to 120 days. We seek to maintain strict control over our outstanding receivables and has established a credit control management system. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Our trade receivables increased from US$65,328,000 as at 31 December 2009 to US$110,402,000 as at 31 December 2010. The increase was primarily attributable to increased sales, particularly in the second half of 2010.

Ca a e e d e

We have funded our capital expenditure from cash generated from operations and bank loans as well as proceeds from the global offering. 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 year ended 31 December 2010 amounted to US$27,264,000, of which US$8,160,000 was unted unted of and

I e e -bea a

As at 31 December 2010, we had no interest-bearing loans. On the same date, we had unutilised bank facilities of approximately RMB130,000,000.

C e	**31 Dece be**	
	2010	2009
	US$'000	*US$'000*
Bank loans – secured		6,093
Subtotal of current portion		6,093
N -c e		
Loans (unsecured) – Jiangshan municipal government		293
Subtotal of non-current portion		293
T a		6,386

P ed e f a e

As at 31 December 2010, we had no pledged assets except for trade receivables with a carrying amount of approximately US$6,372,000 (31 December 2009: carrying amount of approximately US$293,000) pledged to secure bank facilities. As at 31 December 2009, buildings with a carrying amount of approximately US$10,717,000, land with a carrying approx

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C e b e edee ab e efe e ce a e

The Company issued the convertible redeemable preference shares to investors on 1 August 2006 and 27 August 2008. 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 (except for series A-2 preference shares accounted for as equity) as liabilities before they were converted or redeemed providing for the corresponding interest incurred, and recognised 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 all liability components of the preference shares to equity after the listing of the Company's shares. There were outstanding liability component of convertible redeemable preference shares with an amount of US$57,932,000 as at 31 December 2009, which were eliminated on 20 May 2010 after conversion into ordinary shares (being reclassified to equity).

Off-ba a ce ee a a e e

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.

C e ab e

As at 31 December 2010, the Group had no material contingent liabilities.

Ca a c e

As at 31 December 2010, we had capital commitments of US$65,184,000 for the construction of property, plant and equipment, acquisition of intangible assets (other than goodwill) and land use rights. The details are set out below:

	31 Dece be	
	2010	2009
	US$'000	*US$'000*
Contracted but not provided for		
Acquisition of property, plant and equipment	**10,997**	8,981
Authorised but not contracted for		
Acquisition of property, plant and equipment	**52,872**	33,181
Acquisition of other intangible assets	**811**	–
Acquisition of land use rights	**504**	489
Total	**65,184**	42,651

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O e a ea e c e

As at 31 December 2010, we have entered into some non-cancelable operating leases. The table below sets forth our future minimum rental payments under non-cancelable operating leases as at the dates indicated.

	31 Dece be	
	2010	2009
	US$'000	*US$'000*
Within one year	**495**	642
After one year but not more than five years	**858**	1,304
More than five years	**225**	418
Total	**1,578**	2,364

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 Reporting Period, we had total future minimum lease receivables under non-cancelable operating leases as follows:

	31 Dece be	
	2010	2009
	US$'000	*US$'000*
Within one year	**399**	381
After one year but not more than five years	**325**	798
More than five years		550
Total	**724**	1,729

PROSPECTS

Looking ahead, along with the increasing attention given to energy-saving and environmental protection across the world and the popularisation of LED products in the lighting industry, the lighting industry will have a brighter future and greater growth potential. Since its establishment, potential. lighting - $ potential. industry thegreaterlightinggreater ve

CONTINUING CONNECTED TRANSACTIONS

Save as disclosed in the announcement dated 10 March 2011, continuing connected transactions of the Group for the year ended 31 December 2010 were within the annual caps set out in the Prospectus as revised in the announcement dated 24 December 2010.

MERGER AND ACQUISITION

For the year ended 31 December 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 Global 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. 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 year ended 31 December 2010 while other variables remain unchanged, our profit before tax would increase or decrease by approximately US$1,948,000, 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 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. We also have policies that limit our credit exposure to any financial institutions. The carrying amounts of trade and other receivables, short-term deposits and cash and cash equivalents 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 cover up to 90% of the uncollectible amount of our overseas sales for the period from 1 November 2010 to 31 October 2011 provided that the aggregate amount of compensation does not exceed US$15 million for overseas sales. The credit insurance contracts for domestic sales are currently under renewal. 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.

FINAL DIVIDEND

The Board of Directors has proposed to declare a final dividend of HK3 cents per share for the year ended 31 December 2010 payable to the shareholders whose names appear on the register of members of the Company on Friday, 24 June 2011. Based on the 3,064,213,000 shares in issue as at 31 December 2010, it is expected that the final dividend payable will amount to approximately HK$91,926,000 (equivalent to approximately US$11,811,000) (before tax).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 21 June 2011 to the Friday, 24 June 2011 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the final dividend and for attending and voting at the forthcoming annual general meeting, all transfer of shares accompanied by share certificates and transfer forms mesi be

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, from the listing of the shares of the Company on 20 May 2010 to 31 December 2010, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

SUBSEQUENT INVESTMENT

A resolution was approved by the Board on 23 March 2011, pursuant to which the Company intends to invest US$1,020,000 to establish a joint venture in India with Mr. Zhangxiao (the product supervisor of Huizhou NVC) and other third parties. The Company will own 51% equity interests in the joint venture which will be engaged in the trading of lighting products.

CORPORATE GOVERNANCE

The Directors are of the opinion that, as at 31 December 2010, 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 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 from the listing of the shares of the Company on 20 May 2010 up to 31 December 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 final results for the year ended 31 December 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 appointed as a director of the following three companies:

C a y Na e	**P**
Mobi Development Co., Ltd.	Non-executive director
China Hui Yuan Juice Group Limited	Non-executive director
Global Education and Technology Group Ltd.	director

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

The Group's audited annual results will be included in the Company's annual report for the year ended 31 December 2010 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.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with Management and the Company's external auditor, the consolidated financial statements for the year ended 31 December 2010 including the accounting principles and practices adopted by the Group.

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 Reporting Period and also to give our sincere gratitude to all our shareholders for their continued support.

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 the domestic home products 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 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 Year"	means the year ended 31 December 2009 or year ended 31 December 2010 (as the context may require).
"Director(s)"	the director(s) of the Company.
"Group"	our Company and i ember

"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange.
"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.
"Professional Engineering Customers"	Professional engineering customers mainly engi$ T Co T des m desand ade

"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 C a a
Chairman

Hong Kong, 23 March 2011

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

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