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**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 2019**

**Highlights for the six months ended 30 June 2019:**

- The Group's revenue amounted to RMB2,696,922,000, representing an increase of 36.6% as compared with the Corresponding Period.
- The Group's gross profit amounted to RMB901,654,000, representing an increase of 66.2% as compared with the Corresponding Period.
- The Group's profit before income tax amounted to RMB483,660,000, representing an increase of 113.9% as compared with the Corresponding Period.
- Profit attributable to owners of the parent amounted to RMB374,281,000, representing an increase of 307.5% as compared with the Corresponding Period.
- Basic earnings per share of the Company amounted to RMB8.85 cents (Corresponding Period: RMB2.56 cents).
- The Board has proposed not to declare an interim dividend (Corresponding Period: no interim dividend declared).

The Board is pleased to announce the interim results of the Group for the Period under Review. The interim results have been reviewed by the external auditor and the Audit Committee of the Company.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2019</b> <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
<b>REVENUE</b>	<i>2</i>	<b>2,696,922</b>	1,973,936
Cost of sales		<b>(1,795,268)</b>	(1,431,285)
<b>GROSS PROFIT</b>		<b>901,654</b>	542,651
Other income and gains	<i>3</i>	<b>77,449</b>	131,742
Selling and distribution costs		<b>(386,323)</b>	(179,253)
Administrative expenses		<b>(814,104)</b>	(164,753)
Other expenses		<b>(21,591)</b>	(81,579)
Finance costs	<i>4</i>	<b>(14,655)</b>	(25,751)
Share of results of associates		<b>(1,946)</b>	3,110
Share of results of a joint venture		<b>(18,097)</b>	–
Gain on disposal of a subsidiary	<i>5</i>	<b>761,273</b>	–
<b>PROFIT BEFORE INCOME TAX</b>		<b>483,660</b>	226,167
Income tax	<i>6</i>	<b>(90,444)</b>	(124,526)
<b>PROFIT FOR THE PERIOD</b>		<b>393,216</b>	101,641
Attributable to:			
Owners of the parent		<b>374,281</b>	91,851
Non-controlling interests		<b>18,935</b>	9,790
		<b>393,216</b>	101,641
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic	<i>7</i>	<b>8.85 cents</b>	2.56 cents
Diluted	<i>7</i>	<b>8.85 cents</b>	2.56 cents

Details of the dividend are disclosed in note 8 to the interim condensed consolidated financial statements on page 16 of this announcement.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>393,216</b>	101,641
<b>OTHER COMPREHENSIVE INCOME</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(18,079)	(3,881)
	(18,079)	(3,881)
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	5,428	7,400
<b>Other comprehensive income for the period</b>	<b>(12,651)</b>	3,519
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>380,565</b>	105,160
Attributable to:		
Owners of the parent	361,526	94,378
Non-controlling interests	19,039	10,782
	<b>380,565</b>	105,160

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2019	31 December 2018
	<i>Notes</i>	<b>RMB'000</b> <b>(Unaudited)</b>	<b>RMB'000</b> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		658,750	653,576
Prepaid land lease payments		–	44,800
Right-of-use assets	1.2(d)	286,204	–
Goodwill		1,129,734	1,127,376
Other intangible assets		665,508	678,857
Investments in associates		42,440	44,386
Investment in a joint venture		48,703	64,800
Long term investments		37,738	235,996
Deferred tax assets		75,875	72,029
Prepayments for purchase of property, plant and equipment		310,224	449,997
<b>Total non-current assets</b>		<b>3,255,176</b>	3,371,817
<b>CURRENT ASSETS</b>			
Inventories	9	704,765	683,524
Trade and bills receivables	10	1,431,517	1,504,176
Prepayments, deposits and other receivables	10	331,028	361,313
Income tax recoverable		1,458	568
Other current assets		33,857	45,014
Held-for-trading investments		32,582	44,190
Restricted bank balances and short-term deposits		244,626	677,502
Cash and cash equivalents		763,320	912,998
<b>Total current assets</b>		<b>3,543,153</b>	4,229,285
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	1,470,113	1,385,298
Other payables and accruals		741,311	1,324,472
Interest-bearing loans and borrowings	12	489,370	1,064,924
Lease liabilities	1.2(d)	25,039	–
Government grants		561	1,612
Income tax payable		228,563	187,168
Derivative financial liabilities		–	10,689
<b>Total current liabilities</b>		<b>2,954,957</b>	3,974,163
<b>NET CURRENT ASSETS</b>		<b>588,196</b>	255,122
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,843,372</b>	3,626,939

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*

		<b>30 June 2019</b>	31 December 2018
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	<i>1.2(d)</i>	<b>73,894</b>	–
Government grants		<b>10,974</b>	9,138
Deferred tax liabilities		<b>175,957</b>	222,285
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>260,825</b>	231,423
		<hr/>	<hr/>
<b>Net assets</b>		<b>3,582,547</b>	3,395,516
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<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued share capital		<b>3</b>	3
Reserves		<b>3,462,460</b>	3,101,326
Proposed dividend		<b>–</b>	185,367
		<hr/>	<hr/>
		<b>3,462,463</b>	3,286,696
<b>Non-controlling interests</b>		<b>120,084</b>	108,820
		<hr/>	<hr/>
<b>Total equity</b>		<b>3,582,547</b>	3,395,516
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# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1.1 BASIS OF PREPARATION

These interim condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 (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 2018, 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 2019. 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 2018 except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16 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 2018.

## 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Adoption of new or revised standards and interpretations effective for the Period under Review that are relevant to the Group is as follows:

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long Term Interests in Associates and Joint Ventures
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs

Except for IFRS 16 Leases (“IFRS 16”), none of the new or revised standards and interpretation have had a material effect on the Group’s accounting policies. The Group has not applied any new standard or interpretation that is not yet effective for the Period under Review. The impact of the adoption of IFRS 16 is summarised below.

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

### IFRS 16

IFRS 16 supersedes IAS 17 Leases (“IAS 17”), IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect on initial adoption as an adjustment to opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

#### **New definition of a lease**

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

#### **As a lessee – Leases previously classified as operating leases**

##### ***(a) Nature of the effect of adoption of IFRS 16***

The Group has lease contracts for various items of land and buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (“short-term leases”). Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

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

### IFRS 16 (Continued)

#### (a) Nature of the effect of adoption of IFRS 16 (Continued)

##### *Leases previously accounted for as operating leases*

Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The weighted average of the incremental borrowing rates used for determination of the remaining lease payments was 7.08%. The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments recognised in the statement of financial position immediately before 1 January 2019.

The Group also applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	<i>RMB'000</i> (Unaudited)
<b>Assets</b>	
<i>Non-current assets</i>	
Right-of-use assets	73,487
Prepaid land lease payments	<u>(44,800)</u>
<b>Total non-current assets</b>	<b><u>28,687</u></b>
<i>Current assets</i>	
Prepayments, deposits and other receivables	<u>(979)</u>
<b>Total current assets</b>	<b><u>(979)</u></b>
<b>Total assets</b>	<b><u>27,708</u></b>
<b>Liabilities</b>	
<i>Current liabilities</i>	
Lease liabilities	<u>8,349</u>
<b>Total current liabilities</b>	<b><u>8,349</u></b>
<i>Non-current liabilities</i>	
Lease liabilities	<u>19,359</u>
<b>Total non-current liabilities</b>	<b><u>19,359</u></b>
<b>Total liabilities</b>	<b><u>27,708</u></b>



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

### IFRS 16 (Continued)

#### (a) Nature of the effect of adoption of IFRS 16 (Continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	<i>RMB'000</i>
Operating lease commitments as at 31 December 2018 (audited)	37,194
Less: commitments relating to short-term leases	(506)
Less: total future interest expense	(8,980)
	<hr/>
<b>Lease liabilities as at 1 January 2019 (unaudited)</b>	<b>27,708</b>
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#### (b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

##### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

##### *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

### IFRS 16 *(Continued)*

#### ***(b) Summary of new accounting policies (Continued)***

##### *Lease liabilities (Continued)*

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### ***(c) Significant judgement in determining the lease term of contracts with renewal options***

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of one to ten years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of certain buildings due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one to three years) and there will be a significant negative effect on production if a replacement is not readily available.

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

### IFRS 16 (Continued)

#### (d) Amounts recognised in the condensed consolidated statement of financial position and profit or loss

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the Period under Review:

	Right-of-use assets			Lease
	Land	Buildings	Total	liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2019	45,676	27,811	73,487	27,708
Additions	–	226,329	226,329	78,860
Business combination	–	592	592	601
Depreciation expense	(660)	(14,079)	(14,739)	–
Interest expense (Note 4)	–	–	–	3,212
Payments	–	–	–	(11,992)
Exchange realignment	–	535	535	544
	<u>–</u>	<u>535</u>	<u>535</u>	<u>544</u>
As at 30 June 2019	<u>45,016</u>	<u>241,188</u>	<u>286,204</u>	<u>98,933</u>

The Group recognised rent expense from short-term leases of RMB15,622,000 for the Period under Review.

## 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 markets and has four reportable operating segments as follows:

- (a) Domestic NVC brand
- (b) Domestic non-NVC brand
- (c) International NVC brand
- (d) International non-NVC brand

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, 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)

	Revenue		Results	
	Six months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Domestic NVC brand	1,655,598	1,213,938	628,215	431,720
International NVC brand	86,472	93,595	25,987	29,607
Domestic non-NVC brand	141,238	133,967	29,739	22,535
International non-NVC brand	813,614	532,436	217,713	58,789
Total	2,696,922	1,973,936	901,654	542,651
<b>Reconciliation</b>				
Interest income			23,428	11,824
Unallocated income and gains			54,021	44,780
Corporate and other unallocated expenses <sup>#</sup>			(662,874)	(347,198)
Finance costs			(14,655)	(25,751)
Impairment of other receivables			(559,144)	–
Fair value change of the derivative component of convertible bonds			–	75,138
Loss on modification of terms of convertible bonds			–	(78,387)
Share of results of associates			(1,946)	3,110
Share of results of a joint venture			(18,097)	–
Gain on disposal of a subsidiary			761,273	–
Profit before income tax			483,660	226,167

During the Period under Review, depreciation and amortisation recorded in the interim condensed consolidated statement of profit or loss amounted to RMB86,180,000 (six months ended 30 June 2018: RMB47,939,000).

<sup>#</sup> Corporate and other unallocated expenses consist of unallocated depreciation, amortisation and staff costs, freight expenses, impairment loss of trade receivables and exchange losses.

### Timing of revenue recognition:

For the Period under Review, the Group's revenue is recognised at a point in time save for the engineering service income of RMB20,595,000 (six months ended 30 June 2018: RMB21,435,000) in Domestic NVC brand segment which is recognised over time.

### 3. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
<b>Other income</b>		
Bank and other interest income	23,428	11,824
Gain on disposal of long term investments	4,565	–
Government grants	17,896	24,029
Rental income	2,938	3,927
Trademark licence fees	4,772	1,539
Logistic income	10,285	385
Others	8,606	5,414
	<u>72,490</u>	<u>47,118</u>
<b>Gains</b>		
Exchange gains, net	4,568	8,087
Sales of scrap materials	–	1,399
Fair value change of derivative component of convertible bonds	–	75,138
Others	391	–
	<u>4,959</u>	<u>84,624</u>
	<u><u>77,449</u></u>	<u><u>131,742</u></u>

### 4. FINANCE COSTS

	Six months ended 30 June	
	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
Interest on bank loans	8,380	3,323
Interest on lease liabilities ( <i>Note 1.2(d)</i> )	3,212	–
Interest expenses on convertible bonds	–	19,388
Other interest expenses	3,063	3,040
	<u>14,655</u>	<u>25,751</u>
	<u><u>14,655</u></u>	<u><u>25,751</u></u>

## 5. DISPOSAL OF A SUBSIDIARY

During the Period under Review, the Group disposed of its entire interest in the subsidiary to an independent third party at a consideration of RMB100,000. The net liabilities of the subsidiary at the date of disposal were as follows:

	<i>RMB'000</i> (Unaudited)
Net liabilities of subsidiary disposed of:	
Tax recoverable	45
Other receivables	5,039
Cash and cash equivalents	99
Trade payables	(1,565)
Other payables	(764,791)
	<hr/>
	(761,173)
Gain on disposal of a subsidiary	761,273
	<hr/>
Total consideration	100
	<hr/> <hr/>
Satisfied by:	
Cash	100
	<hr/> <hr/>
Net cash outflow arising on disposal:	
Cash consideration	100
Cash and cash equivalents disposed of	(99)
Other receivable	(100)
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	(99)
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## 6. 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 most of the group entities are domiciled and operate. No provision for the United Kingdom (the “UK”) corporation income tax and the United States (the “US”) income tax have been made as the Group had no assessable profits arising in the UK and the US during the Period under Review (six months ended 30 June 2018: 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.

	<b>Six months ended 30 June</b>	
	<b>2019</b> <b>RMB'000</b> <b>(Unaudited)</b>	<b>2018</b> <b>RMB'000</b> <b>(Unaudited)</b>
Current – the PRC		
– Charge for the period	<b>99,032</b>	72,875
– Under/(over) provision in prior years	<b>5,286</b>	(4)
Current – Hong Kong		
– Charge for the period	<b>38,101</b>	–
	<b>142,419</b>	72,871
Deferred	<b>(51,975)</b>	51,655
Income tax for the period	<b>90,444</b>	124,526

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, one of our subsidiaries (six months ended 30 June 2018: two) was recognised as western development enterprises by the local tax authorities and was entitled to the preferential tax rate of 15%; while three of our subsidiaries (six months ended 30 June 2018: one) were recognised as high-tech enterprises by PRC tax authorities and were entitled to the preferential tax rate of 15%.

## 7. 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:

	<b>Six months ended 30 June</b>	
	<b>2019</b> <i>RMB'000</i> <b>(Unaudited)</b>	<b>2018</b> <i>RMB'000</i> <b>(Unaudited)</b>
<u>Earnings</u>		
Earnings for the purpose of basic earnings per share	<b>374,281</b>	91,851
Effect of dilutive potential ordinary shares:		
– Interest on convertible bonds	N/A	N/A
– Fair value change of derivative component of convertible bonds	N/A	N/A
	<b>374,281</b>	91,851
Earnings for the purpose of diluted earnings per share	<b>374,281</b>	91,851
	<b>'000 Shares</b> <b>(Unaudited)</b>	<b>'000 Shares</b> <b>(Unaudited)</b>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>4,229,250</b>	3,581,805
Effect of dilutive potential ordinary shares:		
– Convertible bonds	N/A	N/A
	<b>4,229,250</b>	3,581,805
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>4,229,250</b>	3,581,805

No adjustment was made to the basic earnings per share amount presented for the six months ended 30 June 2018 as the convertible bonds outstanding during the period had an anti-dilutive effect on the basic earnings per share amount presented.

There were no dilutive potential shares during the Period under Review.

## 8. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: NIL).



## 9. INVENTORIES

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Raw materials	117,748	131,001
Work in progress	35,793	16,803
Finished goods	551,224	535,720
	<u>704,765</u>	<u>683,524</u>

During the Period under Review, write-down of inventories amounted to RMB8,854,000 (six months ended 30 June 2018: reversal of write-down of inventories of RMB2,790,000), which was recorded in “Cost of sales” in the condensed consolidated statement of profit or loss.

## 10. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Trade receivables	1,292,681	1,286,103
Impairment	(149,022)	(220,648)
Trade receivables, net	1,143,659	1,065,455
Bills receivables	287,858	438,721
	<u>1,431,517</u>	<u>1,504,176</u>

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:

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Within 3 months	890,200	841,395
4 to 6 months	160,524	153,070
7 to 12 months	71,817	47,741
1 to 2 years	12,025	14,040
Over 2 years	9,093	9,209
	<u>1,143,659</u>	<u>1,065,455</u>

## 10. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

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 2019, included in the Group's trade receivables are amounts due from related parties of RMB34,464,000 (31 December 2018: RMB67,568,000) which are repayable on similar credit terms to those offered to the major customers of the Group.

As at 30 June 2019, certain trade receivables of UK NVC with carrying amounts of RMB19,827,000 (31 December 2018: RMB3,467,000) were pledged to secure the bank borrowings of UK NVC as further set out in Note 12.

At 30 June 2019, the Group factored certain bills receivables (the "Discounted Bills") with a carrying amount of RMB220,320,000 (31 December 2018: RMB349,564,000) to banks with recourse (the "Factoring Arrangement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Discounted Bills and recognised the corresponding amount received from the banks under the Factoring Arrangement as secured borrowings which amounted to RMB218,707,000 (31 December 2018: RMB348,855,000) as at 30 June 2019. Subsequent to the Factoring Arrangement, the Group did not retain any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third party.

The maturity of the bills receivables of the Group as at 31 December 2018 and 30 June 2019 is within 6 months. As at 31 December 2018 and 30 June 2019, no bills receivables are due from related parties.

As at 31 December 2018 and 30 June 2019, the fair values of trade and bills receivables approximate to their carrying amounts largely due to the short-term maturities.

As at 31 December 2018, prepayments, deposits and other receivables included the followings:

- (a) Amounts due from a company of RMB550,924,000, net of impairment provision of RMB550,924,000.
- (b) An amount of RMB55,396,000, net of impairment provision of RMB55,396,000, which represented an amount withdrawn by the court during the year ended 31 December 2017.

Those balances were related to a subsidiary of the Company (the "Subsidiary") which was disposed of during the Period under Review, further details of which are set out in Note 5.

As at 30 June 2019, the Group recognised the impairment provision of RMB559,144,000 on its amount due from the Subsidiary after the related disposal taking into account the remote recoverability of such amount, which has been charged in the profit or loss for the Period Under Review.

## 11. TRADE AND BILLS PAYABLES

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Trade and bills payables to third parties	<b>1,415,964</b>	1,340,224
Trade and bills payables to related parties	<b>54,149</b>	45,074
	<b><u>1,470,113</u></b>	<u>1,385,298</u>

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

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Within 3 months	<b>1,224,561</b>	1,322,961
4 to 6 months	<b>186,508</b>	34,811
7 to 12 months	<b>47,376</b>	14,653
1 to 2 years	<b>1,900</b>	8,357
Over 2 years	<b>9,768</b>	4,516
	<b><u>1,470,113</u></b>	<u>1,385,298</u>

As at 31 December 2018 and 30 June 2019, the fair values of trade and bills payables approximated to their carrying amounts largely due to the short-term maturities.

## 12. INTEREST-BEARING LOANS AND BORROWINGS

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans – secured <sup>1</sup>	Base*+1.90%	On demand <sup>2</sup>	19,827	Base*+1.90%	On demand <sup>2</sup>	3,467
	3.22% –					
	5.66%	On demand	418,707	3.30%	On demand	411,815
	PRC			PRC		
	BDI#+0.91%	On demand	50,000	BDI#+0.91%	On demand	50,000
				3.80% – 6.00%	On demand	268,635
				3.20% – 4.70%	2019	330,220
Bank loan – unsecured	4.00%			4.00%		
	per month	On demand	836	per month	On demand	787
Total			<u>489,370</u>			<u>1,064,924</u>

<sup>1</sup> The secured bank loans represented facilities secured by the pledge of certain trade and bills receivables, time deposits and certain right-of-use assets related to leasehold land and buildings; and corporate guarantees executed by certain subsidiaries of the Group.

<sup>2</sup> The loan is repayable upon the collection of the factored trade receivables.

\* “Base” refers to the Bank of England base rate.

# “PRC BDI” refers to the PRC Benchmark deposit interest rate.

As at 31 December 2018 and 30 June 2019, the fair values of interest-bearing loans and borrowings approximated to their carrying amounts largely due to the short-term maturities.

### 13. 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 (“HK\$”) in an aggregate principal amount of HK\$500,000,000 (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”), i.e. June 2018, at an initial conversion price of HK\$0.925 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”).

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 was therefore accounted for as a derivative. The fair values of the derivative component were 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 were recognised in profit or loss. The fair value of the liability component was measured as the present value of the expected payments and principal repayment at maturity on initial recognition and was 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 was amended to HK\$0.77 per share (subject to anti-dilutive adjustments); and
- (b) The maturity date of the Convertible Bonds was extended to 7 June 2020.

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

Consequently, a loss on modification of the terms of RMB78,387,000, 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 six months ended 30 June 2018.

In August 2018, the Convertible Bonds were converted in full at the conversion price of HK\$0.77 per share (the “Conversion”). Accordingly, 649,350,649 shares were allotted to the bondholder pursuant to the terms and conditions of the Convertible Bonds. The liability and derivative components of the Convertible Bonds have been derecognised upon the Conversion resulting in amounts of RMB444 and RMB450,492,000 credited to share capital and share premium respectively.

### 13. CONVERTIBLE BONDS (Continued)

The movements of the liability component and derivative component of the Convertible Bonds during the year ended 31 December 2018 were as follows:

	<b>Liability component of Convertible Bonds</b>	<b>Derivative component of Convertible Bonds</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2018 (Audited)	421,229	11,933	433,162
Effective interest expense recognised in profit or loss	24,730	–	24,730
Interest paid	(21,061)	–	(21,061)
Loss on modification of terms	(19,891)	98,278	78,387
Fair value change	–	(82,903)	(82,903)
Conversion	(419,672)	(30,820)	(450,492)
Exchange realignment	14,665	3,512	18,177
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2018 (Audited)	<u>          </u>	<u>          </u>	<u>          </u>

The major inputs for the valuation of the fair value of the derivative component of the Convertible Bonds as at conversion date and modification date are shown as follows:

	<b>At conversion date</b>	<b>At modification date</b>
Share price	HK\$0.630	HK\$0.790
Conversion price	HK\$0.770	HK\$0.770
Risk-free rate	1.706%	1.837%
Volatility	38.81%	39.39%
	<u>          </u>	<u>          </u>

### 14. PLEDGE OF ASSETS

As at 30 June 2019, 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 2019, right-of-use assets related to leasehold land with aggregate carrying amounts of RMB45,016,000 (31 December 2018: land-use rights of RMB45,676,000) and certain buildings included in property, plant and equipment with aggregate carrying amounts of RMB259,692,000 (31 December 2018: RMB257,642,000) were pledged for the Group's bank loan facilities.
- (2) As at 30 June 2019, certain trade and bills receivables with carrying amounts of RMB240,147,000 (31 December 2018: RMB353,031,000) were pledged to secure the bank borrowings.
- (3) In accordance with several letters of guarantee, deposits with carrying amounts of RMB204,626,000 (31 December 2018: RMB612,792,000) were pledged for issuing letters of guarantee and borrowing facilities.
- (4) As at 31 December 2018, the amount represented deposits with carrying amounts of RMB710,000 pledged for the Group's applications of assets preservation in certain PRC legal proceedings.

## **EXTRACT OF REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

The Company's external auditor has issued a qualified conclusion 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 2019. An extract from the report on review of interim financial information is as follows:

### **BASIS FOR QUALIFIED CONCLUSION**

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

As set out in Note 18 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. Certain 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 were of the opinion that an amount of RMB265,564,000 (the "Recoverable Amount") was recoverable in prior periods. 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 up to 30 June 2018. As at 31 December 2018, full provision in respect of the Recoverable Amount was recognised and during the six months ended 30 June 2019, the Company's entire equity interest in the Subsidiary has been disposed of, further details of which are set out in Notes 18 and 24 to the interim condensed consolidated financial statements.

As set out in Note 18 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 was adjudicated to be jointly liable for the payment to the PRC bank of the outstanding loan, plus interest and costs. The Subsidiary 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 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 was adjudicated to be jointly liable for the payment to the PRC finance company of the outstanding loan, plus interest and costs.

As of 30 June 2018, the Subsidiary was in the process of applying for protests of the PRC court judgements in relation to Guarantee Agreements 1 and 2. Accordingly, the Group was of the view that the legal proceedings in relation to Guarantee Agreements 1 and 2 were still in progress notwithstanding the respective final court judgements and the rejection of the application of retrial in relation to Guarantee Agreement 1.

Based on the view that the legal proceedings were still in progress and with reference to legal opinions obtained and other factors, the directors considered that the likelihood of the Group sustaining losses from the Guarantee Agreements 1 and 2 was remote as it was 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 was considered necessary as at 30 June 2018. Full provisions for outstanding loans in relation to the Guarantee Agreements 1 and 2 were recognised as at 31 December 2018, further details of which are set out in Note 18 to the interim condensed consolidated financial statements.

In our review of the Company's interim condensed consolidated financial statements for the six months ended 30 June 2018, due to the inability to obtain sufficient evidence to ascertain whether the assessment on recoverability of the Recoverable Amount due from the Borrower and RMBNil provision for the Guarantee Agreements 1 and 2 for the six months ended 30 June 2018 were appropriate, our review conclusion on the Company's interim condensed consolidated financial statements for the six months ended 30 June 2018 was qualified on the above matters. Our review conclusion on the Company's interim condensed consolidated financial statements for the six months ended 30 June 2019 was also qualified because of the possible effect of limitations on the scope of our work on the comparability of the related figures in the interim condensed consolidated financial statements for the six months ended 30 June 2018.



**(b) Provision for loss on financial guarantee contract**

As set out in Note 18 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 was 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 proceeding was accepted by the PRC court in March 2018. Accordingly, the Group was of the view that the legal proceeding was still in progress notwithstanding the final court judgement and the rejection of the application of retrial. As at 30 June 2018, the withdrawn amount recoverable of RMB55,396,000 (the “Withdrawn Amount Recoverable”) was included in “Prepayments, deposits and other receivables” in the condensed consolidated statement of financial position.

As of 30 June 2018, the directors, with reference to legal opinion obtained and other factors, considered that the likelihood of the Group sustaining losses from the guarantee was remote as it was considered that the bank loan had sufficient underlying securities and the Subsidiary is only one of the guarantors for the bank loan. The directors believed that the Withdrawn Amount Recoverable would be fully recovered upon the conclusion of the protest of the PRC court judgements and no provision on the Withdrawn Amount Recoverable was considered necessary as at 30 June 2018. In addition, the directors were 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 amount was considered necessary as at 30 June 2018.

As of 31 December 2018, the Withdrawn Amount Recoverable of RMB55,396,000 was fully impaired, further details of which are set out in Note 18 to the interim condensed consolidated financial statements.

In our review of the Company’s interim condensed consolidated financial statements for the six months ended 30 June 2018, due to the inability to obtain sufficient evidence regarding whether the Group would be held liable for the PRC bank’s loss and the probability that the Group would incur loss under Guarantee Agreement 3, our review conclusion on the Company’s interim condensed consolidated financial statements for the six months ended 30 June 2018 was qualified on the above matters. Our review conclusion on the Company’s interim condensed consolidated financial statements for the six months ended 30 June 2019 was also qualified because of the possible effect of limitations on the scope of our work on the comparability of the related figures in the interim condensed consolidated financial statements for the six months ended 30 June 2018.

## **QUALIFIED CONCLUSION**

Except for the adjustments to the corresponding figures included in 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 Conclusion” 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**

Since the second half of 2018, due to the impact of trade tensions and tightening financial environment, the global economy remained weak till early 2019. In the latest World Economic Outlook issued by the International Monetary Fund (IMF) in July 2019, the IMF restated its concerns about the global economic slowdown. According to the report, the IMF further reduced its global economic growth rate for 2019 to 3.2%, which is 0.1% lower than its forecast in April. Despite that, emerging markets and developing economies such as China and India still contribute a major share to global economic growth. During the period from January to June 2019, China’s gross domestic product (GDP) grew by 6.3% compared with the Corresponding Period in 2018, which was in line with market expectations.

The Group has been deeply engaged in the lighting industry for more than 20 years and has established sales networks and channels in major countries and regions including Europe, Australia, South America, the Middle East and Southeast Asia, while stably developing its domestic businesses in China. In 2018, the Group successfully acquired Elec-Tech Solid State Lighting (HK) Limited (怡達(香港)光電科技有限公司), thus extending its reach to North America, developing businesses in overseas markets and increasing overseas sales. It is a key step for the strategic transformation of the Group to seek new breakthroughs in the international lighting market through enhancing development of overseas markets. During the Period under Review, the sales revenue of the Group amounted to RMB2,696,922,000, representing an increase of 36.6% as compared with the Corresponding Period, of which the sales revenue from international market increased by 43.8% as compared with the Corresponding Period.

### **PRC sales**

The Group mainly sells its products using NVC brand in the PRC market. NVC brand products of the Group were sold mainly through 34 exclusive regional distributors who had over 2,700 exclusive outlets by the end of Period under Review (100.0% coverage rate in the provincial capital; approximately 93.0% coverage rate in the prefecture-level cities). During the Period under Review, the Group continued to focus on the commercial lighting, household product retail and e-commerce channels, and adopted differentiation strategies to increase market share in different segment markets.

In the commercial lighting sector, the Group has continuously built its engineering business capability through market segmentation and specialized operation of sales organizations. As for the professional lighting sector, the Group continued to improve the 400 engineering systems, built or upgraded 90 exclusive outlets, and further optimized product combinations to enhance cost effectiveness and competitiveness of products. As for the outdoor lighting sector, the Group integrated production, research and sales resources to enhance its project operation capabilities, and jointly won the bid for numerous national landmark engineering projects with exclusive regional distributors, including the Beijing Expo, the Lighting Project for Wuhan Military World Games, the Lighting of Hengshui City and the Beijing Daxing International Airport, which demonstrated Group's high quality of products and brand attractions. As for the real estate and commercial chain sectors, through organizational reform and matching professional products and sales resources, the Group continued to expand strategic sourcing advantages, and successfully gained new strategic customers, including China Merchants Property, R&F and Oppein Group.

In the home lighting sector, the Group has continuously promoted the construction of home-style stores and terminal promotion activities. Based on maintaining existing revenue of the NVC brand, the Group has accelerated the construction of stores and increase of terminal sales of medium and high-end sub-brands including Zhidongfang and Leeds Castle. During the Period under Review, the Group successfully opened and upgraded over 500 exclusive outlets, and carried out more than 9,000 terminal promotion activities, covering more than 90% of its exclusive outlets. The Group also established dedicated teams to help exclusive regional distributors to implement more than 50 spring group buying and factory purchase activities, contributing sales revenue of over RMB200 million. In addition, during the Period under Review, the Group made efforts to strengthen the standardized management of exclusive regional distributors, with rating and classification of exclusive regional distributors, and increased the visiting rate and the conversion rate of stores through hierarchical management, and strengthened the operating standard of terminal stores.

In the e-commerce sector, the Group adopted prudent business strategies during the Period under Review. The Group continued to invest in online brands, markets, channels and personnel with focus on mainstream platforms such as Tmall, Jingdong, Suning and VIPS. During the Period under Review, the Group increased the terminal sales through expanding the product lineup including ceiling lamps, bath heaters and reading lamps and increasing the product exposure, and reduced supply chain costs by strengthening integration of suppliers and quality control to improve overall gross profit margin. We actively planned for promotion activities on various platforms, and our lamps sold on the e-commerce "618" campaign reached a total of over 3 million pieces through various online channels.

## **International sales**

Leveraging our years of operating experience in the domestic market segment, the Group has gradually shifted its strategic focus to overseas markets in recent years, and refined its operation in developed markets and emerging markets which were classified by regions. Developed markets, including the UK, Australia and North America, remained the key markets for the Group's development. In North America, during the Period under Review, the Group strengthened in-depth cooperation with key customers, optimized existing product lines and accelerated the launch of new products by using its technical advantages, and continuously promoted sales promotion activities for lines of products in great demand. Meanwhile, the Group adopted various incentive measures and helped customers reserve inventories to reduce the impact of trade frictions between China and the United States on sales, to ensure steady increase in sales. In the UK and Australia, during the Period under Review, the Group continued to maintain its wholesale businesses with major channel wholesalers, and further improved and optimized its cooperative product lines to increase the profit margin of products, and reduce inventories and increase the inventory turnover. The Group also made new breakthroughs in engineering projects, winning the bid for major projects including "Royal Albert Dock", and started to supply products. Meanwhile, the Group actively expands its business in Northern Europe, establishing formal cooperation with distributors in Denmark, Sweden, Finland and other major countries, and has started to supply products successively, which is expected to bring about continued revenue contributions. In addition, during the Period under Review, the Group obtained the exclusory right from Toshiba Lighting in the Japanese market, and successfully introduced new series of bulb lamps and ceiling lights to more than 9,000 home appliance stores in the Japanese market, which marked another upgrade of the Group's overseas strategy and represented a major breakthrough in meeting the goal of globalization of middle and high-end markets.

In emerging markets, the Group continued to explore potential markets with high demand in the Middle East and Southeast Asia countries, and actively adjusted its business models to adapt to rapidly changing market demands. In virtue of opportunities from major international tournaments such as Expo 2020 Dubai and 2022 Qatar World Cup, the Group established dedicated internal project support teams to follow up major engineering projects with all resources, such as the Lighting of Qatar VENDOME Mall, the Dubai Expo and the Schools under Ministry of Education of Saudi Arabia, seeking to acquire more engineering orders. During the Period under Review, with increasing terminal sales as its main goal, the Middle East Office also actively transformed its functions to focus on the development of new customers and projects and to follow up projects in North Africa, including Egypt and Algeria. In the Southeast Asia market, we continued to promote the 1,000-Store Program in the Indonesian market. During the Period under Review, we have established 18 regional distributors with 1,700 retail stores in the channel terminal, and carried out the pilot operation model of Store-in-Store in Eastern Europe and Italy. In line with China's development strategy of the Belt and Road Initiative, the Group also began to expand its presence in the ASEAN markets such as Vietnam and Cambodia during the Period under Review. A trade representative office has been established in Vietnam to implement initial market research and business development, while new engineering partnerships were also successfully developed in the Cambodian market to actively explore engineering projects in cooperation with local Chinese-funded enterprises and provide sound supporting services.

## **Product Research and Development and Brand Honour**

During the Period under Review, the Group focused on the product research and development and brand promotion closely in line with our goal to become a global leading provider for smart lighting solutions. Based on the development of new products, popular products and smart projects, our research and development focused on the demand of front-end markets to boost our terminal sales. During the Period under Review, the Group successfully developed 12 new commercial lighting products series, and closely followed the performance of new products, among which, the sales of NLED401 LED lamp holders and NLED100 LED ceiling spotlights ranked top 10 among commercial lighting products. In addition, the UFO light series, self-developed and designed by the Group, won the 2019 German Red Dot Award, which is an authoritative evidence of the Group's research and development strength. In the home lighting sector, based on its design philosophy of making quality products, the Branch Light Research Institute of the Group has completed 162 self-designed solutions for household products, while the Modern Light Research Institute has completed 98 self-designed solutions for household products during the Period under Review. Meantime, in the smart home lighting sector, the Group continued to promote its cooperation with Alibaba Artificial Intelligence Lab, Huawei, Hangzhou Research Institute of China Mobile, Google and Amazon in the IoT ecology, with an aim to strengthen the research and development of mid-tier and high-end smart home lighting solutions and accelerate the layout of smart lighting. In the 16th World International Brand Conference hosted by the World Brand Lab, the Group ranked first in the lighting industry brand with the brand value of RMB32.695 billion for eight consecutive years, further improving the Group's brand reputation.

## **Future Prospects**

In August 2019, the Company entered into a strategic cooperation with KKR, an international investment organization. KKR will hold 70% equity interests in the PRC lighting business, while the Group will hold the remaining 30% equity interests. KKR will, through investment, support the PRC lighting business to improve performance and create value, while the Group will receive cash consideration to pay back shareholders and develop overseas markets, and both parties will achieve win-win development. The sale is a key step for the Group's strategic transformation and business optimization, and is expected to contribute to the continuous expansion of overseas businesses.



Meanwhile, the Group will continue to make efforts over its existing channels and businesses. As for retail channels in North America, as a strategic supplier of the world's leading building material retailers, the Group will continue to maintain its characteristics and advantages of pioneering innovation and quick response, to ensure the supply of quarterly new products. Meanwhile, the Group will coordinate the development of new products with existing products, and further deepen and expand its product lines. In terms of commercial channels, the Group will adhere to the market positioning of providing highly cost-effective products, reorganize the sales team and streamline the sales agency hierarchy to enhance the overall profitability. In terms of product development, the Group will thoroughly analyze the existing product lines and focus on improving and expanding those profitable and market-leading product lines in existing product lines. In the Japanese market, while continuing to expand our consumer-oriented B2C business, we will gradually expand distributor-oriented B2B channels that will be gradually introduced into developed product lines, thus comprehensively enhancing our business in the Japanese market. In the Middle East market, the Group will continue to increase its resource investment in the Middle East and North Africa so as to enhance its acquisition of large and medium-sized projects. Meantime, the Group will upgrade the image and products of existing exclusive outlets in countries of the Gulf Region to enhance their ability to acquire small projects. The Middle East office will focus on the development of large projects and regional distributors in North Africa and the Levant region to improve the Group's sales network throughout the Middle East and North Africa. In the Southeast Asian market, we will continue to deepen sales channels in Indonesia, and explore a successful Indonesian model which will be reproduced in Vietnam and Cambodia.

In terms of internal management, the Group will continue to adhere to the established policy of reducing cost and improving efficiency, and improve the overall operation of the Group through adjusting and optimizing organizational structure, promoting refined management and innovating technological process. Meanwhile, the Group will also accelerate the arrangements for smart lighting and explore peripheral digital products of lighting. In other words, the Group will focus on the combination of non-pure lighting and artificial intelligence, and develop innovative products by using innovative technologies, and will focus on researching technically innovative products and application in relation to intelligence and lighting environment, so as to provide more consumers with matching smart lighting solutions.

## **FINANCIAL REVIEW**

### **Sales Revenue**

Sales revenue represents 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 RMB2,696,922,000, representing an increase of 36.6% as compared with the Corresponding Period.

With the continuous development of our businesses, the product segment classification of luminaire products, lamp products and lighting electronic products as originally disclosed was not suitable for the existing scope of business, so we no longer classify sales revenue by product segment. For business management need and the nature of business units based on the products and market, the Group reclassified the reportable operating segments as follows:

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

The table below sets forth the sales 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.

	<b>Six months ended 30 June</b>		
	<b>2019</b>	2018	<b>Growth rate</b>
	<b>RMB'000</b>	<i>RMB'000</i>	
<b>Sales revenue from PRC</b>			
NVC brand	<b>1,655,598</b>	1,213,938	<b>36.4%</b>
Non-NVC brands	<b>141,238</b>	133,967	<b>5.4%</b>
<i>Subtotal</i>	<b>1,796,836</b>	1,347,905	<b>33.3%</b>
<b>Sales revenue from international market</b>			
NVC brand	<b>86,472</b>	93,595	<b>(7.6%)</b>
Non-NVC brands	<b>813,614</b>	532,436	<b>52.8%</b>
<i>Subtotal</i>	<b>900,086</b>	626,031	<b>43.8%</b>
<b>Total</b>	<b>2,696,922</b>	1,973,936	<b>36.6%</b>

During the Period under Review, the PRC sales increased by 33.3%, of which the sales of NVC brand increased by 36.4%, mainly due to the revenue contribution from the newly acquired e-commerce business; the sales of the non-NVC brand increased by 5.4%, mainly due to the rise in the number of sales orders for non-NVC brand LED lighting sources and lighting electronic products; the international sales increased by 43.8%, of which the sales of the NVC brand decreased by 7.6%, mainly due to the fluctuation of international economy and the decrease in main customers' demands, while the sales of the non-NVC brand grew by 52.8% as compared with the Corresponding Period, mainly due to the revenue contribution from the newly acquired Elec-Tech business, which is expected to become an important sales growth point in the international market.

## 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 used in the production of our products and finished products produced by other manufacturers. 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			
	2019		2018	
	<i>Percentage in revenue</i>		<i>Percentage in revenue</i>	
	<i>RMB' 000</i>	<i>(%)</i>	<i>RMB' 000</i>	<i>(%)</i>
Raw materials (including outsourced manufacturing costs)	<b>1,591,058</b>	<b>59.0%</b>	1,248,792	63.3%
Labor costs	<b>132,147</b>	<b>4.9%</b>	129,438	6.6%
Indirect costs	<b>72,063</b>	<b>2.7%</b>	53,055	2.7%
<b>Total cost of sales</b>	<b><u>1,795,268</u></b>	<b><u>66.6%</u></b>	<b><u>1,431,285</u></b>	<b><u>72.5%</u></b>

During the Period under Review, the cost of sales as a percentage in revenue decreased from 72.5% to 66.6%, while the corresponding gross profit margin increased from 27.5% to 33.4%, mainly due to, on the one hand, the impact of the acquisition of subsidiaries, which resulted in an increase in the overall gross profit margin due to the increase in the proportion of e-commerce products with high gross profit margins, and on the other hand, the performance of the Group's continued efforts in reducing cost, as well as the combined effect of the structural change of product sales.

## 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 sales of the Group was RMB901,654,000, representing an increase of 66.2% as compared with the Corresponding Period, and gross profit margin of sales increased from 27.5% to 33.4%. The gross profit and gross profit margin by segments are shown as follows:



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

	<b>Six months ended 30 June</b>			
	<b>2019</b>		<b>2018</b>	
	<b>RMB'000</b>	<b>(%)</b>	<b>RMB'000</b>	<b>(%)</b>
<b>Gross profit from PRC sales:</b>				
NVC brand	<b>628,215</b>	<b>37.9%</b>	431,720	35.6%
Non-NVC brands	<b>29,739</b>	<b>21.1%</b>	22,535	16.8%
<i>Subtotal</i>	<b>657,954</b>	<b>36.6%</b>	454,255	33.7%
<b>Gross profit from international sales:</b>				
NVC brand	<b>25,987</b>	<b>30.1%</b>	29,607	31.6%
Non-NVC brands	<b>217,713</b>	<b>26.8%</b>	58,789	11.0%
<i>Subtotal</i>	<b>243,700</b>	<b>27.1%</b>	88,396	14.1%
<b>Total</b>	<b>901,654</b>	<b>33.4%</b>	542,651	27.5%

During the Period under Review, gross profit margin from PRC sales increased from 33.7% to 36.6%, mainly due to the positive impact of the higher gross profit margin from newly acquired e-commerce business, the structural change of product sales and the overall cost reduction. Gross profit margin from international sales increased from 14.1% to 27.1%, mainly due to the combined effect of the gross profit contribution from the acquisition of Elec-Tech business and the gradual entry of LED lighting products with higher gross profit margin into our main customer channels during the Period under Review.

### **Other Income and Gains**

Our other income and gains mainly consist of rental income, fair value gain of derivative component of convertible bonds, logistic income, government grants and interest income (the breakdown of other income and gains is provided in note 3 to the interim condensed consolidated financial statements on page 13 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 decreased to RMB77,449,000 as compared with the Corresponding Period, which was mainly due to gain on fair value change of the derivative component of convertible bonds of RMB75,138,000 in the Corresponding Period. No such gain incurred during the Period under Review as the convertible bonds were fully converted into shares of the Company during the Corresponding Period of 2018.

## **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 RMB386,323,000, representing a increase of 115.5% as compared with the Corresponding Period. The increase was mainly due to the increase in the staff cost, network platform commission and warehouse and installing fee resulting from the acquisition of subsidiaries. Our selling and distribution costs as a percentage in revenue increased from 9.1% to 14.3%.

## **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, impairment on other receivables 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 RMB814,104,000, representing a increase of 394.1% as compared with the Corresponding Period. The increase was mainly due to the impairment on trade and other receivables amounted to RMB576,423,000 mainly arising from the disposal of a subsidiary during the Period under Review and the increase in the staff cost and amortisation and depreciation resulting from the acquisition of subsidiaries. Our administrative expenses as a percentage in revenue increased from 8.3% to 30.2%.

## **Other Expenses**

Other expenses mainly consist of loss on 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 decreased to RMB21,591,000 as compared with the Corresponding Period, which was mainly due to a loss of RMB78,387,000 on modification of terms and extension of maturity of convertible bonds during the Corresponding Period. No such loss incurred during the Period under Review as the convertible bonds were fully converted into shares of the Company during the Corresponding Period of 2018.

## **Finance Costs**

Finance costs represent interests on bank loans, interest from lease liabilities, 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 net losses in the associates during the Period under Review.

## **Gain on Disposal of a Subsidiary**

During the Period under Review, the Company disposed of its entire interest in NVC Lighting (China) Co., Ltd. (“NVC China”), a subsidiary of the Company to an independent third party at a consideration of RMB100,000 and recorded a gain of RMB761,273,000. The net carrying liabilities of the subsidiary before disposed was RMB761,173,000.

## **Income Tax**

During the Period under Review, the Group’s income tax amounted to RMB90,444,000, representing an decrease of 27.4% as compared with the Corresponding Period. It is mainly due to the effect of deferred income tax of the Corresponding Period, which is 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 RMB393,216,000 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 RMB18,079,000. 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 RMB374,281,000 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 RMB18,935,000.

## Liquidity

### *Sufficiency of net current assets and working capital*

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

	<b>30 June 2019 RMB'000</b>	31 December 2018 RMB'000
<b>CURRENT ASSETS</b>		
Inventories	<b>704,765</b>	683,524
Trade and bills receivables	<b>1,431,517</b>	1,504,176
Prepayments, deposits and other receivables	<b>331,028</b>	361,313
Income tax recoverable	<b>1,458</b>	568
Other current assets	<b>33,857</b>	45,014
Financial assets held for trading	<b>32,582</b>	44,190
Restricted bank balances and short-term deposits	<b>244,626</b>	677,502
Cash and cash equivalents	<b>763,320</b>	912,998
	<hr/>	<hr/>
<b>Sub-total current assets</b>	<b>3,543,153</b>	4,229,285
	<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>		
Trade and bills payables	<b>1,470,113</b>	1,385,298
Other payables and accruals	<b>741,311</b>	1,324,472
Interest-bearing loans and borrowings	<b>489,370</b>	1,064,924
Lease liabilities	<b>25,039</b>	–
Government grants	<b>561</b>	1,612
Income tax payable	<b>228,563</b>	187,168
Derivative financial instruments	<b>–</b>	10,689
	<hr/>	<hr/>
<b>Sub-total current liabilities</b>	<b>2,954,957</b>	3,974,163
	<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>	<b>588,196</b>	255,122
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2019 and 31 December 2018, the total net current assets of the Group amounted to RMB588,196,000 and RMB255,122,000 respectively, and the current ratio was 1.20 and 1.06 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.

	<b>30 June 2019 RMB'000</b>	31 December 2018 RMB'000
Interest-bearing loans and borrowings	<u>489,370</u>	<u>1,064,924</u>
Total debt	<b>489,370</b>	1,064,924
Less: cash and cash equivalents and short-term deposits	<u>(1,007,946)</u>	<u>(1,590,500)</u>
Net debt	<u>N/A</u>	<u>N/A</u>
Total equity attributable to owners of the parent	<u><b>3,462,463</b></u>	<u>3,286,696</u>
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 borrowings less cash and cash equivalents and short-term deposits.

## Capital Expenditure

We funded our capital expenditure with cash generated from operations and bank loans and cash generated from issue of shares. 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 RMB66,388,000, 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 financial liabilities in relation to forward exchange contracts as at 31 December 2018, 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 2019, the capital commitments in respect of contribution into and acquisition of a joint venture, associates and investments and purchase of property, plant and equipment was RMB529,727,000 (31 December 2018: RMB514,259,000).

## **EVENTS AFTER THE PERIOD UNDER REVIEW**

In July 2019, NVC Global Solutions Limited, a wholly-owned subsidiary of the Company, proposed to invest an amount of RMB5,000,000 to establish NVC Overseas Corporation (Huizhou)\* (怡迅(惠州)光電科技有限公司) (“NVC Overseas”), a wholly-owned subsidiary. NVC Overseas is principally engaged in the development, production and sales of lighting products. As at the date of this announcement, the registered capital of NVC Overseas has not been fully paid.

In July 2019, NVC Global Solutions Limited, a wholly-owned subsidiary of the Company, invested an amount of SGD100 to acquire 100% of the equity of NVC Lighting & Electrical Technology Singapore Pte. Ltd. (“NVC Singapore”). NVC Singapore is a former subsidiary of Mr. WANG Dongming, a Director of the Company. Upon the completion of the acquisition, NVC Singapore is no longer a connected person of the Company. NVC Singapore is principally engaged in the development, production and sales of lighting luminaire products.

On 10 August 2019, the Company, LED Holdings Limited (“LED Holdings”), Brilliant Lights International Holding Pte. Ltd., Brilliant Lights Investment Pte. Ltd. (“Purchaser”) and KKR entered into a share purchase agreement (“Share Purchase Agreement”), pursuant to which the Company and LED Holdings have conditionally agreed to dispose of, and the Purchaser has conditionally agreed to acquire three wholly-owned subsidiaries of the Company (“Target Companies”), which are principally engaged in the manufacturing, sales and distribution of commercial lighting products and home lighting products as well as e-commerce business in the Mainland China market under the “NVC” brand, with a valuation of 100% of the equity of the Target Companies of RMB5,559,010,897, subject to the terms of the Share Purchase Agreement. After the closing of the disposal (“Closing”), the Company and KKR will respectively indirectly hold 30% and 70% of the total equity interests in the Target Companies and the Target Companies will not be consolidated into the consolidated financial statements of the Group. Subject to, among other things, the approval of the shareholders of the Company at an extraordinary general meeting and the Closing, the Board intends to declare a special dividend of not less than HK\$0.9 per share to the shareholders of the Company whose names appear on the register of members of the Company on a record date to be determined. Further details are contained in the announcement of the Company dated 11 August 2019.

## **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, INVESTMENTS AND DISPOSALS**

On 23 May 2019, Huizhou NVC, a wholly-owned subsidiary of the Company, invested an amount of RMB900,000 to acquire additional 90% of the shares of Zhongshan Leiya Lighting Company Limited\* (“Zhongshan Leiya”). Upon the completion of the acquisition, Zhongshan Leiya became a wholly-owned subsidiary of Huizhou NVC. Subsequently, Huizhou NVC contributed a capital amount of RMB5,000,000 to Zhongshan Leiya whose main business covers the development, production and sales of lighting luminaire products.

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 changes 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 2018, 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 2018 to 30 November 2019 with a maximum compensation amount of US\$40,000,000 (equivalent to approximately RMB274,528,000). 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. In respect of the exposure to domestic credit risk, we took the approach of requiring the customers to provide relevant guarantee, 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 2019.

## **EMPLOYEES**

As at 30 June 2019, the Group had approximately 7,122 employees in total (31 December 2018: 7,642). 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.

## **ADOPTION OF RESTRICTED SHARE UNIT SCHEME**

On 20 December 2018, the Board has approved the adoption of a restricted share unit scheme. Pursuant to the restricted share unit scheme, the Company may direct and procure the trustee to purchase Shares (either on-market or off-market) to satisfy the restricted share units upon vesting and to hold the purchased Shares on trust for the relevant participants until such restricted share units are vested with the relevant participants in accordance with the restricted share units scheme rules. Further details are set out in the announcement of the Company dated 20 December 2018. The restricted share units scheme has been approved at the extraordinary general meeting held on 25 January 2019.



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

During the Period under Review, the Company repurchased a total of 914,000 shares of the Company at prices ranging from HK\$0.495 to HK\$0.50 per share on the Stock Exchange, with an aggregate consideration of approximately HK\$453,750 (equivalent to approximately RMB392,000). The repurchased shares have been cancelled in April 2019. The Company considered that it was the best way of enhancing shareholder value and that it was in the best interest of the shareholders by returning a substantial part of the surplus funds to the shareholders.

## **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 before 22 February 2019, the Company deviated from this code provision. Mr. WANG Donglei is the director 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 the Board and its 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 the 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. However, Mr. WANG Donglei resigned as the chief executive officer of the Company on 22 February 2019 and Ms. CHAN Kim Yung, Eva has been appointed as the Chief Executive Officer of the Company on the same day. Since then, the roles of the chairman and chief executive officer have been separated and the requirement under Code Provision A.2.1 has been complied with. At present, the chairman of the Company is Mr. WANG Donglei and the chief executive officer of the Company is Ms. CHAN Kim Yung, Eva. 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. 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. During the Period under Review, Ms. CHAN Kim Yung, Eva has been appointed as a member of the Remuneration Committee with effect from 25 January 2019. Currently, the Remuneration Committee consists of three members, namely, Executive Director Ms. CHAN Kim Yung, Eva, 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. During the Period under Review, Ms. CHAN Kim Yung, Eva has been appointed as a member of the Strategy and Planning Committee with effect from 25 January 2019. Currently, the Strategy and Planning Committee consists of four members, namely, Executive Director Mr. WANG Donglei, Executive Director Mr. XIAO Yu, Executive Director Ms. CHAN Kim Yung, Eva 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. 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 2019 to the date of this announcement, the appointment and resignation of Directors and changes in the Directors’ information are as follows:

Ms. CHAN Kim Yung, Eva has been appointed as a member of the Remuneration Committee and a member of the Strategy and Planning Committee with effect from 25 January 2019; and the Chief Executive Officer with effect from 22 February 2019.

Mr. WANG Donglei has resigned as the Chief Executive Officer with effect from 22 February 2019.

Mr. LI Huating has resigned as a Non-executive Director with effect from 28 February 2019.

## **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 2019 will be included in the Company's interim report which will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.nvc-lighting.com.cn](http://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 and employees 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.
“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”	the six months ended 30 June 2018 (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.
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong.
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s 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.
“KKR”	Lighting Holdings II Pte. Ltd., a special purpose vehicle indirectly controlled by KKR Asian Fund III L.P. which is a limited partnership incorporated under the laws of Ontario, Canada.
“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 2019.
“RMB”	Renminbi, the lawful currency of the PRC.
“SGD”	Singapore dollars, the lawful currency of Singapore.
“Share(s)”	Ordinary share(s) of US\$0.0000001 each in the share capital of the Company.
“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, a private company incorporated in England and Wales on 31 May 2007, and our direct wholly-owned subsidiary.
- “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, 26 August 2019

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

*Executive Directors:*

WANG Donglei  
WANG Dongming  
XIAO Yu  
WANG Keven Dun  
CHAN Kim Yung, Eva

*Non-executive Director:*

YE Yong

*Independent Non-executive Directors:*

LEE Kong Wai, Conway  
WANG Xuexian  
WEI Hongxiong  
SU Ling