NVC 雷士照明

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2222)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

Highlights for the six months ended 30 June 2018:

- The Group's revenue amounted to RMB1,973,936,000, representing an increase of 3.4% as compared with the Corresponding Period.
- The Group's gross profit amounted to RMB542,651,000, representing a decrease of 1.7% as compared with the Corresponding Period.
- The Group's profit before income tax amounted to RMB226,167,000, representing an increase of 0.8% as compared with the Corresponding Period.
- Profit attributable to owners of the parent amounted to RMB91,851,000, representing a decrease of 38.0% as compared with the Corresponding Period.
- Basic earnings per share of the Company amounted to RMB2.56 cents (Corresponding Period: RMB4.53 cents).
- The Board of the Company has proposed not to declare an interim dividend (Corresponding Period: no interim dividend declared).

The board of directors (the "Board") of NVC Lighting Holding Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018 (the "Period under Review"). The interim results have been reviewed by external auditor and the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*2*	**1,973,936**	1,909,663
Cost of sales		**(1,431,285)**	(1,357,516)
GROSS PROFIT		**542,651**	552,147
Other income and gains	*3*	**131,742**	69,879
Selling and distribution costs		**(179,253)**	(192,876)
Administrative expenses		**(164,753)**	(170,894)
Other expenses		**(81,579)**	(19,135)
Finance costs	*4*	**(25,751)**	(21,279)
Share of results of associates		**3,110**	6,428
PROFIT BEFORE INCOME TAX		**226,167**	224,270
Income tax	*5*	**(124,526)**	(65,217)
PROFIT FOR THE PERIOD		**101,641**	159,053
Attributable to:			
Owners of the parent		**91,851**	148,157
Non-controlling interests		**9,790**	10,896
		101,641	159,053
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*6*	**2.56 cents**	4.53 cents
Diluted	*6*	**2.56 cents**	3.78 cents

Details of the dividend are disclosed in note 7 to the interim condensed consolidated financial statements on page 17 of this announcement.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**101,641**	159,053
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(3,881)**	9,724
Fair value gain on financial assets at fair value through other comprehensive income/available-for-sale financial assets, net of tax	**–**	100
	(3,881)	9,824
Item that may not be reclassified subsequently to profit or loss:		
Fair value gain on financial assets at fair value through other comprehensive income, net of tax	**7,400**	–
Other comprehensive income for the period	**3,519**	9,824
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**105,160**	168,877
Attributable to:		
Owners of the parent	**94,378**	157,696
Non-controlling interests	**10,782**	11,181
	105,160	168,877

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**615,170**	619,497
Prepaid land lease payments		**45,459**	46,119
Goodwill		**21,161**	21,161
Other intangible assets		**292,968**	294,575
Investments in associates		**55,499**	54,518
Investment in a joint venture		**100,000**	100,000
Long term investments		**229,798**	218,026
Deferred tax assets		**58,794**	52,258
Prepayments for potential acquisitions		**540,205**	–
Prepayments for purchase of property, plant and equipment		**445,675**	429,961
Total non-current assets		**2,404,729**	1,836,115
CURRENT ASSETS			
Inventories	*8*	**519,546**	425,384
Trade and bills receivables	*9*	**1,091,592**	1,092,554
Prepayments, deposits and other receivables	*9*	**450,713**	397,213
Income tax recoverable		**12,184**	11,741
Other current assets		**42,625**	41,512
Held-for-trading investments		**88,786**	88,786
Restricted bank balances and short-term deposits		**518,019**	314,422
Cash and cash equivalents		**991,040**	1,265,589
Total current assets		**3,714,505**	3,637,201
CURRENT LIABILITIES			
Trade and bills payables	*10*	**941,980**	820,833
Other payables and accruals		**728,292**	728,749
Interest-bearing loans	*11*	**410,202**	24,940
Government grants		**2,012**	2,012
Income tax payable		**52,039**	34,071
Convertible bonds – derivative component	*12*	**36,055**	11,933
Convertible bonds – liability component	*12*	**–**	421,229
Total current liabilities		**2,170,580**	2,043,767
NET CURRENT ASSETS		**1,543,925**	1,593,434
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,948,654**	3,429,549

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Note	**30 June 2018** **RMB'000** **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Government grants		**11,120**	12,112
Deferred tax liabilities		**140,729**	87,208
Convertible bonds – liability component	*12*	**410,767**	–
Total non-current liabilities		**562,616**	99,320
Net assets		**3,386,038**	3,330,229
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**3**	3
Reserves		**3,287,076**	3,212,109
Proposed final dividend		**–**	29,940
		3,287,079	3,242,052
Non-controlling interests		**98,959**	88,177
Total equity		**3,386,038**	3,330,229

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These interim condensed consolidated financial statements of the Group for the Period under Review have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting" issued by the International Accounting Standards Board. These interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these interim condensed consolidated financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") (which also include International Accounting Standards ("IASs") and Interpretations) effective for the first time for periods beginning on or after 1 January 2018. Details of any changes in accounting policies are set out in Note 1.2 below.

In preparing these interim condensed consolidated financial statements in compliance with IAS 34, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to annual consolidated financial statements for the year ended 31 December 2017 except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 9 and IFRS 15 as set out in Note 1.2 below.

These interim condensed consolidated financial statements do not include all information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The new or amended IFRSs that are first effective for the current accounting period that are relevant to the Group are described below:

- IFRS 9, Financial Instruments
- IFRS 15, Revenue from Contracts with Customers
- IFRIC-Interpretation 22, Foreign Currency Transactions and Advance Considerations
- Amendments to IAS 28 included in Annual Improvements to IFRSs 2014-2016 Cycle, Investments in Associates and Joint Ventures
- Amendments to IFRS 1 included in Annual Improvements to IFRSs 2014-2016 Cycle, First-time Adoption of International Financial Reporting Standards

The impact of the adoption of IFRS 9 Financial Instruments (see note 1.2.1 below) and IFRS 15 Revenue from Contracts with Customers (see Note 1.2.2 below) have been summarised below. The other new or amended IFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

1.2.1 IFRS 9 Financial Instruments ("IFRS 9")

(i) Classification and measurement of financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the interim condensed consolidated financial statements.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

1.2.1 IFRS 9 Financial Instruments ("IFRS 9") *(Continued)*

(i) Classification and measurement of financial instruments *(Continued)*

The following table summarised the impact, net of tax, of the transition to IFRS 9 on the opening balance of retained profits as of 1 January 2018 as follows (increase/(decrease)):

	RMB'000
Retained profits	
Retained profits as at 31 December 2017, as originally presented	1,822,510
Increase in expected credit losses ("ECLs") in trade receivables, net of tax *(Note 1.2.1(ii) below)*	(19,411)
Restated retained profits as at 1 January 2018	1,803,099

IFRS 9 basically retains the existing requirements in IAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVTOCI"); or (iii) FVTPL. The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion").

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVTOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVTOCI as described above are classified as at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (*Continued*)

1.2.1 IFRS 9 Financial Instruments ("IFRS 9") (*Continued*)

(i) Classification and measurement of financial instruments (*Continued*)

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVTOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVTOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

(a) As of 1 January 2018, certain listed and unlisted equity investments were reclassified from available-for-sale financial assets to financial assets at FVTOCI. The Group intends to hold these equity investments for long term strategic purposes. Under IFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVTOCI. As a result, financial assets with a fair value of RMB22,000,000 were reclassified from available-for-sale financial assets at fair value to FVTOCI on 1 January 2018.

(b) In addition to (a) above, listed debt investments were reclassified from available-for-sale to FVTOCI, as the Group's business model is to collect contractual cash flow and sell these financial assets. These listed debt investments meet the SPPI criterion. As such, listed debt investments with a fair value of RMB196,026,000 were reclassified from available-for-sale investments to financial assets at FVTOCI on 1 January 2018.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (*Continued*)

1.2.1 IFRS 9 Financial Instruments ("IFRS 9") (*Continued*)

(i) Classification and measurement of financial instruments (*Continued*)

The following table summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Carrying amount as at 1 January 2018 under IAS 39 *RMB'000*	Carrying amount as at 1 January 2018 under IFRS 9 *RMB'000*
Unlisted and listed equity investments	Available-for-sale (at fair value) *(Note 1.2.1 (i)(a))*	FVTOCI	22,000	22,000
Listed debt investments	Available-for-sale (at fair value) *(Note 1.2.1 (i)(b))*	FVTOCI	196,026	196,026
Trade and bills receivables	Loans and receivables	Amortised cost	1,092,554	1,092,554
Deposits and other receivables	Loans and receivables	Amortised cost	380,092	380,092
Listed equity investments	Held-for-trading	FVTPL	88,786	88,786
Restricted bank balances and short term deposits	Loans and receivables	Amortised cost	314,422	314,422
Cash and cash equivalents	Loans and receivables	Amortised cost	1,265,589	1,265,589

(ii) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the ECLs model. IFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVTOCI earlier than IAS 39. Restricted bank balances and short term deposits, cash and cash equivalents and bills receivables are subject to ECL model but the impairment is immaterial for the current period.

Under IFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and other receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (*Continued*)

1.2.1 IFRS 9 Financial Instruments ("IFRS 9") (*Continued*)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs (Continued)

For other debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investments at FVTOCI are considered to have low credit risk since the issuers' credit rating are high.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investments at FVTOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade and other receivables

As mentioned above, the Group applies the IFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The increase in loss allowances for trade receivables upon the transition to IFRS 9 as at 1 January 2018 was RMB25,882,000. The increase also led to an increase in deferred tax assets arising from the deductible temporary differences of RMB6,471,000. The loss allowances further increased by RMB7,815,000 for trade receivables during the Period under Review.

No additional impairment for other receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under the ECL model is immaterial.

(b) Impairment of debts investments at FVTOCI

Debt investments at FVTOCI of the Group includes listed bonds and considered to have low credit risk where the loss allowances recognised during the period were therefore limited to 12-month ECLs.

No additional impairment for debt investments at FVTOCI as at 1 January 2018 is recognised as the amount of additional impairment measured under the ECL model is immaterial.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (*Continued*)

1.2.1 IFRS 9 Financial Instruments ("IFRS 9") (*Continued*)

***(ii) Impairment of financial assets** (Continued)*

Impact of the ECL model (Continued)

As a result of the above changes, the impact of the new IFRS 9 impairment model results in additional impairment allowances as follow:

	RMB'000
Loss allowances for trade receivables as at 1 January 2018 under IAS 39	168,459
Additional impairment recognised for trade receivables *(Note 1.2.1(ii)(a))*	25,882
Loss allowances as a 1 January 2018 under IFRS 9	194,341

(iii) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9 (the "DIA"):

– The determination of the business model within which a financial asset is held; and

– The designation of certain investments in equity investments not held for trading as financial assets at FVTOCI.

If an investment in a debt investment had low credit risk at the DIA, the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

1.2.2 IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the cumulative effect method without practical expedients. As a result, the financial information presented for 2017 has not been restated. The impact of adoption of IFRS 15 on the Group's financial statements is summarised below:

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (*Continued*)

1.2.2 IFRS 15 Revenue from Contracts with Customers ("IFRS 15") (*Continued*)

(a) Presentation of contract liabilities and refund liability

Reclassification was made as at 1 January 2018 to be consistent with the terminology used under IFRS 15:

Contract liabilities recognised in relation to contract with customers were previously presented as advances from customers. They are included in "other payables and accruals" in the consolidated statement of financial position.

Refund liabilities recognised in relation to customer's volume-based rebates were previously presented as provision of rebate. They are included in "other payables and accruals" in the consolidated statement of financial position.

Impact on the condensed consolidated statement of financial position as at 30 June 2018 (increase/(decrease)):

	RMB'000
Current liabilities	
Other payables and accruals	
– Contract liabilities	36,550
– Advances from customers	(36,550)
– Refund liabilities	187,201
– Provision for sale rebates	(187,201)
Total current liabilities	–

(b) New significant accounting policies in relation to the Group's sales of goods and provision of services

Sales of goods

Revenue from the sale of goods is recognised at a point in time when control of the goods have been transferred to the buyer. The credit periods generally range from 30 to 180 days for major customers. New customers are normally required to pay in advance. Volume rebates give rise to variable consideration. The Group applies the most-likely amount method to estimate the variable consideration. A refund liability would be recognised based on the estimate of the amount expected to be paid to customer's volume-based rebate.

For sales commission paid to agents for successful referral of sale contractors, the Group is required to capitalise these sales commission as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commission can be expensed when incurred.

During the period, such sales commission is expensed when incurred as the expected amortisation period is one year or less.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (*Continued*)

1.2.2 IFRS 15 Revenue from Contracts with Customers ("IFRS 15") (*Continued*)

***(b) New significant accounting policies in relation to the Group's sale of goods and provision of services** (Continued)*

Engineering income

Engineering income is recognised according to stage of completion of individual contract at the end of the reporting period. The stage of completion is determined using percentage of completion method by reference to value of work completed to date. Payments are made by the customers according to milestones reached.

Contract assets represent revenue recognised less progress billings and any impairment loss. Contract liabilities represent the excess of progress billings over revenue recognised. Amounts billed for works performed but not yet paid by the customers are included in "trade and other receivables" in the statement of financial position.

2. REVENUE AND SEGMENT INFORMATION

Revenue represents the net 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) Luminaire products segment: Luminaire products represent 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 electronic device. The luminaire products are sold as complete lighting units or units without lamps and lighting electronics, based on the needs of end customers. The segment also includes engineering income from engineering work performed for customers' lighting projects. The Group is also responsible for supplying lighting products for these projects;

(b) Lamp products segment: Lamp products represent 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; and

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before income tax. The adjusted profit or loss before income tax is measured consistently with the Group's profit or loss before income tax except that interest income, finance costs, share of results of associates, unallocated income and gains as well as head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Since total assets, liabilities and capital expenditures for each reportable segment are not regularly provided to the chief operating decision maker, the directors are of the opinion that the disclosure of such amounts is not necessary.

2. REVENUE AND SEGMENT INFORMATION (*Continued*)

Segment information represents the revenue and results data from external customers. Specific details are as follows:

	Revenue Six months ended 30 June		Results Six months ended 30 June	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Luminaire products	**1,356,790**	1,262,710	**466,223**	444,899
Lamp products	**473,689**	501,662	**46,777**	67,248
Lighting electronic products	**143,457**	145,291	**30,875**	42,126
Total	**1,973,936**	1,909,663	**543,875**	554,273
Reconciliation				
Elimination of intersegment results			**(1,224)**	(2,126)
Interest income			**11,824**	13,467
Unallocated income and gains			**44,780**	14,480
Corporate and other unallocated expenses			**(347,198)**	(365,547)
Finance costs			**(25,751)**	(21,279)
Waiver of other payable			**–**	17,358
Fair value change of derivative component of convertible bonds			**75,138**	24,574
Loss arising from modification of terms of convertible bonds			**(78,387)**	–
Impairment of other intangible assets			**–**	(17,358)
Share of results of associates			**3,110**	6,428
Profit before income tax			**226,167**	224,270

During the Period under Review, depreciation and amortisation recorded in the interim condensed consolidated statement of profit or loss amounted to RMB47,939,000 (six months ended 30 June 2017: RMB51,364,000).

Timing of revenue recognition:

	Six months ended 30 June 2018
	RMB'000
	(Unaudited)
At a point in time:	
Luminaire products	**1,335,355**
Lamp products	**473,689**
Lighting electronic products	**143,457**
	1,952,501
Transferred over time:	
Luminaire products – engineering services	**21,435**
	1,973,936

2. REVENUE AND SEGMENT INFORMATION (*Continued*)

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers.

	At 30 June 2018 ***RMB'000*** **(Unaudited)**	At 1 January 2018 *RMB'000* (Unaudited)
Trade receivables	**929,083**	792,517
Contract liabilities	**36,550**	36,110

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on revenue related to the provisions of engineering services. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customer. There are no contract assets as at 30 June 2018 and 1 January 2018.

The contract liabilities mainly relate to the advance consideration received from customers. RMB440,000 of the contract liabilities as of 1 January 2018 has been recognised as revenue for the Period under Review from performance obligations satisfied in current period.

3. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2018 ***RMB'000*** **(Unaudited)**	2017 *RMB'000* (Unaudited)
Other income		
Bank and other interest income	**11,824**	13,467
Government grants	**24,029**	4,391
Rental income	**3,927**	1,758
Trademark licence fees	**1,539**	–
Handling income	**–**	5,011
Others	**5,799**	1,973
	47,118	26,600
Gains		
Exchange gains, net	**8,087**	–
Sales of scrap materials	**1,399**	1,347
Fair value change of derivative component of convertible bonds	**75,138**	24,574
Gain arising from waiver of other payable	**–**	17,358
	84,624	43,279
	131,742	69,879

4. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**3,323**	631
Interest expenses on convertible bonds	**19,388**	20,513
Other interest expenses	**3,040**	135
	25,751	21,279

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 the group entities are domiciled and operate. No provision for Hong Kong profits tax or the United Kingdom (the "UK") corporation income tax has been made as the Group had no assessable profits arising in Hong Kong or the UK during the Period under Review (six months ended 30 June 2017: RMBNil). Taxes on the corporate income elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

The table below sets out the items of income tax during the Period under Review.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
– Current income tax charge for the period	**72,875**	59,843
– Over provision in respect of prior years	**(4)**	(74)
	72,871	59,769
Deferred tax	**51,655**	5,448
Total tax charge for the period	**124,526**	65,217

The Company's subsidiaries located in the PRC are subject to enterprise income tax at the statutory tax rate of 25%. According to the preferential tax policies in the PRC, two of our subsidiaries (six months ended 30 June 2017: two) were recognised as western development enterprises by the local tax authorities and were entitled to the preferential tax rate of 15%, while one of our subsidiaries (six months ended 30 June 2017: one) was recognised as high-tech enterprises by PRC tax authorities and was entitled to the preferential tax rate of 15%.

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

The calculation of basic and diluted earnings per share attributable to ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	**91,851**	148,157
Effect of dilutive potential ordinary shares:		
– Interest on convertible bonds	**N/A**	20,513
– Fair value change of derivative component of convertible bonds	**N/A**	(24,574)
Earnings for the purpose of diluted earnings per share	**91,851**	144,096
	'000 Shares	*'000 Shares*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,581,805**	3,270,993
Effect of dilutive potential ordinary shares:		
– Convertible bonds	**N/A**	540,541
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,581,805**	3,811,534

No adjustment was made to the basic earnings per share amount presented for the Period under Review as the convertible bonds outstanding during the period had an anti-dilutive effect on the basic earnings per share amount presented.

7. DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period under Review (six months ended 30 June 2017: no interim dividend declared).

8. INVENTORIES

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**143,246**	97,576
Work in progress	**38,647**	19,631
Finished goods	**337,653**	308,177
	519,546	425,384

During the Period under Review, the reversal of write-down of inventories amounted to RMB2,790,000 (six months ended 30 June 2017: RMB2,757,000), which was recorded in "Cost of sales" in the condensed consolidated statement of profit or loss.

9. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**1,131,078**	960,976
Impairment	**(201,995)**	(168,459)
Trade receivables, net	**929,083**	792,517
Bills receivable	**162,509**	300,037
	1,091,592	1,092,554

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**704,652**	545,268
4 to 6 months	**155,335**	145,821
7 to 12 months	**42,449**	20,298
1 to 2 years	**26,612**	36,776
Over 2 years	**35**	44,354
	929,083	792,517

Trade receivables of the Group represented proceeds receivable mainly from sale of goods. The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit periods generally range from 30 to 180 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balance. Overdue interests of several trade receivables are calculated at annual interest of 12%.

As at 30 June 2018, included in the Group's trade receivables are amounts due from related parties of RMB112,092,000 (31 December 2017: RMB48,367,000) which are repayable on similar credit terms to those offered to the major customers of the Group.

As at 30 June 2018, certain trade receivables of NVC Lighting Limited ("UKNVC") with carrying amounts of RMB13,116,000 (31 December 2017: RMB24,004,000) were pledged to secure the bank borrowings of UKNVC as further set out in Note 11.

The maturity of the bills receivable of the Group as at 31 December 2017 and 30 June 2018 is within 6 months. As at 30 June 2018, included in the Group's and bills receivables are amounts due from related parties of RMB154,000 (31 December 2017: RMBNil).

As at 31 December 2017 and 30 June 2018, the fair values of trade and bills receivables approximate to their carrying amounts largely due to the short-term maturities.

9. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (*Continued*)

As at 30 June 2018, prepayments, deposits and other receivables included the followings:

(a) Amounts due from a company of RMB550,924,000 (31 December 2017: RMB550,924,000), net of impairment provision of RMB285,360,000 (31 December 2017: RMB285,360,000).

(b) An amount of RMB55,396,000 (31 December 2017: RMB55,396,000) which represented an amount withdrawn by the court during the year ended 31 December 2017.

10. TRADE AND BILLS PAYABLES

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Trade and bills payables to third parties	**928,332**	778,663
Trade and bills payables to related parties	**13,648**	42,170
	941,980	820,833

Trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

Bills payable are generally settled within 6 months.

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

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Within 3 months	**803,098**	792,738
4 to 6 months	**18,779**	12,248
7 to 12 months	**109,730**	4,995
1 to 2 years	**939**	1,849
Over 2 years	**9,434**	9,003
	941,980	820,833

As at 31 December 2017 and 30 June 2018, the fair values of trade and bills payables approximated to their carrying amounts largely due to the short-term maturities.

11. INTEREST-BEARING LOANS

	30 June 2018 (Unaudited)			31 December 2017 (Audited)		
	Contractual interest rate (%)	**Maturity**	***RMB'000***	Contractual interest rate (%)	Maturity	*RMB'000*
Current						
Bank loan – secured	**Base*+1.90**	**On demand[1]**	**13,116**	Base*+1.90	On demand[1]	24,004
	2.5% – HIBOR**	**February 2019[2]**	**396,259**	N/A	N/A	N/A
Bank loans – unsecured	**4% per month**	**On demand**	**827**	4% per month	On demand	936
Total			**410,202**			24,940

1 The secured bank loan represented a GBP-dominated secured facility amounting to GBP8,000,000 (31 December 2017: GBP8,000,000). The bank loan was secured by the pledge over certain trade receivables and certain buildings (Note 14). In accordance with the contract, the loan was repayable upon the collection of the factored trade receivables and carried a floating interest rate based on the Base plus 1.90%.

2 The secured bank loan represented a HKD-dominated secured facility amounting to HK$470,000,000 (31 December 2017: RMBNil). The bank loan was secured by the pledge of a time deposit of the Group amounting to RMB400,000,000 (31 December 2017: RMBNil).

* "Base" refers to the Bank of England base rate.

** "HIBOR" refers to Hong Kong Inter-bank Offered Rate.

As at 31 December 2017 and 30 June 2018, the fair values of interest-bearing loans approximated to their carrying amounts largely due to the short-term maturities.

12. CONVERTIBLE BONDS

On 20 May 2016, the Company and an independent third party entered into a subscription agreement (the "Subscription Agreement") in relation to the issue of convertible bonds denominated in Hong Kong dollar ("HKD") in an aggregate principal amount of HKD500 million (the "Convertible Bonds"). The Convertible Bonds were issued on 7 June 2016.

Pursuant to the Subscription Agreement, the Convertible Bonds are convertible into fully paid ordinary shares:

(a) on or after the issue date (i.e. 7 June 2016) and up to and excluding the close of business on the second anniversary of the issue date (the "First Maturity Date", in June 2018) at an initial conversion price of HKD0.925 per share (subject to anti-dilutive adjustments); and

(b) with extension up to and excluding the close of business on the fourth anniversary of the issue date if agreed by the Company and the bondholder in writing at least 30 days prior to the First Maturity Date (the "Second Maturity Date").

12. CONVERTIBLE BONDS (*Continued*)

The Convertible Bonds bear interest at the rate of 7.8% per annum on the principal amount of the bonds outstanding. The interest will be payable by the Company semi-annually in arrears. The outstanding amount of the Convertible Bonds will be redeemed on maturity (the date falling on the First Maturity Date or the Second Maturity Date, where applicable) at a value equal to the aggregate of (1) its principal amount outstanding; and (2) the interest accrued.

The Convertible Bonds that contain both liability and conversion option components were classified separately into their respective items on initial recognition. The embedded derivative of conversion option is therefore accounted for as a derivative. The fair values of the derivative component are determined based on the valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent firm of professionally qualified valuers, using the binomial option pricing model. Changes in fair value of that component between the measurement dates are recognised in profit or loss. The fair value of the liability component is measured as the present value of the expected payments and principal repayment at maturity on initial recognition and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption.

On 4 May 2018, pursuant to an amendment deed approved by the bondholder, the Company and the bondholder agreed to amend the terms of the Convertible Bonds as follows:

(a) The conversion price, which was originally HK$0.925 per share is amended to HK$0.77 per share (subject to anti-dilutive adjustments); and

(b) The maturity date of the Convertible Bonds, which was originally 7 June 2018, is extended to 7 June 2020.

Save as disclosed above, all the other terms and conditions of the Convertible Bonds shall remain unchanged. The amendments have been approved by the shareholders of the Company at the extraordinary general meeting on 15 June 2018.

Consequently, a loss arising from the modification of the terms of RMB78,387,000 (six months ended 30 June 2017: RMBNil), being the difference between the carrying amount and fair value of the components of the Convertible Bonds on the date of modification, was recognised in profit or loss during the Period under Review.

The movements of the liability component and derivative component of the Convertible Bonds during the year ended 31 December 2017 and the Period under Review are as follows:

	Liability component of Convertible Bonds *RMB'000*	**Derivative component of Convertible Bonds** *RMB'000*	**Total** *RMB'000*
At 1 January 2017	440,272	60,230	500,502
Effective interest expense recognised to profit or loss	40,262	–	40,262
Interest paid	(33,664)	–	(33,664)
Fair value change	–	(46,228)	(46,228)
Exchange realignment	(25,641)	(2,069)	(27,710)
At 31 December 2017 (Audited)	421,229	11,933	433,162
Effective interest expense recognised to profit or loss	19,388	–	19,388
Interest paid	(14,724)	–	(14,724)
Loss arising from modification of terms	(19,891)	98,278	78,387
Fair value change	–	(75,138)	(75,138)
Exchange realignment	4,765	982	5,747
At 30 June 2018 (Unaudited)	**410,767**	**36,055**	**446,822**

13. CONTINGENT LIABILITIES

(a) As at 30 June 2018, contingent liabilities not provided for in the interim condensed consolidated financial statements were as follows:

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Guarantees given to banks and a finance company in connection with facilities granted to:		
Two PRC companies and Mrs. WU Lian, an individual	**131,497**	131,497

(b) The Group acted as defendant in lawsuits brought by two PRC banks and a PRC finance company alleging that the Group should assume guarantee liabilities and interests according to guarantee agreements. The directors consider that the likelihood of the Group sustaining losses from the guarantees is remote, and accordingly no provision for claims arising from the litigations is considered necessary as at 31 December 2017 and 30 June 2018, save for the related legal and other costs. Based on the respective court judgements, interests are imposed on the principal amounts as disclosed in (a) above, which are calculated on (i) principal amount of approximately RMB62,000,000 at 9.9% per annum plus compound interest at 9.9% per annum on unpaid interest since 21 October 2014; (ii) principal amount of approximately RMB34,000,000 at four times of six-month borrowing rate of the People's Bank of China since 8 October 2014; and (iii) principal amount of approximately RMB35,497,000 at 0.05% per day since 4 January 2015.

14. PLEDGE OF ASSETS

As at 30 June 2018, save for those disclosed elsewhere in these interim condensed consolidated financial statements, the following assets of the Group were pledged, as applicable:

(1) As at 30 June 2018, land use rights with aggregate carrying amounts of RMB46,335,000 (31 December 2017: RMB46,995,000) and certain buildings with carrying amounts of RMB221,496,000 (31 December 2017: RMB238,747,000); and buildings with carrying amounts of RMB42,844,000 (31 December 2017: RMB43,797,000) were pledged for the Group's applications of assets preservation in certain PRC legal proceedings and bank loan facilities respectively.

(2) As at 30 June 2018, certain trade receivables with carrying amounts of RMB13,116,000 (31 December 2017: RMB24,004,000) were pledged to secure the bank borrowings.

(3) In accordance with several letters of guarantee, deposits with carrying amounts of RMB89,009,000 (31 December 2017: RMB101,525,000) were pledged for issuing letters of guarantee.

(4) The deposits with carrying amounts of RMB4,010,000 (31 December 2017: RMB27,561,000) were pledged for the Group's applications of assets preservation in certain PRC legal proceedings.

(5) As at 30 June 2018, a time deposit with carrying amounts of RMB400,000,000 (31 December 2017: RMB Nil) were pledged to secure the bank borrowings.

EXTRACT OF REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Company's external auditor has issued a qualified opinion on the report on review of interim financial information on the Group's interim condensed consolidated financial statements for the six months ended 30 June 2018. An extract from the report on review of interim financial information is as follows:

BASIS FOR QUALIFIED OPINION

(a) Impairment of other receivables and uncertainties relating to financial guarantee contracts

As set out in Note 19 to the interim condensed consolidated financial statements, a subsidiary of the Company (the "Subsidiary") entered into several pledge and guarantee agreements in 2013 and 2014 (the "Pledge and Guarantee Agreements") with certain banks in the People's Republic of China (the "PRC"), providing guarantees to the banks for their loan facilities granted to certain borrowers. Counter guarantees were provided by one of the borrowers of the bank loans (the "Borrower") to the Group. During 2014, aggregate pledged time deposits of RMB550,924,000 of the Subsidiary had been withdrawn by the banks due to default of the bank loans under the guarantees of the Subsidiary.

The Group initiated legal actions to claim the counter guarantees provided by the Borrower. The directors are of the opinion that an amount of RMB265,564,000 (the "Recoverable Amount") is recoverable. Therefore, other receivables of RMB550,924,000 due from the Borrower were included in "Prepayments, deposits and other receivables" in the consolidated statement of financial position as at 31 December 2014 and a provision for the irrecoverable amount of RMB285,360,000 had been recognised in profit or loss for the year ended 31 December 2014. There was no subsequent reversal of the provision or further provision recognised. As at 31 December 2017 and 30 June 2018, the other receivables of RMB550,924,000 and provision thereon of RMB285,360,000 were included in "Prepayments, deposits and other receivables" as detailed in Note 15 to the interim condensed consolidated financial statements.

As set out in Note 19 to the interim condensed consolidated financial statements, the Subsidiary also entered into guarantee agreements with another PRC bank in 2013 (the "Guarantee Agreement 1") and a PRC finance company in 2014 (the "Guarantee Agreement 2") respectively, providing guarantees to the PRC bank and the PRC finance company for their loan facilities granted to their borrowers. The outstanding loans of RMB35,497,000 and RMB34,000,000 in relation to the Guarantee Agreements 1 and 2 were in default in 2015 and 2014 respectively. The PRC bank and the PRC finance company took legal actions against the respective borrowers and the guarantors (including the Borrower and the Subsidiary as guarantors) to recover the loan balances and interests.

For the Guarantee Agreement 1, according to the first court judgement in 2016 and the final court judgement in 2017, the Subsidiary is adjudicated to be jointly liable for the payment to the PRC bank of the outstanding loan, plus interest and costs. The Subsidiary has filed application of retrial of the PRC court judgements and the commencement thereof was accepted by the PRC court in January 2018, but the application was subsequently rejected according to the court judgement received by the Subsidiary in May 2018.

For the Guarantee Agreement 2, according to the first court judgement in 2016 and the final court judgement in 2017, the Subsidiary is adjudicated to be jointly liable for the payment to the PRC finance company of the outstanding loan, plus interest and costs.

The Subsidiary is in the process of applying for protests of the PRC court judgements in relation to Guarantee Agreements 1 and 2. Accordingly, the Group is of the view that the legal proceedings in relation to Guarantee Agreements 1 and 2 are still in progress notwithstanding the respective final court judgements and the rejection of the application of retrial in relation to Guarantee Agreement 1.

The directors, with reference to legal opinions obtained and other factors, consider that the likelihood of the Group sustaining losses from the Guarantee Agreements 1 and 2 is remote as it is considered that the loans had sufficient underlying securities including the Borrower's guarantees and the Subsidiary is only one of the guarantors for the loans. As a result, the directors considered that no provision thereon is considered necessary as at 31 December 2017 and 30 June 2018.

However, the legal proceedings in relation to the Pledge and Guarantee Agreements according to the official legal documents received by the Subsidiary are still in progress and we are not able to obtain sufficient evidence to assess the likelihood of successfully applying for the protests of the PRC court judgements by the Subsidiary in relation to Guarantee Agreements 1 and 2 and the likely outcome of such protests of the PRC court judgements, and we are not able to obtain sufficient evidence to ascertain the above management assessment. Accordingly, we are not able to assess the likely outcome of the legal proceeding in respect of the amount that the Group would recover from the Borrower's assets as determined by the court and the amount ultimately to be recovered from the Borrower in connection with the Pledge and Guarantee Agreements, and to determine if any provision arising from the Guarantee Agreements 1 and 2 is necessary. As a result, we are not able to ascertain the recoverability of the Recoverable Amount due from the Borrower and any provision for the Guarantee Agreements 1 and 2 as at 30 June 2018 should be recognised. Together with other limitation on the scope of our work, our audit opinion on the Company's annual consolidated financial statements for the year ended 31 December 2017 was qualified in this respect.

Any adjustments to the Recoverable Amount due from the Borrower and any provision to be recognised as at 31 December 2017 and 30 June 2018 in respect of the Guarantee Agreements 1 and 2 would have a consequential impact on the Group's net assets as at 31 December 2017 and 30 June 2018, and the Group's financial performance for the six months ended 30 June 2018. Together with other limitation on the scope of our work, our review conclusion on the Company's interim condensed consolidated financial statements for the six months ended 30 June 2017 was also qualified in this respect.

Had we been able to complete our review procedures, matters might have come to our attention indicating that adjustments might be necessary to the interim condensed consolidated financial statements.

(b) Provision for loss on financial guarantee contract

As set out in Note 19 to the interim condensed consolidated financial statements, in addition to the agreements as mentioned in the above paragraphs, the Subsidiary entered into a guarantee agreement (the "Guarantee Agreement 3") with a PRC bank in 2014, providing guarantee to the bank for a loan facility granted to its borrower. The bank loan was in default in 2014 and the bank took legal actions against the borrower and the guarantors (including the Subsidiary) to recover the bank loan balance and interest. A court order was issued to freeze assets of the guarantors (including the Subsidiary) in the amount of RMB62,000,000. As a result of the court order, bank balance of the Subsidiary in the amount of RMB55,396,000 had been frozen by the bank in 2014. According to the first court judgement in 2016 and the final court judgement in 2017, the Subsidiary is adjudicated to be jointly liable for the payment to the PRC bank of RMB60,000,000, plus interest and costs. In February 2017, the frozen bank balance of the Subsidiary was withdrawn by the court for the purpose of settlement of the claim by the PRC bank. During 2017, the Subsidiary filed an application of retrial of the PRC court judgements in relation to Guarantee Agreement 3 which was rejected by the PRC court. During 2017, the Subsidiary filed an application of protest of the PRC court judgements and the commencement of related legal proceedings has been accepted by the PRC court in March 2018. The related outcome of the protest according to the official legal documents received by the Subsidiary is pending as of the date of approval of the interim condensed consolidated financial statements.

Accordingly, the Group is of the view that the legal proceeding is still in progress notwithstanding the final court judgement and the rejection of the application of retrial. As at 31 December 2017 and 30 June 2018, the withdrawn amount of RMB55,396,000 was included in "Prepayments, deposits and other receivables" as detailed in Note 15 to the interim condensed consolidated financial statements.

The directors, with reference to legal opinion obtained and other factors, consider that the likelihood of the Group sustaining losses from the guarantee is remote as it is considered that the bank loan had sufficient underlying securities and the Subsidiary is only one of the guarantors for the bank loan. The directors believe that the withdrawn bank balance will be fully recovered upon the conclusion of the protest of the PRC court judgements and no provision on the withdrawn amount is considered necessary as at 31 December 2017 and 30 June 2018. In addition, the directors are of the opinion that no provision on any shortfall between the amount to be ultimately settled by the Group under the Guarantee Agreement 3 and the Subsidiary's withdrawn bank balance is considered necessary as at 31 December 2017 and 30 June 2018.

However, as the legal proceeding is still in progress, we are not able to obtain sufficient evidence to assess the likely outcome of the legal proceeding in respect of whether the Subsidiary is jointly liable for the payment to the PRC bank of RMB60,000,000 and accordingly whether and to what extent the Group would recover the withdrawn amount from the court, and we are not able to obtain sufficient evidence to ascertain the above management assessment. Accordingly, we are not able to ascertain whether any provision on the withdrawn amount as at 30 June 2018, and any shortfall between the amount to be ultimately settled by the Group under the Guarantee Agreement 3 and the Subsidiary's withdrawn amount is required to be made as at 30 June 2018. Together with other limitation on the scope of our work, our audit opinion on the Company's annual consolidated financial statements for the year ended 31 December 2017 was qualified in this respect.

Any provisions that should have been made as at 31 December 2017 and 30 June 2018 would have a consequential impact on the Group's net assets as at 31 December 2017 and 30 June 2018, and the Group's financial performance for the six months ended 30 June 2018. Together with other limitation on the scope of our work, our review conclusion on the Company's interim condensed consolidated financial statements for the six months ended 30 June 2017 was also qualified in this respect.

Had we been able to complete our review procedures, matters might have come to our attention indicating that adjustments might be necessary to the interim condensed consolidated financial statements.

QUALIFIED OPINION

Except for the adjustments to the interim condensed consolidated financial statements that we might have become aware of had it not been for the situation described in the "Basis for Qualified Opinion" paragraphs above, based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Performance Review

During the Period under Review, China's Gross Domestic Product grew by 6.8% as compared with the Corresponding Period, and remained in the range of 6.7% to 6.9% for 12 consecutive quarters (Source: National Bureau of Statistics). As China continued to push forward the "13th Five-year Plan", China's infrastructure investment has risen year by year, and the lighting industry has entered a new cycle. With energy conservation and environmental protection as the new theme, there was a booming increase in segment lighting markets such as smart lighting, smart cities, and landscape lighting. According to the estimate from Gaogong Industry Research Institute (GGII), the market size of smart lighting is expected to reach RMB38.7 billion in 2018, and that of landscape lighting is expected to reach RMB78 billion in 2018.

Under the vigorous promotion of national policies and energy-saving requirements, traditional lighting has been replacing by LED lighting, leading to a continuous increase in the market penetration of LED lighting and an expansion of the market size of LED lighting. In line with industry expansion and development trends, lighting enterprises have embarked on the layout of smart lighting, smart cities, landscape lighting and other fields through mergers and acquisitions, restructuring and cross-border integration to enhance their market competitiveness. Meanwhile, market competition in the LED lighting industry was increasingly fierce as the upstream and downstream enterprises of the LED industry chain began to lay out the lighting market.

During the Period under Review, the Group continued to carry on the strategy of dual-channel development of commercial lighting and home lighting, and gradually strengthened its control and expansion of channels. Through intensifying and improving the implementation of setting up 400 commercial lighting engineering distributors and the establishment of the stylistic and differentiated home lighting product systems, the Group effectively seized each market segment. The Group focused on the lighting sector and specialized in the market segments. The Group further expedited the layout of smart lighting products. During the Period under Review, the Group's Smart Research Institute released the strategic cooperation of "NVC Lighting X Tmall Genie" with Alibaba Artificial Intelligence Lab to further promote the intelligent strategic layout. As of the date of the announcement, the Company has completed the acquisition of 100% equity of Blue Light (HK) Trading Co., Limited, which expanded the online distribution channels and realized online and offline integration. As a result of that, the Company has made further progress to realizing the strategy of transforming from manufacturing enterprises to channel enterprises.

Sales and distribution

At the end of the Period under Review, as for the NVC brand in the PRC market, the Group continued focusing on the construction of channels. The Group had 37 exclusive regional distributors with a total of 3,524 exclusive outlets (100.0% coverage rate in the provincial capital, 94.8% coverage rate in the prefecture-level cities, 65.7% coverage rate in the county-level cities and 1.4% coverage rate in the town-level cities). In the commercial lighting sector, the Group, on the one hand, continued to push forward the construction of commercial exclusive outlets and completed the construction of 128 commercial exclusive outlets. On the other hand, the Group continued to establish and improve the 400 engineering business system (which is to establish 400 major engineering distributors) so as to build the core capabilities of small and medium projects and upgrade project conversion rate. In relation to commercial lighting sector, leveraging on its competitive edge in the engineering field, the Group strengthened and deepened the construction of sales channels and the independent operation of the sales centers, enhancing the engineering response speed and effectively implementing the strategy of reducing costs and improving efficiency. During the Period under Review, the Group successfully won such projects with investment volume of more than RMB10 million as "Bangbu Night Scene Lighting", "Zhuhai Lighting" and "Qingdao Olympic Sailing Center Lighting". At the same time, the Group actively seized the industry trends to accelerate the development of smart projects and promote the construction of projects such as smart lighting and smart door locks. As for the home lighting sector, the Group has continued to implement the product differentiation strategy and establish the stylistic exclusive outlets to deeply dig out the potentials in the segmented market. The Group has further strengthened channel management, continued focusing on the implementation of the "500 Plan" (which is to create 500 exclusive outlets with an area of more than 500 square meters and retail sales of more than RMB5 million), and comprehensively improved the operation capabilities of core distributors. The Group continued to promote retail projects such as "Festive Lights Lecture" (花燈大講堂), "Super Coach" (超級教練), and "Factory Buying" (工廠購), with the aim to further updating the terminal sales capability. The Group strengthened the management of the distribution system through the optimization of supply chain system and the establishment of channel management system. The turnover of the NVC brand products in China increased by 11.9% from the Corresponding Period to RMB1,213,938,000 during the Period under Review.

In respect of the NVC brand products in the international market, the Group continued to strengthen the team building of branches and offices as well as the promotion of NVC brand. In the European region, while continuously consolidating the local market in the UK, the Group increased efforts to develop markets in Northern Europe, including Sweden, Norway, Denmark and Poland. A specialized engineering team was organized to develop engineering channels during the Period under Review, and the Group successfully won the bid for the major engineering project "Royal Docks in London". In the Middle East region, the Group continued to improve professional service capabilities for engineering projects to provide one-stop lighting solutions for customers. The Group won the tenders for major projects with investment volume of more than RMB10 million including "Qatar VENDOME Mall", "Saudi Sabic Group Villas" and "Kuwait Oil", further enhancing the influence of NVC brand in the Middle East region. At the same time, the Middle East office, by virtue of its in-depth understanding of the Middle East market, was trying to develop more distributors and improve the distribution network. In the Southeast Asia and other regions, the Group focused on the construction of wholesale and retail channels in the Indonesian market through tailor-made products and high-incentive promotion programs. During the Period under Review, the Group has successfully developed 40 distributors and 58 wholesalers in the Indonesian market, and our products entered 338 retail stores. At the same time, the Group, in cooperation with local distributors, successfully won the bid for such projects as "Ekocheras Mall", "PAF Hospital Islamabad" and "Havelock City". During the Period under Review, due to impact of the RMB exchange rate and geopolitical and economic factors, the sales revenue of NVC brand products in the international market dropped by 46.3% from the Corresponding Period to RMB93,595,000.

In respect of non-NVC brands in the PRC and international markets, the Group mainly supplied energy-saving lamps, energy-saving light tubes, and accessories for famous lighting enterprises in the form of ODM. During the Period under Review, the Group promoted the LED lighting products to enter the sales channels of major customers by utilizing the cost, technology and scale strengths. By virtue of the favorable opportunities arising from LED lighting products that gradually dominated the market, the Group continuously strengthened input of market resources to develop new clients, thus increasing the sales of non-NVC brand lighting products. The total sales revenue of non-NVC brand products grew by 2.5% from the Corresponding Period to RMB666,403,000 during the Period under Review.

Product research, development and design

During the Period under Review, the launch of the research and development ("R&D") work of the Group mainly focused on the development of new products and the functionality promotion of products. The Group comprehensively promoted product upgrades to serve for the improvement in the professionalism and competitiveness of products. The Group adhered to the market-centered and customer-oriented R&D principles. During the Period under Review, indoor products of the Group focused on Lingshi Series (領勢系列) for the 400 engineering channels, including ceiling light, multiple light, surface-type downlight, track light and line light. Meanwhile, the Group developed industrial lighting, high-altitude lighting, ceiling light series and track spotlight products covering all power ranges as well as special-color-point fresh light series products. In addition, the Group continued to push forward the automation of downlights and ceiling lights, thus improving production efficiency and product yield rate, as well as greatly improving product quality and reducing labor costs. The Group applied for 151 new patents, with 144 patents approved and granted during the Period under Review.

Brand promotion and honour

The Group continued to implement the core brand concept of "Expert in Luminous Environment", and devoted to creating a leading and world-class smart lighting solution provider in China. In June 2018, NVC brand with the value of RMB25.766 billion was rated by the World Brand Lab as "15th China's 500 Most Valuable Brands" again and remained the No.1 brand in the lighting industry for 7 consecutive years, reflecting the Group's powerful brand strength and influence. During the Period under Review, the Group's "Zhuhai Districts Lighting and CCTV Spring Festival Gala Zhuhai Sub-Venue Lighting Project" won the First Prize of "China Landscape Lighting Award – Design Award". Huizhou NVC was rated by China Illuminating Engineering Society as "Quality Lighting Supplier for SCO Qingdao Summit". The "Development and Industrialization of Chip-Scale Package High-power LED on New Patterned Substrate" project, under joint research and development of Huizhou NVC, Elec-Tech and South China University of Technology, was awarded the Second Prize of "Guangdong Science and Technology Progress Award". These awards fully reflected the highly social recognition of NVC brand, and further enhanced our brand reputation.

Progress of Litigation

Since December 2014, a subsidiary of the Company (the“Subsidiary”) initiated a series of court proceedings in the PRC against Mr. WU Changjiang, a former director and the former chief executive officer of the Company, and other persons in relation to a number of alleged pledges and guarantees entered into by Mr. WU Changjiang purportedly on behalf of the Subsidiary, and certain counter-guarantees provided by a PRC company. The Subsidiary was also a co-defendant in three PRC court actions commenced by two PRC banks and a finance company, respectively, in relation to several alleged pledges and guarantees purportedly entered into by Mr. WU Changjiang. Please refer to the Company's 2017 annual report for details.

In relation to one of the aforementioned court actions commenced by a PRC bank against the Subsidiary as a co-defendant, certain funds held by the Subsidiary had been frozen by such PRC bank. In April 2016, Chongqing Fifth Intermediate People's Court issued a judgment, which, among other things, ordered that the Subsidiary was jointly liable with another PRC company for the payment of RMB60,000,000, plus interest and costs, to such PRC bank. The Company filed an appeal against such judgment with the Chongqing Higher People's Court. In early 2017, the Company received the judgment of the Chongqing Higher People's Court which rejected the Subsidiary's appeal and upheld the first instance judgment. Please refer to the Company's announcement dated 27 February 2017 for details. The Subsidiary subsequently filed an application of retrial of the relevant PRC court judgments, but its application was rejected by the Chongqing Higher People's Court. The Subsidiary has subsequently filed an application of protest with the Chongqing People's Procuratorate to overturn the relevant judgments and for a retrial of this matter. In May 2018, Chongqing People's Procuratorate filed a protest with the Supreme People's Procuratorate. The outcome of the protest application, according to the official legal documents received by the Subsidiary, is pending as of the date of approval of these financial statements.

In relation to one of the aforementioned court actions commenced by another PRC bank to Chongqing First Intermediate People's Court which alleges, among others, that the eight individuals/institutions (the "Eight Guarantors") including the Subsidiary should be jointly and severally liable as Guarantors for the debt of RMB35,497,000, plus interest, as owed by Chongqing En Wei Xi Industrial Development Co., Ltd. ("En Wei Xi") to the Bank. The Company received a judgment from the Chongqing First Intermediate People's Court in September 2016, which held, among other things, that the Eight Guarantors, including the Subsidiary, were jointly and severally liable with En Wei Xi for the payment of RMB35,497,000, plus interest and costs, to such PRC bank. The Subsidiary filed an appeal against such judgment with the Chongqing Higher People's Court. In June 2017, the Company received the judgment of the Chongqing Higher People's Court which rejected the Subsidiary's appeal and upheld the first instance judgment. Please refer to the Company's announcement dated 30 June 2017 for more information. The Subsidiary subsequently filed an application of retrial of the relevant PRC court judgments. In May 2018, the Company received the ruling of the Supreme People's Court of the People's Republic of China which rejected the Subsidiary's retrial application. The Subsidiary is in the progress of applying for protests of the relevant PRC court judgements.

In relation to the another aforementioned court action commenced by the finance company in the Chongqing First Intermediate People's Court, it was claimed that Mr. WU Changjiang, the Subsidiary and two other entities should be jointly and severally liable as guarantors for the debt of RMB34,000,000, plus interest, as owed by Ms. WU Lian to the finance company pursuant to several alleged agreements. The Company received a judgment from the Chongqing First Intermediate People's Court in October 2016, which, among other things, ordered that the guarantors, including the Subsidiary, were jointly and severally liable with Ms. WU Lian for the payment of RMB34,000,000 plus interest and costs, to the finance company.The Subsidiary filed an appeal against the judgment with the Chongqing Higher People's Court. In September 2017, the Company received the judgment of the Chongqing Higher People's Court which rejected the Subsidiary's appeal and upheld the first instance judgment. Please refer to the Company's announcement dated 14 September 2017 for a more information. The Subsidiary is in the progress of applying for protests of the relevant PRC court judgement.

The management of the Company, with reference to (i) legal opinions obtained, (ii) the loans having securities including land use rights pledged by Chongqing Wu Ji Real Estate Development Co., Ltd. and Chongqing En Wei Xi Industrial Development Co., Ltd., and (iii) there being several other guarantors involved in the legal proceedings with the two PRC banks and the PRC finance company, is of the view that the likelihood of the Group sustaining losses from the PRC court actions commenced by the two PRC banks and the PRC finance company was remote.

Future Prospects

By means of the on-going innovation and the increase in value and efficiency, various sorts of standardized governance have become effective. In the future, the Group will continue to focus on the expansion of the external channels and the enhancement of the internal management, so as to create new opportunities for the sustainable development of the Group.

In terms of expanding the domestic market channels, the Group will expand in the fields of commercial lighting, home lighting and e-commerce. As for the commercial lighting sector, the Group will continue to solidly implement the 400 engineering system which is to establish 400 major engineering distributors in China, and vigorously push forward various large projects in the fields of rail transit, big space and landscape lighting in the second half of the year. In the home lighting sector, the Group will spare no effort to push forward the implementation of 500 Plan (which is to create 500 exclusive outlets each with an area of more than 500 square meters and retail sales of more than RMB5 million) and the establishment of outlets in town channels. At the same time, the Group will strengthen its product quality control, terminal management, sales and after-sales team management to create professional household retail teams. In the field of e-commerce, after the completion of the acquisition of Blue Light (HK) Trading Co., Limited, the Group will further integrate its resources and optimize and upgrade the efficiency of e-commerce management and operation, thus providing the basis for the vigorous development of e-commerce in future. The Group will comprehensively expand channels through the integration of online and offline channels, thus laying a foundation for transforming from a manufacturing enterprise to a channel enterprise.

As for the expansion of the overseas market channels, in the European region, the Group will continue to strengthen channel development in the Nordic countries, and continue to improve the construction of sales teams to lay a solid foundation for the expansion of engineering channels. In the Middle East region, the Group will continue to enhance its engineering service capabilities, and provide professional lighting solutions for more engineering projects grasping the opportunities arising from the Qatar FIFA World Cup and the UAE World Expo. At the same time, the Middle East office will continue to gain an in-depth knowledge of the market and explore the development of new channels with future focus on the construction of distribution and retail channels. In the Southeast Asia region, the Group will continue to invest in the channel construction in the Indonesian market and increase the exhibition rate of products, so as to enhance the market share and the brand popularity. Meanwhile, the Group will stimulate the growth of engineering channels to obtain more projects.

In terms of cost management, the Group will continue to promote internal cost control, so as to reduce product costs and enhance product competitiveness through reducing cost in the respects of R&D, purchase and manufacturing. From the product standardization and platform reform, the Group will make use of its advantages of the integration of upstream and downstream resources. The Group will carry out systematic product planning, balance production capacity, minimise order placements and centralise purchasing to lower procurement cost. The Group will also implement "Amoeba" operation mode concept with lean management, optimize the organizational structure to streamline staffing, and press ahead the automation and semi-automation of workshop so as to reduce production costs. In internal management, the Group will carry out organizational reform, including flat organizational restructuring, to remove the intermediate levels. The Group will implement training programs for employees of different levels to reserve sufficient management talents. The Group will establish the remuneration incentive reform system based on value creation to cultivate the mainstream culture and ideology based on value creation.

FINANCIAL REVIEW

Sales revenue

Sales revenue represents the net amount of the invoiced value of goods sold, after allowances for returns and trade discounts. During the Period under Review, the sales revenue of the Group amounted to RMB1,973,936,000, representing an increase of 3.4% as compared with the Corresponding Period.

Revenue by product segments

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

	Six months ended 30 June		
	2018	2017	Growth rate
	RMB'000	*RMB'000*	
Luminaire products	**1,356,790**	1,262,710	**7.5%**
Lamp products	**473,689**	501,662	**(5.6%)**
Lighting electronic products	**143,457**	145,291	**(1.3%)**
Total	**1,973,936**	1,909,663	**3.4%**

Revenue by geographical locations, NVC brand sales and non-NVC brand sales

The table below sets forth the revenue by geographical locations, 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.

	Six months ended 30 June		
	2018	2017	Growth rate
	RMB'000	*RMB'000*	
Sales revenue from PRC			
NVC brand	**1,213,938**	1,085,117	**11.9%**
Non-NVC brands	**133,967**	132,798	**0.9%**
Subtotal	**1,347,905**	1,217,915	**10.7%**
Sales revenue from international market			
NVC brand	**93,595**	174,417	**(46.3%)**
Non-NVC brands	**532,436**	517,331	**2.9%**
Subtotal	**626,031**	691,748	**(9.5%)**
Total	**1,973,936**	1,909,663	**3.4%**

Revenue by LED lighting products and non-LED lighting products

The table below sets forth our revenue from LED lighting products and non-LED lighting products and the growth rate of each item.

	Six months ended 30 June		
	2018	2017	Growth rate
	RMB'000	*RMB'000*	
LED lighting products	**1,642,614**	1,463,148	**12.3%**
Non-LED lighting products	**331,322**	446,515	**(25.8%)**
Total	**1,973,936**	1,909,663	**3.4%**

During the Period under Review, the sales of luminaire products increased by 7.5%, mainly benefited from the continuous promotion of the dual-channel business model of commercial and home lighting of the Group and the stable growth in the sales of commercial lighting luminaire products. Sales of lamp products recorded a decrease of 5.6%, which was mainly attributed to the gradual shrinkage of market size and the decline in both sales volumes and prices of the traditional lamp products. The sales of lighting electronic products decreased by 1.3%, mainly due to the decline in the sales volumes of traditional electronic appliances business and the impact of the fluctuation of composite exchange rate.

During the Period under Review, the sales of LED lighting products increased by 12.3%, while the sales of non-LED lighting products decreased by 25.8%, mainly attributable to the fact that the Group grasped the favorable opportunity generated from the development of the LED industry to generally increase the proportion of LED lighting products through continuous enhancement in the development of new LED lighting products and the increase of the investment in market resources; while affected by the fierce competition in LED lighting products, the sales of traditional lighting products showed a decline. The development trends of the above two products were antagonistic.

Cost of Sales

Cost of sales mainly consists of the cost of raw materials, outsourced manufacturing costs, direct and indirect labor costs and indirect costs. Major raw materials of the Group include iron, aluminum and alloys, fluorescent powder, glass tubes, electronics components and LED packaged chips. 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:

	Six months ended 30 June			
	2018		2017	
	RMB'000	***Percentage in revenue (%)***	*RMB'000*	*Percentage in revenue (%)*
Raw materials	**927,082**	**47.0%**	1,024,311	53.6%
Outsourced manufacturing costs	**321,710**	**16.3%**	143,872	7.5%
Labor costs	**129,438**	**6.6%**	131,656	6.9%
Indirect costs	**53,055**	**2.7%**	57,677	3.0%
Total cost of sales	**1,431,285**	**72.5%**	1,357,516	71.1%

During the Period under Review, the cost of sales as a percentage to revenue increased from 71.1% to 72.5%, and the gross profit margin decreased from 28.9% to 27.5%, mainly due to, on the one hand, the change in sales structure during the Period under Review and the increase of engineering projects with low gross profit, and on the other hand, the increase in raw material prices and the fluctuation of composite exchange rate leading to the decline in the gross profit margin compared with the Corresponding Period.

Gross Profit and Gross Profit Margin

Gross profit is calculated as the net value of sales revenue less cost of sales.

During the Period under Review, gross profit of the Group was RMB542,651,000, representing a decrease of 1.7% as compared with the Corresponding Period, and gross profit margin of sales decreased from 28.9% to 27.5%. The table below shows the gross profit and gross profit margin by product segments:

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

	Six months ended 30 June			
	2018		2017	
	RMB'000	*(%)*	*RMB'000*	*(%)*
Luminaire products	**466,223**	**34.4%**	444,898	35.2%
Lamp products	**46,165**	**9.7%**	67,153	13.4%
Lighting electronic products	**30,263**	**21.1%**	40,096	27.6%
Total	**542,651**	**27.5%**	552,147	28.9%

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

	Six months ended 30 June			
	2018		2017	
	RMB'000	*(%)*	*RMB'000*	*(%)*
Gross profit from PRC sales:				
NVC brand	**431,720**	**35.6%**	412,106	38.0%
Non-NVC brands	**22,535**	**16.8%**	25,724	19.4%
Subtotal	**454,255**	**33.7%**	437,830	35.9%
Gross profit from international sales:				
NVC brand	**29,607**	**31.6%**	34,161	19.6%
Non-NVC brands	**58,789**	**11.0%**	80,156	15.5%
Subtotal	**88,396**	**14.1%**	114,317	16.5%
Total	**542,651**	**27.5%**	552,147	28.9%

(iii) The table below sets forth the gross profit and gross profit margins of LED lighting products and non-LED lighting products:

	Six months ended 30 June			
	2018		2017	
	RMB'000	*(%)*	*RMB'000*	*(%)*
LED lighting products	**479,763**	**29.2%**	455,482	31.1%
Non-LED lighting products	**62,888**	**19.0%**	96,665	21.6%
Total gross profit	**542,651**	**27.5%**	552,147	28.9%

During the Period under Review, gross profit margin of luminaire products decreased from 35.2% to 34.4%, mainly attributable to the increase of engineering projects with low gross profit during the Period under Review, which lowered the overall gross profit margin. Gross profit margin of lamp products decreased from 13.4% to 9.7%. On the one hand, LED lamp products are under highly competitive markets, and we offered customers more favorable price in order to win the main customer orders; on the other hand, affected by the competition with LED lamp products, the prices of traditional lamp products continued to drop, giving rise to a decrease of gross profit margin of the whole lamp products as compared with the Corresponding Period. Gross profit margin of lighting electronic products decreased from 27.6% to 21.1%, mainly attributable to the increase in raw material prices and the fluctuation of composite exchange rate.

During the Period under Review, gross profit margin from PRC sales decreased from 35.9% to 33.7%, mainly due to the impact of product sales structure and the increase of projects with low gross profit. Gross profit margin from international sales decreased from 16.5% to 14.1%, mainly due to the combined effect of the more favorable price offered by the Group in order to win the main customer orders of lamp products in the international market, the increase in raw material prices and the fluctuation of composite exchange rate.

Other Income and Gains

Our other income and gains mainly consist of rental income, gain on sales of scrap materials, fair value gain of derivative component of convertible bonds, gain arising from waiver of other payable, government grants and interest income (the breakdown of other income and gains is provided in note 3 to the condensed consolidated interim financial statements on page 15 of this announcement). We received various types of government grants in the form of tax subsidies and incentives for research and development activities and expansion of production capacity of energy-saving lamp. Government subsidies are provided by relevant authorities at their discretion, and may not be recurring in nature. During the Period under Review, other income and gains increased to RMB131,742,000 as compared with the Corresponding Period, which was mainly due to the fair value gain of the derivative component of convertible bonds of RMB75,138,000 and the increase in government subsidies received during the Period under Review as compared to the Corresponding Period.

Selling and Distribution Costs

Our selling and distribution costs mainly consist of freight costs, advertising and promotion expenses, staff costs and other costs including office expenses, custom clearance expenses, travelling expenses, depreciation and amortisation, insurance fees and other miscellaneous costs.

During the Period under Review, our selling and distribution costs were RMB179,253,000, representing a decrease of 7.1% as compared with the Corresponding Period. The decrease was mainly due to the decrease in the marketing and promotion fees. Our selling and distribution costs as a percentage of total revenue decreased from 10.1% to 9.1%.

Administrative Expenses

Our administrative expenses mainly consist of staff costs, amortisation and depreciation, research and development expenses, office expenses and other expenses including tax expenses, audit fees, other professional fees and other miscellaneous expenses. These taxes mainly include land use tax and stamp duty in connection with our administrative functions.

During the Period under Review, our administrative expenses were RMB164,753,000, representing a decrease of 3.6% as compared with the Corresponding Period. The decrease was mainly due to the decrease of impairment loss as compared with the Corresponding Period. Our administrative expenses as a percentage in revenue decreased from 8.9% to 8.3%.

Other Expenses

Other expenses mainly consist of loss arising from modification of terms of convertible bonds, losses on disposal of property, plant and equipment, donations and other miscellaneous expenses. During the Period under Review, other expenses increased to RMB81,579,000 as compared with the Corresponding Period, which was mainly due to a loss of RMB78,387,000 arising from modification of terms and extension of maturity of convertible bonds during the Period under Review.

Finance Costs

Finance costs represent interests on bank loans, interest expenses on convertible bonds and other interest expenses.

Share of Results of Associates

This item represents the Group's share of net profits or losses in the associates during the Period under Review.

Income Tax

During the Period under Review, the Group's income tax amounted to RMB124,526,000, representing an increase of 90.9% as compared with the Corresponding Period. It is mainly due to the increase in deferred income tax arising from potential distribution of the unremitted distributable earnings by the Company's subsidiaries in the PRC to the Company.

Profit for the Period (including Profit Attributable to Non-controlling Interests)

Due to the factors mentioned above, our net profit for the period (including profit attributable to non-controlling interests) was RMB101,641,000 during the Period under Review.

Exchange Differences on Translation of Foreign Operations

During the Period under Review, our exchange differences on translation of foreign operations were RMB3,881,000. These exchange differences primarily arose from the translation of the financial statements of the Company and its overseas subsidiaries which are denominated in foreign currencies.

Profit Attributable to Owners of the Parent for the Period

Due to the factors mentioned above, profit attributable to owners of the parent for the period was RMB91,851,000 during the Period under Review.

Profit Attributable to Non-controlling Interests for the Period

During the Period under Review, profit attributable to non-controlling interests for the period was RMB9,790,000.

Liquidity

Net current assets and working capital sufficiency

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

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
CURRENT ASSETS		
Inventories	**519,546**	425,384
Trade and bills receivables	**1,091,592**	1,092,554
Prepayments, deposits and other receivables	**450,713**	397,213
Income tax recoverable	**12,184**	11,741
Other current assets	**42,625**	41,512
Held-for-trading investments	**88,786**	88,786
Restricted bank balances and short-term deposits	**518,019**	314,422
Cash and cash equivalents	**991,040**	1,265,589
Sub-total current assets	**3,714,505**	3,637,201
CURRENT LIABILITIES		
Trade and bills payables	**941,980**	820,833
Other payables and accruals	**728,292**	728,749
Interest-bearing loans and borrowings	**410,202**	24,940
Government grants	**2,012**	2,012
Income tax payable	**52,039**	34,071
Convertible bonds – derivative component	**36,055**	11,933
Convertible bonds – liability component	**–**	421,229
Sub-total current liabilities	**2,170,580**	2,043,767
NET CURRENT ASSETS	**1,543,925**	1,593,434

As at 30 June 2018 and 31 December 2017, the total net current assets of the Group amounted to RMB1,543,925,000 and RMB1,593,434,000 respectively, and the current ratio was 1.71 and 1.78 respectively. In light of our current liquidity position, the unutilised banking facilities available to the Group and our projected cash inflows 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 table below sets out our gearing ratio as at the end of the Period under Review.

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Interest-bearing loans and convertible bonds – liability component	**820,969**	446,169
Total debt	**820,969**	446,169
Less: cash and cash equivalents and short-term deposits (excluding restricted bank balances)	**(1,509,059)**	(1,580,011)
Net debt	**N/A**	N/A
Total equity attributable to owners of the parent	**3,287,079**	3,242,052
Gearing ratio	**N/A**	N/A

The primary goal of our capital management is to maintain the 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 by monitoring our gearing ratio (which is calculated as net debt divided by the total equity attributable to owners of the parent). Net debt is the balance of interest-bearing loans and convertible bonds – liability component less cash and cash equivalents and short-term deposits (excluding restricted bank balances).

Capital Expenditure

We funded our capital expenditure with cash generated from operations and bank loans and cash generated from issue of shares or Convertible Bonds. Our capital expenditure is primarily related to expenditure on property, plant and equipment, prepaid land lease payments and other intangible assets. During the Period under Review, the Group's capital expenditure amounted to RMB45,179,000, mainly attributable to the increase in cost of leasehold improvements, machinery equipment, moulds and non-productive equipment.

Off-balance Sheet Arrangement

Except for the derivative component of Convertible Bonds mentioned in note 12 to the condensed consolidated interim financial statements, 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.

Capital Commitments

On 30 June 2018, the capital commitments in respect of contribution into and acquisition of associate, joint venture and an investment and purchase of property, plant and equipment was RMB566,658,000 (31 December 2017: RMB498,328,000).

EVENTS AFTER THE PERIOD UNDER REVIEW

Pursuant to the share purchase agreement dated 16 March 2018 ("Sale and Purchase Agreement 1") and the share purchase agreement dated 23 May 2018 ("Sale and Purchase Agreement 2") entered into between the Company and Roman International (HK) Co., Limited ("Roman International"), the Company conditionally agreed to purchase and Roman International conditionally agreed to sell 40% equity interest and 60% equity interest in Blue Light (HK) Trading Co., Limited ("Blue Light") at a cash consideration of RMB315,000,000 and RMB500,000,000 respectively, subject to adjustments provided in the Sale and Purchase Agreement 1 and Sale and Purchase Agreement 2. Furthermore, pursuant to the share purchase agreement dated 23 May 2018 ("Sale and Purchase Agreement 3") entered into between Zhuhai NVC Technology Limited* (珠海雷士科技有限公司) ("Zhuhai NVC"), a wholly-owned subsidiary of the Company and Mr. ZHANG Peng, the president of the Company and a connected person, Zhuhai NVC conditionally agreed to purchase and Mr. ZHANG Peng conditionally agreed to sell his 5% equity interest in Wuhu NVC Lighting E-Commerce Limited*(蕪湖雷士照明電子商務有限公司) ("Wuhu NVC") at a consideration of RMB45,000,000 (collectively the "Blue Light Acquisitions"). Further details in relation to the Blue Light Acquisitions are set out in the Company's announcements dated 16 March 2018 and 23 May 2018. The Blue Light Acquisitions were approved by the shareholders of the Company at the extraordinary general meeting on 18 July 2018. As of 30 June 2018, an advance payment of RMB315,000,000 has been made to Roman International. As of the date of this announcement, the above transaction has been completed.

On 9 August 2018, the Company received a conversion notice from bondholder of the Convertible Bonds in relation to the exercise in full of the conversion rights attached to the Convertible Bonds at the conversion price of HK$0.77 per conversion share, accordingly, 649,350,649 conversion shares were allotted to bondholder on 13 August 2018 pursuant to the terms and conditions of the Convertible Bonds. Further details are set out in the Company's announcement dated 13 August 2018.

CONTINUING CONNECTED TRANSACTIONS

During the Period under Review, the continuing connected transactions of the Group did not exceed the annual caps previously disclosed in the relevant announcements of the Company.

MERGERS, ACQUISITIONS AND INVESTMENTS

Saved as disclosed in the above events after the period under review, pursuant to the heads of agreement dated 25 April 2018 (the "Heads of Agreement"), the Company proposed to acquire and Jadestone China High-technology Industry Investment Fund LP ("Jadestone") proposed to sell 100% equity interest in Elec-Tech Solid State Lighting (HK) Limited ("Elec-Tech") (the "Elec-Tech Acquisition"). Further details of the Elec-Tech Acquisition are set out in the Company's announcement dated 25 April 2018. Elec-Tech Acquisition will be subject to the entering into of a formal share purchase agreement by the Company and Jadestone (the "Formal Share Purchase Agreement"). As at 30 June 2018, an advance payment of RMB200,000,000 has been made to Jadestone, pursuant to the terms of the Heads of Agreement, which payment was secured by a fixed charge over the entire right, title and interest in 3,333,333 shares of Elec-Tech held by Jadestone. As of the date of this announcement, the Formal Share Purchase Agreement has not yet been formally signed.

On 12 January, 2018, Huizhou NVC, a wholly-owned subsidiary of the Company, proposed to invest RMB1,000,000 to establish a wholly-owned subsidiary Shenzhen Leiyun Optoelectronic Technology Co., Ltd*(深圳雷雲光電科技有限公司) ("Leiyun Optoelectronic"). Leiyun Optoelectronic is principally engaged in the development of smart lighting systems. As at the date of this announcement, the registered capital of Leiyun Optoelectronic has not been fully paid.

On 1 February, 2018, Huizhou NVC, a wholly-owned subsidiary of the Company, proposed to invest RMB1,000,000 to establish a wholly-owned subsidiary Zhuhai NVC Liangjia Technology Co., Ltd*(珠海雷士靚家科技有限公司) ("NVC Liangjia"). NVC Liangjia is principally engaged in providing after-sales services. As at the date of this announcement, the registered capital of NVC Liangjia has not been fully paid.

Saved as disclosed in the above, the Group made no material acquisition, merger or sale of subsidiaries, associates and joint ventures during the Period under Review.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

We did not use the proceeds from the global offering in a manner different from those set out 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 or procurement by operating units in currencies other than its functional currency. As a result, we are exposed to fluctuations in the exchange rate between the functional currencies and foreign currencies. During the Period under Review, the Group had entered into several forward currency contracts in place to hedge the foreign exchange exposure and did not experience any material difficulties or negative impacts 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 did not enter into any commodity derivative instruments to hedge the potential commodity price changes.

Liquidity Risk

We monitor our risk of having a shortage of funds by considering the maturity of our financial instruments, financial assets and liabilities and projected cash flows from operations. Our goal 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 and bills receivables, deposits 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 receivables. Our cash and short-term deposits are mainly deposited with registered banks in Mainland China and Hong Kong. We also have policies that limit our credit risk exposure to any financial institutions. The carrying amounts of trade and bills receivables, deposits and other receivables, cash and cash equivalents and short-term deposits included in the condensed consolidated statement of financial position 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 2017, we entered into a number of one-year insurance contracts with China Export & Credit Insurance Corporation, which covered 90% uncollectible receivables from international sales between the period from 1 December 2017 to 30 November 2018 with a maximum compensation amount of US$35,000,000 (equivalent to approximately RMB228,697,000). 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 when they become due. For domestic sales, in respect of the exposure to domestic credit risk, it's expected that we take the approach of requiring the customers to provide relevant physical collateral to cover the credit risk arising from domestic sales.

INTERIM DIVIDEND

The Board proposed not to declare an interim dividend for the six months ended 30 June 2018.

EMPLOYEES

As at 30 June 2018, the Group had approximately 6,012 employees in total (31 December 2017: 6,441). 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, discretionary incentive and share option schemes.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period under Review.

CORPORATE GOVERNANCE

The Directors are of the opinion that, during the Period under Review, the Company had complied with the principles and codes provisions set out in the Code, except for the following code provisions.

Code Provision A.2.1 requires that the role of chairman and chief executive officer should be separate and should not be performed by the same person. Given that Mr. WANG Donglei assumed the roles of both chairman and chief executive officer, the Company deviated from this code provision. Mr. WANG Donglei is the chairman and general manager of ETIC, which is the controlling corporation of the largest shareholder of the Company, Elec-Tech International (H.K.) Company Limited. Mr. WANG Donglei has many years of experience in product research and development, manufacturing and business management. The dual role arrangement provides 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 its other relevant committees, and there are four 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 purposes of complying with the Code and maintaining a high standard of corporate governance practices of the Company. Besides, Ms. YANG Jianwen has resigned as a Non-executive Director, with effective from 22 March 2018. Therefore, she ceased to be a member of the audit committee and a member of the independent investigations committee of the Company. Following her resignation, the audit committee of the Company consisted of two members only, which resulted in the Company's non-compliance with Rule 3.21 of the Listing Rules. Moreover, the Company failed to appoint appropriate member to the audit committee of the Company within three months after the resignation of Ms. YANG Jianwen, which also resulted in the Company's non-compliance with Rule 3.23 of the Listing Rules. On 16 July 2018, the Board appointed Independent Non-executive Director Mr. SU Ling as a member of the audit committee of the Company. Accordingly, the Company was in compliance with requirements of Rules 3.21 and 3.23 of the Listing Rules. Save as disclosed above, the Company had fully complied with the principles and code provisions as set out in the Code.

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 all the Directors have confirmed that they had complied with all relevant requirements as set out in the Model Code during the Period under Review.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") in compliance with the Listing Rules with written terms of reference. The primary duties of the Audit Committee include maintaining relationship with the auditor of the Group, reviewing financial information of the Group, supervising the financial reporting system, risk management and internal control system of the Group, and the duties of corporate governance designated by the Board. During the Period under Review, Ms. YANG Jianwen has resigned as Non-executive Director with effect from 22 March 2018. Therefore, she ceased to be a member of the Audit Committee. On 16 July 2018, Mr. SU Ling has been appointed as a member of the Audit Committee by the Board. Currently, the Audit Committee consists of three members, namely, Independent Non-executive Director Mr. LEE Kong Wai, Conway, Independent Non-executive Director Mr. WANG Xuexian and Independent Non-executive Director Mr. SU Ling, respectively. Mr. LEE Kong Wai, Conway has been appointed as the chairman of the Audit Committee. The Audit Committee has reviewed and discussed the interim results for the Period under Review.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") in compliance with the Listing Rules with written terms of reference. The primary duties of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all Directors and senior management, and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. Currently, the Remuneration Committee consists of three members, namely, Non-executive Director Mr. LI Wei, Independent Non-executive Director Mr. LEE Kong Wai, Conway and Independent Non-executive Director Mr. WEI Hongxiong, respectively. Mr. WEI Hongxiong has been appointed as the chairman of the Remuneration Committee.

NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") in compliance with the Code with written terms of reference. The primary duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors. Currently, the Nomination Committee consists of three members, namely, Executive Director Mr. WANG Donglei, Independent Non-executive Director Mr. LEE Kong Wai, Conway and Independent Non-executive Director Mr. WEI Hongxiong, respectively. Mr. WANG Donglei has been appointed as the chairman of the Nomination Committee.

STRATEGY AND PLANNING COMMITTEE

The Company established a strategy and planning committee (the "Strategy and Planning Committee") under the Board with written terms of reference. The primary duty of the Strategy and Planning Committee is to propose and formulate the strategic development plan of the Company for the Board's consideration. Currently, the Strategy and Planning Committee consists of four members, namely, Executive Director Mr. WANG Donglei, Executive Director Mr. XIAO Yu, Non-executive Director Mr. LI Wei and Independent Non-executive Director Mr. WANG Xuexian, respectively. Mr. WANG Donglei has been appointed as the chairman of the Strategy and Planning Committee.

INDEPENDENT INVESTIGATIONS COMMITTEE

To advance the internal investigations into matters involving Mr. WU Changjiang, the former Executive Director and Chief Executive Officer of the Company, the Company has established an independent investigations committee (the "Independent Investigations Committee") under the Board. The Independent Investigations Committee has been authorised by the Board to exercise powers and perform duties on behalf of the Board in relation to the conduct of the investigations into, among other things, the alleged wrongdoing of Mr. WU Changjiang. The Independent Investigations Committee has also been authorised to consider and make recommendations to the Board with respect to any potential proceedings arising from the internal investigations. In connection with the Company's investigations of the alleged wrongdoing of Mr. WU Changjiang, the Independent Investigations Committee has instructed a third-party service provider to conduct a forensic review of related irregularities and an internal controls assessment of the Company and its key subsidiaries. The forensic review and internal controls assessment has been completed. Please refer to the announcements of the Company dated 17 July 2015 and 17 September 2015 for details. During the Period under Review, Ms. YANG Jianwen has resigned as Non-executive Director with effect from 22 March 2018. Therefore, she ceased to be a member of the Independent Investigations Committee. Currently, the Independent Investigations Committee consists of three members, namely, Independent Non-executive Director Mr. LEE Kong Wai, Conway, Independent Non-executive Director Mr. WEI Hongxiong and Independent Non-executive Director Mr. WANG Xuexian, respectively.

APPOINTMENT AND RESIGNATION OF DIRECTORS AND CHANGE IN DIRECTORS' INFORMATION

From 1 January 2018 to the date of this announcement, the appointment and resignation of Directors and changes in the Directors' information of the Company are as follows:

Ms. YANG Jianwen has resigned as Non-executive Director, a member of the Audit Committee and a member of the Independent Investigations Committee, with effect from 22 March 2018.

Mr. SU Ling has been appointed as a member of the Audit Committee, with effect from 16 July 2018.

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

The Group's interim results for the six months ended 30 June 2018 will be included in the Company's interim 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 Group's interim results have been reviewed by the Audit Committee and approved by the Board.

The Group's interim results for the Period under Review have also been reviewed by the external auditor of the Company.

APPRECIATION

The Board would like to take this opportunity to express its appreciation to the management team and staff of the Group for their contribution during the Period under Review and also to give its sincere gratitude to all the shareholders of the Company for their continued support.

DEFINITIONS

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

"Board"	the board of Directors of the Company.
"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.
"Code"	the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules.
"Company"	NVC Lighting Holding Limited (雷士照明控股有限公司), a company incorporated in the British Virgin Islands 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. The shares of the Company are listed on the main board of the Stock Exchange.
"Convertible Bonds"	the convertible bonds denominated in Hong Kong dollar in an aggregate principal amount of HKD500,000,000 issued on 7 June 2016 by the Company.
"Corresponding Period"	means the six months ended 30 June 2017 (as the context may require).
"Director(s)"	the director(s) of the Company.
"ETIC"	Elec-Tech International Co., Ltd.* (廣東德豪潤達電氣股份有限公司), a PRC incorporated company which is currently listed on the Shenzhen Stock Exchange. It is a substantial shareholder of the Company.
"Group"	the Company and its subsidiaries.
"GBP"	Great Britain Sterling Pound, the lawful currency of the United Kingdom.
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong.
"Hong Kong"	the Hong Kong Special Administrative Region of People Republic of China.
"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.

"HID"	high intensity discharge.
"LED"	light-emitting diode.
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
"Model Code"	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.
"Period under Review"	the six months ended 30 June 2018.
"RMB"	Renminbi, the lawful currency of the PRC.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.
"U.S."	the United States of America, its territories, its possessions and all was subject to its jurisdiction.
"US$"	United States dollars, the lawful currency of the United States.
"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.
"Wuhu NVC"	Wuhu NVC Lighting E-Commerce Limited* (蕪湖雷士照明電子商務有限公司), a company incorporated in the PRC with limited liability and an indirect subsidiary of Blue Light (HK) Trading Co., Limited.
"we", "us" or "our"	the Company or the Group (as the context may require).

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

By Order of the Board
NVC LIGHTING HOLDING LIMITED
Chairman
WANG Donglei

Hong Kong, 24 August 2018

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

Executive Directors:
WANG Donglei
WANG Dongming
XIAO Yu
WANG Keven Dun

Non-executive Directors:
LI Huating
LI Wei

Independent Non-executive Directors:
LEE Kong Wai, Conway
WANG Xuexian
WEI Hongxiong
SU Ling