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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2222)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011 AND THE ESTABLISHMENT OF THE NOMINATION COMMITTEE

Highlights for the year ended 31 December 2011:

- Our revenue from sales amounted to US$589,339,000, representing an increase of 24.9% year on year;
- Our gross profit from sales amounted to US$151,047,000, representing an increase of 10.1% year on year;
- Our profit before tax amounted to US$98,645,000, representing an increase of 19.8% year on year;
- Profit attributable to owners of the Company amounted to US$86,503,000, representing an increase of 21.3% year on year;
- Basic earnings per share of the Company amounted to 2.77 US cents, representing an increase of 3.0% year on year;
- The board of directors has proposed a final dividend of HK3.5 cents per share.

The establishment of the nomination committee

The board of directors (the "Board") of NVC Lighting Holding Limited (the "Company") approved the establishment of the nomination committee on the Board meeting held on 26 March, 2012, details of which are set out below.

The Board of the Company is pleased to announce the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011 (the "Reporting Period").

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2011	2010
	Notes	***US$'000***	*US$'000*
REVENUE	*2*	**589,339**	471,725
Cost of sales		**(438,292)**	(334,472)
GROSS PROFIT		**151,047**	137,253
Other income and gains	*3*	**20,056**	13,329
Selling and distribution costs		**(37,440)**	(36,347)
Administrative expenses		**(36,796)**	(30,097)
Other expenses		**(1,099)**	(1,291)
Finance income		**3,262**	1,938
Finance costs	*4*	**(502)**	(2,598)
Share of profits of an associate		**117**	129
PROFIT BEFORE TAX		**98,645**	82,316
Income tax expense	*5*	**(8,077)**	(8,422)
PROFIT FOR THE YEAR		**90,568**	73,894
Attributable to:			
Owners of the Company		**86,503**	71,338
Non-controlling interests		**4,065**	2,556
		90,568	73,894
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	*6*	**2.77 US cents**	2.69 US cents
Diluted	*6*	**2.73 US cents**	2.53 US cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2011	2010
	US$'000	*US$'000*
PROFIT FOR THE YEAR	**90,568**	73,894
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**16,302**	8,374
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**106,870**	82,268
Attributable to:		
Owners of the Company	**103,040**	79,569
Non-controlling interests	**3,830**	2,699
	106,870	82,268

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December	
		2011	2010
	Notes	***US$'000***	*US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**130,484**	84,817
Prepaid land lease payments		**11,322**	11,536
Goodwill		**34,849**	34,121
Other intangible assets		**55,786**	53,032
Investment in an associate		**706**	689
Deferred tax assets		**4,765**	2,537
Long-term deferred expenditure		**56**	64
Total non-current assets		**237,968**	186,796
CURRENT ASSETS			
Inventories	*8*	**111,541**	68,591
Trade and other receivables	*9*	**155,414**	119,503
Prepayments		**20,905**	8,494
Short-term deposits		**75,954**	60,648
Cash and cash equivalents		**124,746**	182,766
		488,560	440,002
Non-current assets classified as held for sale		**2,805**	–
Total current assets		**491,365**	440,002
CURRENT LIABILITIES			
Trade payables	*10*	**61,223**	51,297
Other payables and accruals		**35,514**	44,438
Interest-bearing loans	*11*	**6,494**	–
Income tax payable		**3,218**	3,442
Total current liabilities		**106,449**	99,177
NET CURRENT ASSETS		**384,916**	340,825
TOTAL ASSETS LESS CURRENT LIABILITIES		**622,884**	527,621

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		31 December	
		2011	2010
	Notes	***US$'000***	*US$'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**14,310**	15,038
Government grants		**20,908**	16,320
Interest-bearing loans		**–**	–
Total non-current liabilities		**35,218**	31,358
Net assets		**587,666**	496,263
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**–**	–
Share premium		**296,826**	315,130
Shareholders' contribution		**879**	879
Statutory reserve		**13,335**	10,445
Employee equity benefit reserve		**1,586**	1,768
Foreign currency translation reserve		**34,395**	17,858
Retained earnings		**217,983**	134,370
Proposed final dividend	*7*	**14,221**	11,811
		579,225	492,261
Non-controlling interests		**8,441**	4,002
Total equity		**587,666**	496,263

CONDENSED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2011	2010
	US$'000	*US$'000*
Net cash flows from operating activities	**15,607**	36,878
Net cash flows used in investing activities	**(72,136)**	(89,135)
Net cash flows (used in)/from financing activities	**(3,594)**	187,702
Net (decrease)/increase in cash and cash equivalents	**(60,123)**	135,445
Cash and cash equivalents at beginning of year	**182,766**	44,034
Effect of foreign exchange rate changes, net	**2,103**	3,287
Cash and cash equivalents at end of year	**124,746**	182,766

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Issued capital *(US$'000)*	Share premium *(US$'000)*	Shareholders' contribution *(US$'000)*	Statutory reserve *(US$'000)*	Employee equity benefit reserve *(US$'000)*	Foreign currency translation reserve *(US$'000)*	Retained earnings *(US$'000)*	Proposed final dividend *(US$'000)*	Total *(US$'000)*	Non-controlling interests *(US$'000)*	Total equity *(US$'000)*
At 1 January 2011	**–**	**315,130**	**879**	**10,445**	**1,768**	**17,858**	**134,370**	**11,811**	**492,261**	**4,002**	**496,263**
Profit for the year	–	–	–	–	–	–	86,503	–	86,503	4,065	90,568
Other comprehensive income:											
Exchange differences on translation of foreign operations	–	–	–	–	–	16,537	–	–	16,537	(235)	16,302
Total comprehensive income for the year	–	–	–	–	–	16,537	86,503	–	103,040	3,830	106,870
Transfer to statutory reserve	–	–	–	2,890	–	–	(2,890)	–	–	–	–
Acquisition of non-controlling interest	–	(609)	–	–	–	–	–	–	(609)	609	–
Exercise of share options	–	6,687	–	–	(1,005)	–	–	–	5,682	–	5,682
Employee share option arrangements	–	–	–	–	823	–	–	–	823	–	823
2010 final dividend declared	–	(240)	–	–	–	–	–	(11,811)	(12,051)	–	(12,051)
2011 interim dividend declared	–	(10,120)	–	–	–	–	–	–	(10,120)	–	(10,120)
Proposed 2011 final dividend	–	(14,221)	–	–	–	–	–	14,221	–	–	–
Other	–	199	–	–	–	–	–	–	199	–	199
At 31 December 2011	**–**	**296,826**	**879**	**13,335**	**1,586**	**34,395**	**217,983**	**14,221**	**579,225**	**8,441**	**587,666**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

	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)*	Proposed final dividend *(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 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")	–	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 declared	–	(7,876)	–	–	–	–	–	–	–	(7,876)	–	(7,876)
Proposed 2010 final dividend	–	(11,811)	–	–	–	–	–	–	11,811	–	–	–
At 31 December 2010	–	315,130	–	879	10,445	1,768	17,858	134,370	11,811	492,261	4,002	496,263

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

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. 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.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

IMPACT OF NEW AND REVISED IFRSs

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendment	*Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	*Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues*
IFRIC-Int 14 Amendments	*Amendments to IFRIC-Int 14 Prepayments of a Minimum Funding Requirement*
IFRIC-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	*Amendments to a number of IFRSs issued in May 2010*

Other than as further explained below regarding the impact of IAS 24 (Revised), and amendments to IFRS 3, IAS 1 and IAS 27 included in Improvements to IFRSs 2010, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IAS 24 (Revised) Related Party Disclosures

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

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

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

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

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

- IAS 1 *Presentation of Financial Statements*: The amendments clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

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

IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

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

IFRS 1 Amendments	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	*Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
IFRS 7 Amendments	*Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interest in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 1 Amendments	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendments	*Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 (2011)	*Employee Benefits*[4]
IAS 27 (2011)	*Separate Financial Statements*[4]
IAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
IAS 32 Amendments	*Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
IFRIC-Int 20	*Stripping Cost in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014

The Group reasonably expects the following issued standards to be applicable to the Group and intends to adopt when they become effective. Further information about those changes that are expected to significantly affect the Group is as follows:

(a) IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In November 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions"). The changes resulting from the Amendments only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other requirements in IAS 39 in respect of liabilities are carried forward into IFRS 9. However, loan commitments and financial guarantee contracts, which have been designated under the FVO, are scoped out of these additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 when it becomes effective from 1 January 2013.

(b) IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgment to determine which entities are controlled, compared with the requirements in IAS 27 and IFRIC-Int 12 *Consolidation-Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in IFRIC-Int 12.

(c) IFRS 11 replaces IAS 31 *Interest in Joint Ventures* and IFRIC-Int 13 *Jointly Controlled Entities-Non-Monetary Contribution by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

(d) IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interest in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, and the consequential amendments to IAS 27 and IAS 28 from 1 January 2013.

(e) IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

(f) Amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

(g) IAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in IFRIC-Int 21 *Income Taxes-Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. The Group expects to adopt IAS 12 Amendments from 1 January 2012.

(h) IAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt IAS 19 (2011) from 1 January 2013.

2. REVENUE AND SEGMENT INFORMATION

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

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

(a) Lamp products segment represents 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 represents a complete lighting unit that consists of a lighting fixture, a lamp (namely the light source such as a light bulb or tube) and a lighting electronics appliance (e.g. a ballast). Our luminaire products are sold as complete lighting units or units without lamps and lighting electronics, based on the needs of our end customers; and

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

Segment information represents the revenue and gross profit from external customers, detailed as below.

	Revenue Year ended 31 December		**Gross Profit Year ended 31 December**	
	2011	2010	**2011**	2010
	US$'000	*US$'000*	***US$'000***	*US$'000*
Luminaire products	**333,428**	258,300	**84,467**	82,319
Lamp products	**196,852**	157,624	**56,919**	43,603
Lighting electronic products	**59,059**	55,801	**9,661**	11,331
Total	**589,339**	471,725	**151,047**	137,253
Unallocated items:				
Other income and gains			**20,056**	13,329
Selling and distribution costs			**(37,440)**	(36,347)
Administrative expenses			**(36,796)**	(30,097)
Other expenses			**(1,099)**	(1,291)
Financial income			**3,262**	1,938
Finance costs			**(502)**	(2,598)
Share of profits of an associate			**117**	129
Profit before tax			**98,645**	82,316
Income tax expense			**(8,077)**	(8,422)
Profit for the year			**90,568**	73,894

3. OTHER INCOME AND GAINS

	Year ended 31 December	
	2011	2010
	US$'000	*US$'000*
Government grants	**3,232**	3,587
Trademark licence fees	**3,955**	3,228
Distribution commission	**7,957**	4,210
Gain on sales of scrap materials	**1,236**	861
Rental income	**476**	500
Exchange gain, net	**1,716**	673
Others	**1,484**	270
Total	**20,056**	13,329

4. FINANCE COSTS

	Year ended 31 December	
	2011	2010
	US$'000	*US$'000*
Interest expense on convertible redeemable preference shares	**–**	1,315
Interest on bank loans	**502**	1,283
	502	2,598

5. 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 within the Group are domiciled and operate. No provision for Hong Kong profits tax or United Kingdom ("UK") corporation income tax has been made as the Group had no assessable profits arising in Hong Kong or the UK during the Reporting Period (2010: Nil).

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

	2011	2010
Huizhou NVC	**15.0%**	12.5%
Chongqing NVC	**7.5%**	7.5%
Zhejiang NVC	**25.0%**	25.0%
Jiangshan Phoebus	**12.5%**	12.5%
Zhangpu Phoebus	**12.5%**	12.5%
Sunny	**15.0%**	15.0%
Shanghai Arcata	**12.5%**	12.5%

5. INCOME TAX *(Continued)*

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

	Year ended 31 December	
	2011	2010
	US$'000	*US$'000*
Current income tax		
– Current income tax charge for the year	**12,311**	10,150
– Adjustments in respect of current income tax of previous years	**(676)**	–
Deferred income tax		
– Relating to origination and reversal of temporary differences	**(3,558)**	(1,728)
Total income tax expense for the year	**8,077**	8,422

The reconciliation between income tax expense and the product of accounting profit multiplied by the Group's applicable tax rates is as follows:

	Mainland China	**Others**	**Total**
	US$'000	*US$'000*	*US$'000*
Profit before tax	95,333	3,312	98,645
Tax at the statutory tax rates	23,833	139	23,972
Lower tax rates enacted by local authorities	(9,936)	–	(9,936)
Tax exemption	(3,032)	–	(3,032)
Income not subject to tax	(1,030)	–	(1,030)
Adjustments in respect to current income tax of previous years	(676)	–	(676)
Expenses not deductible for tax	599	–	599
Tax losses utilised from previous periods	–	(139)	(139)
Accumulated tax losses recognised in the current year	–	(588)	(588)
Effect on deferred tax due to change in tax rates	(1,093)	–	(1,093)
Income tax expense for the year	8,665	(588)	8,077

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 current year. During the year ended 31 December 2010, the calculation of the diluted earnings per share amount is based on the profit attributable to ordinary equity holders of the Company, adjusted to reflect the interest expense and fair value gain or loss of preference shares, and the profit attributable to the holders of preference shares of the Company, which were converted into ordinary shares on 20 May 2010. During the year ended 31 December 2011, the calculation of the diluted earnings per share amount is based on the profit attributable to ordinary equity holders 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, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of share options or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	Year ended 31 December	
	2011	2010
	US cents	*US cents*
Earnings per share		
– Basic	**2.77**	2.69
– Diluted	**2.73**	2.53

	Year ended 31 December	
	2011	2010
	US$'000	*US$'000*
Profit attributable to owner of the Company	**86,503**	71,338
Less: Profit attributable to holders of preference shares	**–**	(7,504)
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**86,503**	63,834
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	**86,503**	69,796

	Year ended 31 December	
	2011	2010
	'000	*'000*
	Shares	*Shares*
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,120,083**	2,377,250
Effect of dilution – weighted average number of ordinary shares:		
Share options	**49,380**	133,357
Series A-1 preference shares	**–**	213,090
Series A-2 preference shares	**–**	37,253
	3,169,463	2,760,950

7. DIVIDEND

Pursuant to a resolution of the Board meeting dated 24 August 2011, the Company declared an interim dividend for 2011 of HK2.5 cents per share, and the dividend payable totalled HK$78,950,000 (equivalent to approximately US$10,120,000) (before tax).

According to a proposal of the board of directors dated 26 March 2012, the Company declared a final dividend for 2011 of HK3.5 cents per share. It is expected that the final dividend payable will amount to HK$110,530,000 (equivalent to approximately US$14,221,000) (before tax) based on the 3,158,013,000 issued shares as at 31 December 2011, which is subject to approval by shareholders in the annual general meeting.

8. INVENTORIES

The balance of inventories represents 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 forth our inventories balance as at the end of the Reporting Period and the turnover of average inventories (in days) for the years indicated.

	31 December	
	2011	2010
	US$'000	*US$'000*
Raw materials	**43,146**	19,885
Work in progress	**3,543**	1,053
Finished goods	**64,852**	47,653
Total	**111,541**	68,591
Turnover of average inventories (in days)[1]	**75.0**	63.4

[1] Average inventories equal the inventories at the beginning of the year plus inventories at the end of the year (after provision), divided by two. Turnover of average inventories (in days) equals the average inventories divided by the cost of sales and then multiplied by 365.

During the Reporting Period, the write-down of inventories recognised by the Group amounted to US$1,812,000.

9. TRADE AND OTHER RECEIVABLES

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

	31 December	
	2011	2010
	US$'000	*US$'000*
Bill receivables	**23,868**	27,262
Trade receivables	**119,163**	85,321
Provision	**(2,595)**	(2,181)
	140,436	110,402
Other receivables	**14,998**	9,361
Provision	**(20)**	(260)
	14,978	9,101
Total	**155,414**	119,503
Turnover of average trade and bill receivables (in days)[1]	**79.2**	69.5

[1] Average trade and bill receivables equal the trade and bill receivables at the beginning of the year plus trade and bill receivables at the end of the year (before provision), divided by two. Turnover of average trade and bill receivables (in days) equals the average trade and bill receivables divided by revenue and then multiplied by 365.

9. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	31 December	
	2011	2010
	US$'000	*US$'000*
Within 3 months	**121,231**	94,924
Between 4 and 6 months	**12,640**	11,703
Between 7 and 12 months	**6,011**	2,427
Between 1 and 2 years	**399**	1,080
Between 2 and 3 years	**155**	268
	140,436	110,402

Trade and bill receivables represent proceeds receivable from the sales of goods. Our trading terms with our customers are mainly on credit, except for new customers where payment in advance is normally required. Our credit periods generally range from 60 to 120 days. We conduct strict control over our outstanding receivables and have established a credit control management system. Overdue balances are reviewed regularly by senior management. Trade and bill receivables are non-interest-bearing.

Bill receivables were all bank acceptance notes with a maturity period within six months.

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 December	
	2011	2010
	US$'000	*US$'000*
Within 1 year	**14,429**	8,665
Between 1 and 2 years	**493**	382
Over 2 years	**56**	54
	14,978	9,101

Among the above balances is US$6,256,000 due from related parties in aggregate which have been past due.

10. TRADE PAYABLES

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

	31 December	
	2011	2010
	US$'000	*US$'000*
Trade payables to third parties	**58,468**	48,076
Trade payables to related parties	**2,755**	3,221
Total	**61,223**	51,297
Turnover of average trade payables (in days)(1)	**46.9**	57.9

(1) Average trade payables equal the trade payables at the beginning of the year plus the trade payables at the end of the year, divided by two. Turnover of average trade payables (in days) equals average trade payables divided by cost of sales and then multiplied by 365.

10. TRADE PAYABLES *(Continued)*

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

	31 December	
	2011	2010
	US$'000	*US$'000*
Within 3 months	**58,934**	50,194
Between 4 and 6 months	**1,738**	526
Between 7 and 12 months	**85**	193
Between 1 and 2 years	**104**	102
Over 2 years	**362**	282
	61,223	51,297

11. INTEREST-BEARING LOANS

As at 31 December 2011, our total current portion of interest-bearing loans amounted to US$6,494,000 (2010: Nil) and we have no non-current interest-bearing loans. The loans are unsecured.

The interest-bearing loans comprise: (1) RMB-denominated loans of RMB20,000,000 at an interest rate of 6.893% per annum and RMB10,000,000 at an interest rate of 7.015% per annum; (2) a US$-denominated loan of US$1,500,000 at an interest rate of 4.525% per annum; and (3) a GBP-denominated loan of GBP151,000 at an interest rate of Bank of England Base Rate plus 2.10% per annum. Such loans will expire before 30 April 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS REVIEW

During the Reporting Period, the Group generated sales revenue of US$589,339,000, representing an increase of 24.9% as compared with the corresponding period of the previous year, and recorded gross profit of US$151,047,000, representing an increase of 10.1% as compared with the corresponding period of the previous year. The Group's profit before tax amounted to US$98,645,000, representing an increase of 19.8% as compared with the corresponding period of the previous year, and the profit attributable to the owners of the Company was US$86,503,000, representing an increase of 21.3% as compared with the corresponding period of the previous year.

MARKET REVIEW

In 2011, the sovereign debt crisis in the U.S. and European countries has been escalating and the inflation in emerging economies continued to remain high. Under such circumstances, in the World Economy Prospect issued on 24 January 2012, the IMF estimated global economic growth in 2011 at 3.25%, down by 0.75 ppt from its September 2011 forecast.

2011 is the first year of the "12th Five-Year Plan" period in China. China further implemented proactive fiscal policies and prudent monetary policies, and continually intensified and improved macro control, leading to GDP growth in 2011 of 9.2% year on year. Under the influence of the macro control, the real estate industry, which is closely related to the lighting industry, has also maintained steady growth albeit moderating year on year. In 2011, national real estate development investment increased by 27.9% as compared with the previous year, of which, investments in residential properties increased by 30.2%. As compared with the previous year, the floor area of new property projects increased by 16.2%; the floor area of property projects under development increased by 25.3%; the floor area of property projects completed increased by 13.3%; the floor area of commercial property sold increased by 4.9%; and the sales amount increased by 12.1%. (Data source: National Bureau of Statistics)

Energy saving and environmental protection (such as promotion of green and environment friendly lighting products through increased subsidies to energy saving and emission reduction, and continuous implementation of the national program of promoting "high efficiency and energy-saving lighting products"), remains to be one of the priority during the "12th Five-Year Plan" period. According to the national "12th Five-Year Plan" for science and technology, the development goal for LED is: semiconductor lighting will secure a 30%-plus share in the Mainland general lighting market in 2015, with the output value projected at RMB500 billion, bringing China into the global top three in semiconductor lighting.

Despite government policy support, 2011 turned out to be a harsh year for lighting producers. Under a combined negative impact of cost increases, real estate controls, fluctuating rare earth price, and struggling exports, the overall increase of the lighting market softened in 2011. During the year ended 2011, China's lighting electronic industry cumulatively produced 19.61 billion units of electronic lamps, up by 4.0% year on year (versus 22.6% in 2010) and 2.52 billion sets of luminaire products and lighting devices, up by 6.4% year on year (versus 24% in 2010). Lighting producers generally posted worse-than-expected sales and profit growth, indicating a severe test facing the lighting industry. (Data source: National Bureau of Statistics)

BUSINESS REVIEW

During the Reporting Period, faced with the intensified industry competition and pressure from the rising costs of major raw materials and labour, the Group, as the largest domestic brand lighting product supplier, took advantage of industry consolidation with effective business strategies including continuously improving the sales channels of NVC brand, increasing sales outlets, furthering its sales, production and product research and development efforts, enhancing the price-to-performance ratio of its products, continuing to strengthen its close cooperation relationship with domestic exclusive regional distributors and proactively expanding the overseas markets, and delivered outstanding results with steady growth.

Sales and distribution

In terms of NVC brand sales in the PRC market during the Reporting Period, the Group retained 36 exclusive regional distributors and aggressively expanded its sales network with a net increase of 158 outlets. As at 31 December 2011, the Group had a total of 2,968 outlets, covering 2,014 cities (31 provincial capitals with a 100% coverage rate; 278 municipal cities with a 97.54% coverage rate; 1,217 counties or county-level cities with a 61.40% coverage rate; 488 towns and townships with a 1.43% coverage rate). The Group has enlarged the shopping area of the NVC outlets and increased sales per unit, and unified and upgraded their exterior appearance. The Group also continued to develop new products, improve the price-to-performance ratio of its products and diversify the product portfolio. During the Reporting Period, focusing on professional engineering as an important sales driver, the Group developed 19 Professional Engineering Customers, including some with sales exceeding RMB10 million. In alignment with the market trend, the Group also positively expanded chain store customers than can bring repeat sales. During the Reporting Period, the Group generated sales of US$56,548,000 from Professional Engineering Customers and sales of US$62,717,000 from chain store customers that can bring repeat sales, showing a marked growth year on year. The Group has established "Lighting Environment Experience Halls" in cities including Huizhou, Beijing, Shanghai and Nanjing to demonstrate in a physical format the concept of the NVC "Lighting Environment". Furthermore, in the bidding for the 2011 government subsidised energy-saving lighting products, the Group won the bid for the second time to supply about 7.3 million units of energy-saving lighting products.

In terms of the non-NVC brand sales in the PRC market, the Group mainly provides energy-saving lamp tubes and accessories to energy-saving lamp manufacturers. The Group saw a mild increase in sales in non-NVC brand products as a result of the support from the government to high efficiency lighting products and enhanced national awareness of energy saving.

In terms of the international market, the Group adopted a development strategy which mainly focused on promoting the sales of NVC brand products supplemented by the production of famous brand products on an ODM/OEM basis. During the Reporting Period, the Group continued to promote the sales of NVC brand products through the mainstream outlets in the UK, and gained more share in overseas markets by increasing well-known overseas distributors. In addition, in newly-developed countries such as Saudi Arabia, Brazil and New Zealand, the Group also developed the market on its own by exporting its own experienced executives and achieved satisfactory results.

Production Capacity

The Group currently has five production bases, comprising Huizhou City in Guangdong Province, Wanzhou District in Chongqing, two in Jiangshan City in Zhejiang Province, and Qingpu District in Shanghai. During the Reporting Period, the Group newly invested in six production lines for energy-saving lights, two production lines for energy-saving lamp tubes and one production line for electronic products. The breakdown of the production of each production base is as follows:

	Luminaire production facilities		Lamp production facilities		Lighting electronic production facilities
Location	**Huizhou, Guangdong**	**Wanzhou, Chongqing**	**Jiangshan, Zhejiang[1]**	**Jiangshan, Zhejiang[2]**	**Qingpu, Shanghai**
Date of commencement of production	November 1998	December 2006	September 1994	September 2007	March 2006
Design capacity (units) as at 31 December 2011	75,000,000	68,000,000	259,884,000	101,400,000	9,900,000
Actual production (units) as at 31 December 2011	72,986,508	65,761,685	184,432,138	93,942,148	9,710,539
Average utilisation rate as at 31 December 2011	97.3%	96.7%	71.0%	92.6%	98.1%
Standardised hours of operation	8 hours	8 hours	12 hours	8 hours	8 hours

Notes:

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

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

Product Research and Development and Design

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

During the Reporting Period, the Group invested a total of US$9,502,000 in research and development, representing 1.6% of the Group's total revenue. In 2011, the Group increased research and development investment and set up a high-level research and development team to help develop a total of a hundred products, including various LED, luminaire and lighting electronic products. During the Report Period, the laboratory of the Shanghai Research and Development Centre of the Group obtained the certificate issued by Deutscher Kraftfahrzeug Uberwachungsverein (DEKRA) and two of its products passed the certification. In addition, the Group also obtained one scientific research project listed in the 'National Technology Support Programme' funded by the Ministry of Science and Technology, and filed 79 new patent applications, 43 of which have been actual approved and granted.

As at 31 December 2011, the Group had a workforce of 373 in design and research and development, of which 113 were based in our Huizhou Research and Development Centre, 56 based in Shanghai Research and Development Centre, and the others based in other production bases.

Quality control

During the Reporting Period, the testing centre of Huizhou NVC, a subsidiary of the Group, was licensed by SGS-CSTC Standards Technical Services Co., Ltd., the world leading inspection, verification, testing and certification company. It is China's first SGS-certified corporate lighting laboratory.

As at 31 December 2011, we had a workforce of about 593 in quality control.

Brand promotion

During the Reporting Period, the Group continued to strengthen its brand recognition as a leader in the lighting industry, improved corporate brand management systems, and promoted the NVC brand through a combination of advertising, media coverage, community public service and participation in famous competitions at home and abroad. As a result, the popularity and influence of the NVC lighting brand were solidified and enhanced in the minds of both ordinary and professional consumers.

During the Reporting Period, the Group maintained its NVC brand awareness by launching a series of brand promotion and media activities. For instance, in January, we participated in the "China Management School Award Competition sponsored by PKU Business Review, and the NVC channel model won the most important "China Management School Award"; in March, we organised the launch of LED new products and signed with Cree Shanghai Opto Development Ltd. to publicise NVC's strategy in the LED area, and participated in the "2011 Evaluation by China's Top 500 Real Estate Developers", in which, the NVC brand came out again as the top preferred lighting brand, selected by 25% of the top 500 real estate developers; in July, we introduced Schneider Electric as a strategic shareholder to leverage its popularity overseas to develop overseas markets and expand distribution networks; we organised large-scale publicity activities like the signing with Olympic Council of Asia (the "OCA") and the inauguration of China's energy-saving demonstration bases; in August, we organised "Bright Future Summer Volunteer Education Assistance in Eight Provinces of China", by which, we put corporate social responsibility into practice and established our sound public image. Meanwhile, the NVC lighting brand also received widespread recognition, such as the "6th Outstanding China Enterprise Award" issued by Hong Kong Capital magazine in the capital market, and the "2011 Consumers' Favourite Green Trademark" in the mass market.

FINANCIAL REVIEW

Revenue

Revenue represents the invoiced value of goods sold, after allowance for returns and trade discounts. During the Reporting Period, the Group recorded revenue of US$589,339,000, representing an increase of 24.9% year on year. In particular, revenue of NVC brand products in the PRC market increased by 25.0% year on year, primarily attributable to our continuous improvement and perfection of our distribution channels with a net increase of 158 outlets, the expansion of unit outlet area and the increase of unit outlet sales. In addition, we also continued to develop new Professional Engineering Customers and chain store customers that can bring repeat sales, which together contributed an aggregate of US$119,265,000 in sales revenue. Sales of NVC brand products in the international market amounted to US$39,231,000, representing an increase of 42.1% year on year, which was mainly attributable to steady expansion of overseas markets and promotion of LED energy-saving products.

Revenue by product segment

The following table sets forth the revenue by product segment (luminaire, lamp and lighting electronic products) and the growth rate of each segment.

	Year ended 31 December		
	2011	2010	Growth rate
	US$'000	*US$'000*	
Luminaire products	**333,428**	258,300	29.1%
Lamp products	**196,852**	157,624	24.9%
Lighting electronic products	**59,059**	55,801	5.8%
Total	**589,339**	471,725	24.9%

During the Reporting Period, the sales of luminaire products increased by 29.1%, which was mainly because we improved our distribution channels and increased the number of outlets, and strengthened the development of new Professional Engineering Customers and chain store customers that can bring repeat sales. The sales of lamp products increased by 24.9%, with NVC brand lamp products increasing by 21.5% and non-NVC brand lamp products increasing by 26.7%, which mainly benefited from energy-saving and emission reduction policies and increasing demand for energy-saving lamp products in the market. The sales of lighting electronic products increased by 5.8%, and the slowing growth was mainly ascribable to the decreasing percentage of overseas sales of lighting electronic products due to the global economic downturn.

Revenue by NVC brand sales and non-NVC brand sales

The following table sets forth the revenue for sales of NVC brand products and non-NVC brand products and the growth rate of each item. Our non-NVC brand products primarily consist of ODM products.

	Year ended 31 December		
	2011	2010	Growth rate
	US$'000	*US$'000*	
NVC brand			
Luminaire products	**317,596**	246,680	28.7%
Lamp products	**66,028**	54,345	21.5%
Lighting electronic products	**31,651**	27,303	15.9%
Subtotal	**415,275**	328,328	26.5%
Non-NVC brand			
Luminaire products	**15,832**	11,620	36.2%
Lamp products	**130,824**	103,279	26.7%
Lighting electronic products	**27,408**	28,498	-3.8%
Subtotal	**174,064**	143,397	21.4%
Total	**589,339**	471,725	24.9%

Revenue by geographical location

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

	Year ended 31 December		
	2011	2010	Growth rate
	US$'000	*US$'000*	
Revenue from PRC sales			
Luminaire products	**284,052**	224,765	26.4%
Lamp products	**138,547**	118,342	17.1%
Lighting electronic products	**33,011**	29,008	13.8%
Subtotal	**455,610**	372,115	22.4%
Revenue from international sales			
Luminaire products	**49,376**	33,535	47.2%
Lamp products	**58,305**	39,282	48.4%
Lighting electronic products	**26,048**	26,793	-2.8%
Subtotal	**133,729**	99,610	34.3%
Total	**589,339**	471,725	24.9%

During the Reporting Period, the Group achieved high revenue growth in both PRC sales and international sales year on year, while international sales had a higher growth rate over PRC sales. Revenue from PRC sales increased by 22.4%, of which the NVC brand products' revenue increased by 25.0% and the non-NVC brand products' revenue increased by 11.5%. Revenue from international sales increased by 34.3%, of which the NVC brand products' revenue increased by 42.1% and the non-NVC brand products' revenue increased by 31.2%.

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 the growth rate of each item.

	Year ended 31 December		
	2011	2010	Growth rate
	US$'000	*US$'000*	
Energy-saving products	**356,664**	283,964	25.6%
Non-energy-saving products	**232,675**	187,761	23.9%
Total	**589,339**	471,725	24.9%

Cost of sales

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

	Year ended 31 December			
	2011		2010	
	US$'000	***Percentage in income (%)***	*US$'000*	*Percentage in income (%)*
Raw materials	**301,939**	**51.2%**	232,644	49.3%
Outsourced manufacturing costs	**66,258**	**11.2%**	44,620	9.5%
Labour costs	**45,775**	**7.8%**	36,469	7.7%
Indirect costs	**24,320**	**4.2%**	20,739	4.4%
Total cost of sales	**438,292**	**74.4%**	334,472	70.9%

During the Reporting Period, the Group's cost of sales increased by 31.0%, which primarily reflected the increase in sales volume. The Group's cost of sales as a percentage of revenue increased to 74.4% in the year ended 31 December 2011 from 70.9% in the year ended 31 December 2010, resulting in a decrease in gross profit margin from 29.1% to 25.6%, mainly resulting from the rising raw materials and labour cost.

Gross profit and gross profit margin

Gross profit is calculated as revenue less cost of sales.

During the Reporting Period, gross profit was US$151,047,000, representing an increase of 10.1% year on year, primarily reflecting the increase in sales volume. The Group's gross profit and gross profit margin by segment are as follows:

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

	Year ended 31 December			
	2011		2010	
	US$'000	***(%)***	*US$'000*	*(%)*
Luminaire products	**84,467**	**25.3%**	82,319	31.9%
Lamp products	**56,919**	**28.9%**	43,603	27.7%
Lighting electronic products	**9,661**	**16.4%**	11,331	20.3%
Total	**151,047**	**25.6%**	137,253	29.1%

During the Reporting Period, gross profit from luminaire products was US$84,467,000, representing an increase of 2.6% year on year. Gross profit margin for luminaire products decreased by 6.6% to 25.3%, which is mainly attributable to the significant fluctuations in prices of rare earths that influence luminaire products (with lamps inclusive) and the change in product structure on luminaire products.

During the Reporting Period, gross profit from lamp products was US$56,919,000, representing an increase of 30.5% year on year. Gross profit margin for lamp products increased by 1.2% to 28.9%, mainly because price hikes of some products offset the impact of rising raw material cost.

During the Reporting Period, gross profit from lighting electronic products was US$9,661,000, representing a decrease of 14.7% year on year. Gross profit margin for lighting electronic products decreased by 3.9% to 16.4%, which is mainly attributable to higher metal material and labour costs and RMB appreciation.

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

	Year ended 31 December			
	2011		2010	
	US$'000	***(%)***	*US$'000*	*(%)*
NVC brand	**112,070**	**27.0%**	108,085	32.9%
Non-NVC brand	**38,977**	**22.4%**	29,168	20.3%
Total	**151,047**	**25.6%**	137,253	29.1%

During the Reporting Period, gross profit of NVC brand products was US$112,070,000, representing an increase of 3.7% year on year, while gross profit margin decreased by 5.9% year on year, which is mainly attributable to the increase in costs. In particular, gross profit margin of luminaire products making up a large percentage of sales declined significantly due to the increase in prices of rare earths and metal raw materials. Gross profit of non-NVC brand products was US$38,977,000, representing an increase of 33.6% year on year, and gross profit margin increased by 2.1% year on year, which is mainly attributable to price increases of some lamp products.

(iii) The table below shows the gross profit and gross profit margin by PRC sales and international sales:

	Year ended 31 December			
	2011		2010	
	US$'000	***(%)***	*US$'000*	*(%)*
Gross profit from PRC sales:				
Luminaire products	**72,165**	**25.4%**	74,719	33.2%
Lamp products	**45,247**	**32.7%**	35,675	30.1%
Lighting electronic products	**6,450**	**19.5%**	7,212	24.9%
Subtotal	**123,862**	**27.2%**	117,606	31.6%
Gross profit from international sales:				
Luminaire products	**12,302**	**24.9%**	7,600	22.7%
Lamp products	**11,672**	**20.0%**	7,928	20.2%
Lighting electronic products	**3,211**	**12.3%**	4,119	15.4%
Subtotal	**27,185**	**20.3%**	19,647	19.7%
Total	**151,047**	**25.6%**	137,253	29.1%

During the Reporting Period, gross profit from PRC sales was US$123,862,000, representing an increase of 5.3% year on year, of which gross profit of NVC brand products was US$102,806,000, representing an increase of 1.7% year on year, and gross profit of non-NVC brand products was US$21,056,000, representing an increase of 27.7% year on year.

During the Reporting Period, gross profit from international sales was US$27,185,000, representing an increase of 38.4% year on year, of which gross profit of NVC brand products was US$9,264,000, representing an increase of 33.0% year on year, and gross profit of non-NVC brand products was US$17,921,000, representing an increase of 41.3% year on year.

(iv) The table below sets forth the gross profit and gross profit margins of our energy-saving products and non-energy-saving products:

	Year ended 31 December			
	2011		2010	
	US$'000	***(%)***	*US$'000*	*(%)*
Energy-saving products	**98,656**	**27.7%**	86,487	30.5%
Light tubes for CFL	**17,955**	**27.3%**	17,603	24.5%
T4/T5 battens	**39,144**	**33.1%**	39,925	41.6%
Compact fluorescent lamp (CFL)	**28,613**	**28.4%**	17,262	27.3%
Electronic ballasts	**3,565**	**11.2%**	4,670	15.6%
HID lamps	**3,640**	**48.9%**	3,543	40.9%
Fluorescent lamps	**2,668**	**21.9%**	1,576	27.3%
LED products	**3,071**	**14.9%**	1,908	23.2%
Non-energy-saving products	**52,391**	**22.5%**	50,766	27.0%
Total gross profit	**151,047**	**25.6%**	137,253	29.1%

During the Reporting Period, the Group's gross profit margin of energy-saving products fell to 27.7%, representing a decrease of 2.8% year on year, which was mainly attributable to (1) the impact of price hikes of metal materials and fluorescent powder on T4/T5 battens which have large sales volumes and (2) adjustment of product structure, including intensified efforts in promoting LED products with lower gross profit margin to open more markets.

Other income and gains

Other income and gains mainly consist of trademark licence fees, distribution commission, rental income, gain on sales of scrap materials and government grants (please refer to note 3 to the consolidated financial statements on page 14 of this announcement for the composition of other income and gains). We received various types of government grants as an incentive for export sales, technology research and development and recruitment of local workers, expansion of production for energy-saving lamp products and the acquisition of land use rights in connection with plant relocation. Government grants are provided by relevant authorities at their discretion, but may not necessarily be recurring in nature. We licensed our trademark to a limited number of the lighting product manufacturers in the PRC and we received three percent of the licensees' annual revenue derived from their sales of products under our trademark as trademark licence fees. In addition, we received distribution commission of six to eight percent from these licensees on revenue generated when products were sold through our distribution network.

Selling and distribution costs

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

During the Reporting Period, selling and distribution costs were US$37,440,000, representing an increase of 3.0% year on year. That the Group's selling and distribution costs as a percentage of revenue decreased to 6.4% in the year ended 31 December 2011 from 7.7% in the year ended 31 December 2010 was because the Group achieved cost saving in freight, advertising and promotion expenses through effective operation management.

Administrative expenses

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

During the Reporting Period, administrative expenses were US$36,796,000, representing an increase of 22.3% year on year. This increase was primarily attributable to higher research and development expenses and labour costs. The proportion of administrative costs to revenue decreased to 6.2% in the year ended 31 December 2011 from 6.4% in the year ended 31 December 2010.

Other expenses

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

Finance income

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

Finance costs

Finance costs represent interest expense accrued on convertible redeemable preference shares and interest on bank loans. The principal debt of the convertible redeemable preference shares was stated as liabilities according to amortised cost calculated based on the effective interest rate method. The interest expense on the convertible redeemable preference shares was US$1,315,000 in the year ended 31 December 2010. As a result of the Company's initial public offering on 20 May 2010, these convertible redeemable preference shares were entirely converted into ordinary shares and the accrual of interest is no longer required.

Share of profits of an associate

This item represents the Group's share of net profit in the associate, Mianyang Leici.

Income tax expense

During the Reporting Period, the Group's income tax expense was US$8,077,000, representing a decrease of 4.1% year on year. The decrease in income tax expense was mainly attributable to the change in deferred income tax resulting from the application of preferential tax rates.

Net profit for the year (including profit attributable to non-controlling interests)

Due to the factors mentioned above, our net profit (including profit attributable to non-controlling interests) for the year was US$90,568,000 during the Reporting Period.

Exchange differences on translation of foreign operations

During the Reporting Period, our exchange differences on translation of foreign operations were US$16,302,000. This revenue primarily arose from the translation of the financial statements of the PRC subsidiaries which are denominated in RMB.

Profit attributable to owners of the Company for the year

Due to the factors mentioned above, profit attributable to owners of the Company was US$86,503,000 during the Reporting Period.

Profit attributable to non-controlling interests for the year

During the Reporting Period, profit attributable to non-controlling interests was US$4,065,000.

Cash flow and liquidity

Cash flow

The Group meets its working capital and other capital requirements principally with the following: (i) cash generated from our operations, (ii) short-term bank loans, and (iii) proceeds from the initial public offering and the exercise of their share options by our employees. The table below sets out selected cash flow data from our consolidated statement of cash flows.

	Year ended 31 December	
	2011	2010
	US$'000	*US$'000*
Net cash flows from operating activities	**15,607**	36,878
Net cash flows used in investing activities	**(72,136)**	(89,135)
Net cash flow (used in)/from financing activities	**(3,594)**	187,702
Net (decrease)/increase in cash and cash equivalents	**(60,123)**	135,445
Cash and cash equivalents at beginning of year	**182,766**	44,034
Effect of foreign exchange rate changes, net	**2,103**	3,287
Cash and cash equivalents at end of year	**124,746**	182,766

Cash flows from operating activities

We derive our cash flows from operating activities, which was 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.

During the Reporting Period, our net cash flows from operating activities were US$15,607,000, while our operating cash inflows before changes in working capital were US$110,256,000. The changes in working capital included (i) an increase of US$41,776,000 in inventories; (ii) an increase of US$37,234,000 in trade and bill receivables, other receivables and prepayments; (iii) income tax paid amounting to US$11,859,000; and (iv) a decrease of US$3,780,000 in trade payables, as well as other payables and accruals.

Net cash flows used in investing activities

Our cash flows used in investing activities mainly consist of payments for the purchases of property, plant and equipment and land use rights, the additions of development cost, the acquisition of non-controlling interest and investment in time deposits. During the Reporting Period, our net cash flows used in investing activities amounted to US$72,136,000, which mainly included (i) payment of US$62,496,000 for purchases of property, plant and equipment and land use right, as well as additions of development cost; (ii) payment of US$310,000 for acquisition of a non-controlling interest in UK NVC; and (iii) an increase of US$12,758,000 in time deposits with original maturity of more than three months when acquired, which was partly offset by the interest income of US$2,932,000 and the proceeds of US$496,000 from disposal of property, plant and equipment.

Net cash flow (used in)/from financing activities

Our cash flows from financing activities included the proceeds from exercise of share options, the proceeds from new bank loans and the receipt of government grant. Our cash flows used in financing activities consisted of payment of bank loan interest and dividends.

During the Reporting Period, our net cash outflows used in financing activities amounted to US$3,594,000. Our cash inflows were mainly from (i) the receipt of government grants of US$6,903,000; (ii) the proceeds of US$6,494,000 from new bank loans; and (iii) the proceeds of US$5,682,000 upon the exercise of share options. Such cash inflows were offset by US$22,171,000 for the payment of dividends and US$502,000 for the payment of bank loan interest.

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	
	2011	2010
	US$'000	*US$'000*
CURRENT ASSETS		
Inventories	**111,541**	68,591
Trade and other receivables	**155,414**	119,503
Prepayments	**20,905**	8,494
Short-term deposits	**75,954**	60,648
Cash and cash equivalents	**124,746**	182,766
	488,560	440,002
Non-current assets classified as held for sale	**2,805**	–
Total current assets	**491,365**	440,002
CURRENT LIABILITIES		
Trade payables	**61,223**	51,297
Other payables and accruals	**35,514**	44,438
Interest-bearing loans	**6,494**	–
Income tax payable	**3,218**	3,442
Total current liabilities	**106,449**	99,177
NET CURRENT ASSETS	**384,916**	340,825

As at 31 December 2011 and 31 December 2010, current ratio of the Group was 4.62 and 4.44, respectively. In light of our current liquidity position, and the net proceeds available to the Company from the initial public offering and our projected cash inflow generated from operations, the Directors believe that we have sufficient working capital for our present requirements and for the next 12 months.

Capital Management

The following table sets out our gearing ratios as at the end of the Reporting Period.

	31 December	
	2011	2010
	US$'000	*US$'000*
Interest-bearing loans	**6,494**	–
Total debt	**6,494**	–
Less: cash and short-term deposits	**(200,700)**	(243,414)
Net debt	**NA**	NA
Total equity attributable to owners of the Company	**579,225**	492,261
Gearing ratio	**NA**	NA

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

Capital expenditure

We funded our capital expenditure from cash generated from operations and bank loans as well as proceeds from the initial public offering and exercise of share options by our employees. Our capital expenditure primarily related to expenditure on property, plant and equipment, prepaid land lease payments, acquisition of subsidiaries, intangible assets other than goodwill, investment in an associate and long-term deferred expenditures. During the Reporting Period, our capital expenditure amounted to US$59,536,000 mainly including (i) US$8,889,000 was used in plant mainly for purchasing of new warehouses by UK NVC, (ii) US$17,635,000 was invested in machinery and equipment mainly for the expansion of production lines, and (iii) US$25,266,000 was invested on construction in progress mainly for construction of Huizhou NVC phase-5 plant and the new Sunny industrial complex.

Pledge of assets

As at 31 December 2011, the Group had no pledged assets for its liabilities.

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 31 December 2011, the Group had no material contingent liabilities.

Capital commitments

As at 31 December 2011, we had capital commitments of US$34,951,000 for the acquisition of property, plant and equipment, intangible assets other than goodwill, land use rights and capital contributions. The details are set out below:

	31 December	
	2011	2010
	US$'000	*US$'000*
Contracted but not provided for		
Acquisition of property, plant and equipment	**8,646**	10,997
Authorised but not contracted for		
Acquisition of property, plant and equipment	**22,407**	52,872
Acquisition of intangible assets other than goodwill	**10**	811
Acquisition of land use rights	**–**	504
Capital contributions to a joint venture	**3,888**	–
Total	**34,951**	65,184

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

Operating lease commitments

We have entered into some non-cancellable operating leases. The table below sets forth our future minimum rental payments under non-cancellable operating leases as at the Reporting Period.

	31 December	
	2011	2010
	US$'000	*US$'000*
Within one year	**1,404**	495
After one year but not more than five years	**2,210**	858
More than five years	**231**	225
Total	**3,845**	1,578

As a lessor, we leased 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 prevailing market conditions. As at the end of the Reporting Period, our total future minimum lease receivables under non-cancellable operating leases are as follows:

	31 December	
	2011	2010
	US$'000	*US$'000*
Within one year	**341**	399
After one year but not more than five years	**131**	325
More than five years	**–**	–
Total	**472**	724

PROSPECTS

Energy conservation and emission reduction as well as green and low-carbon environment have become hot topics across the globe, and for many years the Chinese government has been committed to promoting relevant work and proactively advocating the construction of a resource-conserving society by means of providing fiscal subsidies. In 2012, the Group will seek opportunities brought about by the promulgation of the "12th Five-year Plan for the Semiconductor Lighting Industry", adhere to State policies and endeavour to strengthen its overall competitive strength through implementation of various internal initiatives, such as expanding its sales network, actively participating in the construction of key projects and enhancing research and development.

Expanding sales network in a coordinated manner

In terms of the Chinese market, the Group will, on the basis of the 36 existing exclusive regional distributors and 2,968 outlets, continue to consolidate and strengthen the construction of sales channels in a comprehensive way. In 2012, we will focus on exploiting the potential of second and third-tier cities and the rural market in order to develop a deeper and wider sales network. The plan for 2012 is an addition of 400 new outlets.

In terms of overseas markets, the Group has been proactively expanding overseas sales channels and has gained extensive experience from promoting the sales of NVC brand products in the mainstream outlets in the UK and subsequently transferred our successful experience to well-developed markets such as North America and Europe. This enables more and more overseas customers to get to know NVC brand products. Currently, the Group is looking for suitable enterprises in these markets with core technologies and established sales channels for mergers and acquisitions, with an aim to give full play to their advantages in local resources and achieve steady progress in developing overseas business. In 2012, the Group will exert every effort to explore emerging markets in developing countries and regions, for which the Group will send experienced management personnel to different regions with an view to independently exploiting local markets and capturing bigger market share through promoting the sales of energy-saving products with high growth potential such as LED products and fluorescent lamps.

The market development strategy of the Group is to gain a strong foothold in China while maintaining parallel development in various overseas markets so as to build NVC into a world-class brand.

Launching sports-related marketing campaigns to welcome the London Olympic Games ("Olympic Games")

As the 2012 London Olympic Games are drawing near, it has opened a door for sports-related marketing activities for the Group. In March 2012, the Group held a signing ceremony entitled "Official Partner of the Sports Federation and Olympic Committee of Hong Kong, Macau and Chinese Taipei". By leveraging on the brand strategy of the Olympic Games, the Group will further strengthen the international influence of NVC brand. In July 2011, the Group became a partner to provide the Olympic Council of Asia (OCA) luminaire products and services, whereby NVC will provide solutions in respect of professional lighting products and services for all the games to be organised by the OCA in Asia in the next four years. Currently, NVC has become a signatory supplier with the exclusive right to provide lighting products and services for the East Asian Games 2013 to be held in Tianjin.

Besides sports-related marketing, NVC will continue to identify development opportunities arising from big projects in the tertiary industry such as catering, entertainment, etc.. At the same time, NVC will make more efforts in obtaining government projects, especially projects in respect of energy saving and urban lighting.

Strengthening design and research and development capacities

As at the date of this announcement, the Group has been granted more than 240 patents, and 50 patents are in the application process. The Group's research and development system is being increasingly perfected and its research and development level is being steadily enhanced. Leveraging on its strong research and development capacity and the advantage of abundant capital, the Group will continue to introduce new energy-efficient lighting technologies and products, and aims to make new breakthroughs in LED sealing technology, indoor and outdoor lighting products as well as industrial lighting products.

Adhering to the corporate philosophy of "Becoming a World Famous Brand and the Best Player in the Industry", we are committed to manufacturing energy-saving and low-carbon products and endeavour to create a "green" life for its customers.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the continuing connected transactions of the Group were within the annual caps as set out in the Prospectus of the Company dated 7 May 2010 and as revised and disclosed in the announcements dated 24 December 2010, 10 March 2011, 31 May 2011 and 27 February 2012, respectively.

MERGER, ACQUISITION AND INVESTMENT

During the Reporting Period, the Group made no acquisition, merger or sale of subsidiaries or associates.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

We did not 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 to our financial results.

FOREIGN CURRENCY RISK

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

COMMODITY PRICE RISK

We are exposed to fluctuations in the prices of raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect our financial performance. We historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes, however, we increased our inventories of certain key raw materials to ensure adequate supplies.

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 and flexibility of funding 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

Our major credit risk arises from 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 trade and other receivables. Our cash and short-term deposits are mainly deposited with registered banks in China and Hong Kong. We also have policies that limit our credit exposure to any financial institutions. The carrying amounts of trade and other receivables, cash and cash equivalents and short-term deposits included in the consolidated balance sheet represent our maximum exposure to credit risk in relation to our financial assets. We have no other financial assets which carry significant exposure to credit risk. In 2011, we entered into a number of one-year insurance contracts with China Export & Credit Insurance Corporation, which covered up to 85% from domestic and 90% from overseas of any uncollectible amount derived from our sales between the period from 1 November 2011 to 31 October 2012 subject to a maximum compensation amount of RMB25.2 million for domestic sales and US$25 million for overseas sales. We purchased such insurance in order to minimise our exposure to credit risk as we expand our business. We plan to renew such insurance contracts as they become due.

FINAL DIVIDEND

The Board of Directors has proposed to declare a final dividend of HK3.5 cents per share payable to the shareholders whose names appear on the register of members of the Company on Thursday, 5 July 2012. Based on the 3,158,013,000 shares in issue as at 31 December 2011, it is expected that the final dividend payable will amount to approximately HK$110,530,000 (equivalent to approximately US$14,221,000) (before tax).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 14 June 2012 to Tuesday, 19 June 2012 (both days inclusive) and from Friday, 29 June 2012 to Thursday, 5 July 2012 (both days inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, 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 Wednesday, 13 June 2012. In order to qualify for the proposed final dividend (subject to the approval by shareholders at the forthcoming annual general meeting), 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 at the abovementioned address before 4:30 p.m. on Thursday, 28 June 2012.

EMPLOYEES

As at 31 December 2011, the Group had approximately 9,868 employees (31 December 2010: 9,988). The Group regularly reviews 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 contributions, employee provident fund schemes, and discretionary incentive and share option schemes.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

SUBSEQUENT INVESTMENT

On 11 January 2012, Huizhou NVC, a wholly-owned subsidiary of the Company, and Shenzhen Refond entered into a cooperation framework agreement to establish a joint venture in China engaging in research and development of high-power lighting LED packaging technologies, and production and sales of LED packaging products. The registered capital of the joint venture shall be RMB50,000,000, with 49% and 51% equity to be held by Huizhou NVC and Shenzhen Refond, respectively.

CORPORATE GOVERNANCE

The Directors are of the opinion that, during the Reporting Period, 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 during the Reporting Period they have complied with all relevant requirements as set out in the Model Code.

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 Reporting Period.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 27 April 2010 with written terms of reference. The primary duties of the remuneration committee are to establish and review 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. Since the establishment of the remuneration committee, Mr. Yan Andrew Y has been appointed as the chairman of the remuneration committee.

In view of the addition of Rule 3.25 to the Listing Rules which will come into effect on 1 April 2012, the remuneration committee should be chaired by an independent non-executive Director. On 26 March 2012, Mr. Zhu Hai and Mr. Wang Jinsui were additionally elected as committee members and Mr. Karel Robert Den Daas, an independent non-executive Director, was appointed as new chairman of the remuneration committee and taken up the role of Mr. Yan Andrew Y.

NOMINATION COMMITTEE

The Board of the Company approved the establishment of a nomination committee on 26 March 2012 with written terms of reference. The primary duties of the nominees committee are to review the structure and composition of the Board, make recommendation to the Board on the appointment, re-appointment of Directors and succession planning for Directors and assess the independence of independent non-executive Directors. The nomination committee has five members, namely Mr. Wu Changjiang, Mr. Lin Ho-Ping, Mr. Alan Russell Powrie, Mr. Karel Robert Den Daas and Mr. Wang Jinsui. Mr. Wang Jinsui has been appointed as the chairman of the nomination 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 non-executive director of eSun Holdings Limited since 1 September 2011. Moreover, Mr. Yan Andrew Y also ceased to act as director of Global Education & Technology Group Ltd. on 19 December 2011.

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

The Group's audited annual results for the Reporting Period will be included in the Company's annual report 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 of the Group for the Reporting Period 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.

"China" or "PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to "China" and the "PRC" do not apply to Taiwan, the Macau Special Administrative Region and the Hong Kong Special Administrative Region.

"Chongqing NVC"	Chongqing NVC Lighting Co., Ltd.* (重慶雷士照明有限公司), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 1 December 2006 and our direct wholly-owned subsidiary.
"Code"	the *Code on Corporate Governance Practices* as set out in Appendix 14 to the Listing Rules.
"Company" or "our Company"	NVC Lighting Holding Limited (雷士照明控股有限公司), a company incorporated in the BVI on 2 March 2006 and subsequently redomiciled to the Cayman Islands on 30 March 2010 as an exempted company with limited liability under the laws of the Cayman Islands.
"Corresponding Period"	means the year ended 31 December 2010 or year ended 31 December 2011 (as the context may require).
"Director(s)"	the director(s) of the Company.
"Energy-saving lighting products"	CALI (the China Association of Lighting Industry) defines energy-saving lighting products in China as typically consisting of compact fluorescent lamps, fluorescent lamps and supporting lighting fixtures, LED lamps, HID lamps and electronic ballasts. CALI's standard is based on the "Interim Measures on Funding Management of Fiscal Subsidies for Promotion of High-Efficiency Products" as well as the SA (the Standardisation Administration of the PRC) standards, which is in line with the CQC (the China Quality Certification Centre) List.
"Group"	our Company and its subsidiaries.
"Huizhou NVC"	Huizhou NVC Lighting Technology Co., Ltd.* (惠州雷士光電科技有限公司), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 29 April 2006 and our direct wholly-owned subsidiary.
"Jiangshan Phoebus"	Jiangshan Phoebus Lighting Electron Co., Ltd.* (江山菲普斯照明有限公司), a limited liability company incorporated in the PRC on 8 March 2006 and our indirect wholly-owned subsidiary.
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

"Mianyang Leici"	Mianyang Leici Electronic Technology Co., Ltd.* (綿陽雷磁電子科技有限公司), a limited liability company incorporated in the PRC, 35% of its equity interest being held by Huizhou NVC and its remaining equity interest being held by China Electronics Technology Group Corporation No. 9 Academy* (中國電子科技集團第九研究所) (as to 36%), Wen Jiatao (文家濤) (as to 15%) and Zhao Qiyi (趙七一) (as to 14%).
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.
"ODM"	original design manufacturing, a type of manufacturing under which the manufacturer is responsible for the design and production of the products and the products are marketed and sold under the customer's brand name.
"OEM"	original equipment manufacturing whereby products are manufactured in accordance with the customer design and specification and are marketed under the customer's brand name.
"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.
"Reporting Period"	the year ended 31 December 2011.
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
"Shanghai Arcata"	Shanghai Arcata Electronics Co., Ltd.* (上海阿卡得電子有限公司), a limited liability company incorporated in the PRC on 22 September 2005 and our indirect wholly-owned subsidiary.
"Shenzhen Refond"	Shenzhen Refond Optoelectronics Co., Ltd.* (深圳市瑞豐光電子股份有限公司), a company established in 2000 with a registered capital of RMB107 million, and the shares of which have been listed on Shenzhen Stock Exchange (stock code: 300241) since July 2011.
"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 Lighting Limited (formerly known as NVC (Manufacturing) Limited), a private company incorporated in England and Wales on 31 May 2007, and our direct wholly-owned subsidiary.
"US$" or "US Dollar"	United States dollars, the lawful currency of the United States.
"we", "us" or "our"	our Company or our Group (as the context may require).
"World Through"	World Through Investments Limited (世通投資有限公司), a limited liability company incorporated in the BVI on 5 August 2005 and our wholly-owned subsidiary.
"Zhangpu Phoebus"	Zhangpu Phoebus Lighting Co., Ltd.* (漳浦菲普斯照明有限公司), a limited liability company incorporated in the PRC on 9 May 2004 and our indirect wholly-owned subsidiary.
"Zhejiang NVC"	Zhejiang NVC Lamps Co., Ltd.* (浙江雷士燈具有限公司), a limited liability company incorporated in the PRC on 28 September 2007, a 51% equity interest of which is held by Huizhou NVC and the remaining 49% equity interest of which is held by Zhejiang Tonking Investment Co., Ltd.

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

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

Hong Kong, 26 March 2012

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

Executive Directors:
WU Changjiang
MU Yu

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

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