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 2016

Highlights for the six months ended 30 June 2016:

- The Group's revenue amounted to RMB1,762,749,000, representing a decrease of 0.5% as compared with the Corresponding Period.
- The Group's gross profit amounted to RMB456,046,000, representing an increase of 19.7% as compared with the Corresponding Period.
- The Group's profit before income tax amounted to RMB143,270,000, representing an increase of 86.2% as compared with the Corresponding Period.
- Profit attributable to owners of the parent amounted to RMB82,140,000, representing an increase of 381.1% as compared with the Corresponding Period.
- Basic earnings per share of the Company amounted to RMB2.63 cents.
- The Board of the Company has proposed not to declare an interim dividend (Corresponding Period: no interim dividend declared).

The board of directors (the "Board") of NVC Lighting Holding Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2016 (the "Period under Review"). The interim results have been reviewed by external auditor and the Audit Committee of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
REVENUE	2	**1,762,749**	1,772,247
Cost of sales		**(1,306,703)**	(1,391,308)
GROSS PROFIT		**456,046**	380,939
Other income and gains	3	**32,537**	42,995
Selling and distribution costs		**(140,412)**	(152,937)
Administrative expenses		**(167,724)**	(186,337)
Other expenses		**(40,184)**	(4,140)
Finance costs	4	**(4,957)**	(1,660)
Share of results of associates		**545**	(1,931)
Gain on disposal of a subsidiary		**7,419**	–
PROFIT BEFORE INCOME TAX		**143,270**	76,929
Income tax expense	5	**(45,012)**	(21,724)
PROFIT FOR THE PERIOD		**98,258**	55,205
Attributable to:			
Owners of the parent		**82,140**	17,073
Non-controlling interests		**16,118**	38,132
		98,258	55,205
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	6	**2.63 cents**	0.55 cents
Diluted	6	**2.63 cents**	0.55 cents

Details of the dividend are disclosed in note 7 to the interim condensed consolidated financial statements on page 12 of this announcement.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**98,258**	55,205
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(10,277)**	(1,542)
Fair value gain on available-for-sale financial assets	**2,600**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**90,581**	53,663
Attributable to:		
Owners of the parent	**74,626**	16,195
Non-controlling interests	**15,955**	37,468
	90,581	53,663

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2016** *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**695,989**	738,143
Prepaid land lease payments		**48,098**	48,758
Goodwill		**21,161**	21,161
Other intangible assets		**311,406**	294,974
Investments in associates		**34,275**	26,430
Investment in a joint venture		**100,000**	–
Available-for-sale financial assets		**24,600**	–
Deferred tax assets		**53,764**	51,567
Trade receivables with maturity more than one year	*9*	**13,214**	13,856
Prepayments for purchase of property, plant and equipment		**2,942**	26,859
Total non-current assets		**1,305,449**	1,221,748
CURRENT ASSETS			
Inventories	*8*	**426,897**	495,450
Trade and bills receivables	*9*	**1,239,411**	1,189,914
Prepayments, deposits and other receivables	*9*	**353,166**	344,778
Income tax recoverable		**4,978**	7,998
Other current assets		**22,585**	16,515
Restricted bank balances and short-term deposits	*9*	**250,949**	660,307
Cash and cash equivalents		**1,055,533**	903,849
		3,353,519	3,618,811
Assets of disposal group classified as held for sale		**–**	27,005
Total current assets		**3,353,519**	3,645,816
CURRENT LIABILITIES			
Trade and bills payables	*10*	**580,361**	611,498
Other payables and accruals		**520,491**	483,032
Interest-bearing loans	*11*	**44,911**	174,122
Government grants		**2,024**	2,034
Income tax payable		**43,642**	38,381
Convertible bonds - derivative component	*12*	**11,688**	–
		1,203,117	1,309,067
Liabilities of disposal group classified as held for sale		**–**	4,704
Total current liabilities		**1,203,117**	1,313,771
NET CURRENT ASSETS		**2,150,402**	2,332,045
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,455,851**	3,553,793

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

	Note	**30 June 2016** ***RMB'000*** **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Government grants		**13,917**	14,419
Deferred tax liabilities		**83,132**	83,345
Convertible bonds – liability component	*12*	**417,801**	–
Total non-current liabilities		**514,850**	97,764
Net assets		**2,941,001**	3,456,029
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**2**	2
Reserves		**2,839,835**	3,290,695
Proposed final dividend		**–**	26,210
		2,839,837	3,316,907
Non-controlling interests		**101,164**	139,122
Total equity		**2,941,001**	3,456,029

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016 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 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 2015, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") (which also include International Accounting Standards ("IASs") and Interpretations).

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 2015.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRSs. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

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

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRSs and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRSs electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to interim condensed financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to interim condensed financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

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

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

2. REVENUE AND SEGMENT INFORMATION

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

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

(a) Luminaire products segment: Luminaire products represent a complete lighting unit that consists of a lighting fixture, a lamp (namely the light source such as a light bulb or tube) and a lighting electronics device. The luminaire products are sold as complete lighting units or units without lamps and lighting electronics, based on the needs of end customers;

(b) Lamp products segment: Lamp products represent a range of light bulbs and tubes for compact fluorescent lamps, HID lamps, fluorescent lamps, halogen lamps and LED lamps; and

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

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

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

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

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

	Revenue Six months ended 30 June		**Results Six months ended 30 June**	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Luminaire products	**1,210,405**	1,060,923	**361,141**	254,369
Lamp products	**443,105**	580,272	**74,365**	102,269
Lighting electronic products	**109,239**	131,052	**23,900**	27,792
Total	**1,762,749**	1,772,247	**459,406**	384,430
Reconciliation				
Elimination of intersegment results			**(3,360)**	(3,491)
Interest income			**9,632**	10,686
Unallocated income and gains			**22,905**	32,309
Corporate and other unallocated expenses			**(347,483)**	(343,414)
Gain on disposal of a subsidiary			**7,419**	–
Finance costs			**(4,957)**	(1,660)
Fair value loss on the derivative component of convertible bonds			**(837)**	–
Share of results of associates			**545**	(1,931)
Profit before income tax			**143,270**	76,929

During the Period under Review, depreciation and amortisation recorded in the interim condensed consolidated statement of profit or loss amounted to RMB50,739,000, as compared with RMB57,741,000 with the Corresponding Period.

3. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	**12,783**	10,686
Government grants	**7,136**	18,616
Rental income	**997**	972
Trademark licence fees	**250**	4,146
Others	**2,497**	3,315
	23,663	37,735
Gains		
Exchange gains, net	**5,932**	5,080
Gain on disposal of items of property, plant, equipment	**2,598**	–
Sale of scrap materials	**344**	180
	8,874	5,260
	32,537	42,995

4. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**363**	1,137
Interest expenses on convertible bonds	**2,476**	–
Other interest expenses	**2,118**	523
	4,957	1,660

5. INCOME TAX EXPENSE

The Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which the subsidiaries are domiciled and operated. NVC Brasil is subject to enterprise income tax on its worldwide income with a basic rate of 15% and increased by a surtax of 10% on annual taxable profits exceeding BRL240,000. No provision for Hong Kong profits tax or the United Kingdom (the "UK") corporation income tax has been made as the Group has no assessable profits arising in Hong Kong or the UK during the Period under Review (Corresponding Period: RMBNil).

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
– Current income tax charge for the period	**46,603**	36,830
– Under/(over)-provision in respect of prior years	**819**	(5,546)
	47,422	31,284
Deferred tax	**(2,410)**	(9,560)
Total tax charge for the period	**45,012**	21,724

The Company's subsidiaries located in the PRC are subject to enterprise income tax at the statutory tax rate of 25%. According to the preferential tax policies in the PRC, two of our subsidiaries were recognised as western development enterprises by the local tax authorities and were entitled to the preferential tax rate of 15%, while the other three of our subsidiaries were recognised as high-tech enterprises by PRC tax authorities and were entitled to the preferential tax rate of 15%.

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

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the six months ended 30 June 2015 and 2016.

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2015 and 2016 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculation of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent for the purposes of basic earnings per share	**82,140**	17,073

	Six months ended 30 June	
	2016	2015
	'000 Shares	*'000 Shares*
	(Unaudited)	(Unaudited)
Shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**3,128,448**	3,128,448

7. DIVIDEND

The directors do not recommend the payment of any dividend for the six months ended 30 June 2015 and 2016.

8. INVENTORIES

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Raw materials	**69,673**	71,451
Work in progress	**18,300**	21,883
Finished goods	**338,924**	402,116
	426,897	495,450

During the Period under Review, the amount of the reversal of write-down of inventories recognised was RMB9,572,000 (Corresponding Period: write-down of RMB15,811,000), which was recorded in "Cost of sales" in the interim condensed consolidated statement of profit or loss.

9. TRADE AND BILLS RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES AND RESTRICTED BANK BALANCES AND SHORT-TERM DEPOSITS

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Trade receivables	**1,179,271**	1,135,749
Impairment	**(134,204)**	(118,992)
Trade receivables, net	**1,045,067**	1,016,757
Bills receivable	**207,558**	187,013
Less: Trade receivables with maturity more than one year [(1)]	**(13,214)**	(13,856)
Current portion	**1,239,411**	1,189,914

(1) The amount represented trade receivables due from a customer which was expected to be repaid beyond 12 months from 30 June 2016. In addition, an amount of RMBNil due from the same customer, net of impairment, was recorded as current as at 30 June 2016 (31 December 2015: RMB21,358,000). The Group does not hold any collateral or other credit enhancements over the trade receivable balances.

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

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Within 3 months	**792,949**	639,615
4 to 6 months	**140,967**	235,337
7 to 12 months	**63,647**	59,798
1 to 2 years	**27,738**	68,990
Over 2 years	**19,766**	13,017
	1,045,067	1,016,757

9. TRADE AND BILLS RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES AND RESTRICTED BANK BALANCES AND SHORT-TERM DEPOSITS *(Continued)*

Trade receivables of the Group represented proceeds receivable 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 an annual interest rate of 12%.

As at 30 June 2016, certain trade receivables of UK NVC with carrying amounts of RMB42,430,000 (31 December 2015: RMB22,153,000) were pledged to secure the bank borrowings of UK NVC as further set out in Note 11.

The maturity of the bills receivable of the Group as at 31 December 2015 and 30 June 2016 is within 6 months.

As at 31 December 2015 and 30 June 2016, except for the trade receivables with maturity over one year as mentioned above, the fair values of trade and bills receivables approximate to their carrying amounts largely due to the short-term maturities.

Included in prepayments, deposits and other receivables are the amounts due from a company of RMB550,924,000 (31 December 2015: RMB550,924,000) in aggregate arising from the rights held by the Group pursuant to several letters of counter guarantee issued by the company which was also one of the borrowers of the bank loans. The directors were of the opinion that an amount of RMB265,564,000 (31 December 2015: RMB265,564,000) was expected to be recoverable through the enforcement of counter guarantees. The unrecoverable amount of RMB285,360,000 has been provided for impairment as at 31 December 2015 and 30 June 2016.

Included in restricted bank balances and short-term deposits is a frozen bank balance of RMB54,758,000 and RMB55,076,000 as at 31 December 2015 and 30 June 2016 respectively.

10. TRADE AND BILLS PAYABLES

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade and bills payables to third parties	**540,556**	560,594
Trade and bills payables to related parties	**39,805**	50,904
	580,361	611,498

Bills payables are generally settled within 6 months.

10. TRADE AND BILLS PAYABLES *(Continued)*

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

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Within 3 months	**538,586**	589,303
4 to 6 months	**12,501**	4,654
7 to 12 months	**18,223**	7,694
1 to 2 years	**8,854**	9,660
Over 2 years	**2,197**	187
	580,361	611,498

As at 31 December 2015 and 30 June 2016, the fair values of trade and bills payables approximate to their carrying amounts largely due to the short-term maturities.

11. INTEREST-BEARING LOANS

	30 June 2016 (Unaudited)			31 December 2015 (Audited)		
	Contractual interest rate (%)	**Maturity**	***RMB'000***	Contractual interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – secured	**Base*+1.90**	**On demand[1]**	**42,430**	Base *+1.90	On demand[1]	22,153
				5.35%	2016[2&3]	27,800
				5.35%	2016[2&3]	22,200
				3.20%	2016[2]	101,969
Bank loan – unsecured	**4% per month**	**2016**	**2,481**			–
Total			**44,911**			174,122

1 The secured bank loan represented a GBP-dominated secured facility amounting to GBP8,000,000 (31 December 2015: GBP5,000,000), of which GBP4,756,000 (31 December 2015: GBP2,304,000) had been utilised as at the end of the Period under Review. The bank loan was secured by the pledge over certain trade receivables amounting to RMB42,430,000 (31 December 2015: RMB22,153,000), property in the UK with aggregate carrying amount of RMB45,536,000 (31 December 2015: RMBNil) and time deposits amounting to RMBNil (31 December 2015: RMB51,000,000). In accordance with the contract, the loan was repayable upon the collection of the factored trade receivables.

2 The secured banks loans represented RMB-denominated secured facilities. The bank loans were secured by the pledge of time deposits amounting to RMBNil (31 December 2015: RMB151,850,000).

3 The loan agreements contain repayment on demand clause.

* "Base" means the Bank of England base rate.

As at 30 June 2016, the fair value of interest-bearing loans approximate to their carrying amount largely due to the short-term maturities.

12. CONVERTIBLE BONDS

On 20 May 2016, the Company and an independent third party entered into a subscription agreement (the "Subscription Agreement") in relation to the issue of convertible bonds denominated in Hong Kong dollar ("HKD") in an aggregate principal amount of HKD500,000,000 (the "Convertible Bonds"). The Convertible Bonds have been 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") at an initial conversion price of HKD0.925 per share (subject to anti-dilutive adjustments); and

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

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

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

The movements of the liability component and derivative component of the Convertible Bonds during the six months ended 30 June 2016 are as follows:

	30 June 2016		
	Liability component of convertible bonds *RMB'000* **(Unaudited)**	**Derivative component of convertible bonds** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Issue of the Convertible Bonds	**416,493**	**10,841**	**427,334**
Effective interest expenses recognised to profit or loss	**2,476**	**–**	**2,476**
Interest paid	**(1,187)**	**–**	**(1,187)**
Fair value change	**–**	**837**	**837**
Exchange realignment	**19**	**10**	**29**
30 June 2016	**417,801**	**11,688**	**429,489**

12. CONVERTIBLE BONDS *(Continued)*

The major inputs for the valuation of the fair value of the derivative component of the Convertible Bonds as at the issue date and 30 June 2016 are shown as follows:

	Issue date	**30 June 2016**
Share price	HK$0.85	HK$0.82
Conversion price	HK$0.925	HK$0.925
Risk-free rate	0.6136%	0.4791%
Volatility	39.09%	38.87%
Dividend yield	0.78%	0.78%

13. CONTINGENT LIABILITIES

(a) As at 30 June 2016, contingent liabilities not provided for in the interim condensed consolidated financial statements were as follows:

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Guarantees given to banks and a finance company in connection with facilities granted to:		
2 PRC companies and Mrs. WU Lian, an individual	**131,497**	131,497

(b) The Group currently acts as defendant in lawsuits brought by 2 PRC banks and a PRC finance company alleging that the Group should assume guarantee liabilities and interests according to guarantee agreements. The directors consider that the likelihood of the Group sustaining further losses from the guarantees is remote, and accordingly no provision for claims arising from the litigations is considered necessary as at 31 December 2015 and 30 June 2016, save for the related legal and other costs.

14. PLEDGE OF ASSETS

As at 30 June 2016, 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 2016, certain land use rights with aggregate carrying amounts of RMB48,973,000 (31 December 2015: RMB49,633,000) and certain buildings included in property, plant and equipment with aggregate carrying amounts of RMB242,728,000 (31 December 2015: RMB248,348,000) were pledged for the Group's applications of assets preservation in certain PRC legal proceedings.

(2) As at 30 June 2016, certain trade receivables with carrying amounts of RMB42,430,000 (31 December 2015: RMB22,153,000) and property in UK with aggregate carrying amount of RMB45,536,000 (31 December 2015: RMBNil) were pledged to secure the bank borrowings.

(3) In accordance with several letters of guarantee, deposits with carrying amounts of RMB21,724,000 (31 December 2015: RMB20,258,000) were pledged for issuing letters of guarantee.

(4) The deposits with carrying amounts of RMB26,501,000 (31 December 2015: RMB26,501,000) were pledged for the Group's applications of assets preservation in certain PRC legal proceedings.

(5) Deposits with carrying amounts of RMB3,348,000 (31 December 2015: RMB4,613,000) were pledged for issuing bank acceptance bills.

(6) In accordance with agreements of deposits, deposits with an aggregate carrying amount of RMB202,850,000 as at 31 December 2015 was pledged to a bank to secure bank loans of subsidiaries of the Group.

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 2016. 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. 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 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. As at 31 December 2015 and 30 June 2016, other receivables of RMB550,924,000 due from the Borrower were included in "Prepayments, deposits and other receivables" in the interim condensed consolidated statement of financial position as set out in Note 14 to the interim condensed consolidated financial statements. The directors are of the opinion that an amount of RMB265,564,000 (the "Recoverable Amount") is recoverable as at 31 December 2015 and 30 June 2016, and accordingly a provision for the unrecoverable amount of RMB285,360,000 had been charged in profit or loss of the Group since 2014 and up to 30 June 2016.

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 have taken legal actions against the respective borrowers and the guarantors (including the Subsidiary and the Borrower as guarantors) to recover the loan balances and interests. The directors consider that the likelihood of the Group sustaining losses from the Guarantee Agreements 1 and 2 is remote as it is considered that the loans had sufficient underlying securities including the Borrower's guarantees and the Subsidiary is only one of the guarantors for the loans. As a result, the directors consider that no provision thereon is considered necessary as at 31 December 2015 and 30 June 2016.

However, as the legal proceedings are still in progress, we are not able to assess the likely outcome of the legal proceedings in respect of the amount that the Group would recover from the Borrower's assets as determined by the court and the amount ultimately to be recovered from the Borrower in connection with the Pledge and Guarantee Agreements, and to determine if any provision arising from the Guarantee Agreements 1 and 2 is necessary. As a result, we are not able to ascertain the recoverability of the Recoverable Amount due from the Borrower and appropriateness of the provision respectively as at 31 December 2015 and 30 June 2016.

Any adjustments to the Recoverable Amount due from the Borrower and any provision to be recognised as at 31 December 2015 and 30 June 2016 would have a consequential impact on the Group's net assets as at 30 June 2016, and the Group's financial performance for the six months ended 30 June 2016.

Had we been able to complete our review of the Recoverable Amount due from the Borrower and provision to be recognised as at 31 December 2015 and 30 June 2016, matters might have come to our attention indicating that adjustments might be necessary to the interim financial information.

(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 has taken 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 RMB54,758,000 and RMB55,076,000 had been frozen by the bank as at 31 December 2015 and 30 June 2016 respectively. The directors consider that the likelihood of the Group sustaining losses from the guarantee is remote as it is considered that the bank loan had sufficient underlying securities and the Subsidiary is only one of the guarantors for the bank loan. The directors believe that the frozen bank balance as included in "Restricted bank balances and short-term deposits" will be released upon the conclusion of the legal proceedings and no provision is considered necessary as at 31 December 2015 and 30 June 2016. In addition, the directors are of the opinion that no provision on any shortfall between the amount to be ultimately settled by the Group under the Guarantee Agreement 3 and the Subsidiary's frozen bank balance is considered necessary as at 31 December 2015 and 30 June 2016.

However, as the legal proceedings are still in progress, we are not able to assess the likely outcome of the legal proceedings, and accordingly, we are not able to ascertain whether any provision on the frozen bank balance as at 31 December 2015 and 30 June 2016, and any shortfall between the amount to be ultimately settled by the Group under the Guarantee Agreement 3 and the Subsidiary's frozen bank balance is required to be made as at 31 December 2015 and 30 June 2016.

Any provisions that should have been made as at 31 December 2015 and 30 June 2016 would have a consequential impact on the Group's net assets as at 30 June 2016, and the Group's financial performance for the six months ended 30 June 2016.

Had we been able to complete our review of the provisions that should have been made as at 31 December 2015 and 30 June 2016, matters might have come to our attention indicating that adjustments might be necessary to the interim financial information.

QUALIFIED CONCLUSION

Except for the adjustments to the interim financial information that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

OTHER MATTER

The comparative figures for the six months ended 30 June 2015 included in the interim financial information were not reviewed in accordance with HKSRE 2410.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During the Period under Review, the global economy was unstable with the occurrence of a series of impactful risks and no sign of growth in major economies. The expectation of U.S. Federal Reserve rate hike stirred up market sentiment, while Brexit also posed great impacts to the European Union and global economies. The negative effects triggered by both political and economic turmoil have hindered the global economic recovery.

As indicated by the National Bureau of Statistics, the nationwide GDP increased 6.7% year-on-year in the first half of 2016. The PRC economy has entered into a new era of "New Normal" with economic slowdown, industrial restructuring, and economic development modification. Guided by the different policies progressively launched such as "the Belt and Road" initiative, "Made in China 2025" and "Internet Plus", the PRC semi-conductor lighting industry will trend toward intelligence, informatisation, quality enhancement and standardisation in 2016. Meanwhile, the real estate market in China has rebounded as a result of various state policies of destocking housing inventories and the surge of new bank leading which in turn fuels the demand for the lighting industry.

The LED lighting industry has been developing rapidly with frequent product updates and inter-generational product transition that increases the market demand for replacement, resulting in the prevalence of mergers and acquisitions, industry restructuring and company closure. Major LED lighting enterprises have embarked on adjusting their marketing strategies to explore their own niches with an attempt to focus on segmented market. Enterprises have also started to pay attention to the importance of luminous efficacy and quality enhancement so as to provide customers with more intelligent, personalised and quality lighting experience, in search of new business development. As the kick-starting year for the "13th Five-year Plan" in 2016, the development of "Smart City" has become an inevitable trend in China. As a stepping stone for "Smart City" development, intelligent lighting will undergo a new round of development with the aid of new policy implementations.

Progress on Litigation

From December 2014 onwards, a subsidiary of the Company (the "Subsidiary") initiated a series of court proceedings in the PRC against Mr. WU Changjiang, a former director and former chief executive officer of the Company, and others in relation to a number of pledges and guarantees entered into by Mr WU Changjiang purportedly on behalf of the Subsidiary, and certain counter guarantees provided by a PRC company. The Subsidiary is also a co-defendant in three PRC court actions commenced by two PRC banks and a finance company, respectively, in relation to several purported pledges and guarantees entered into by Mr WU Changjiang. Please refer to the Company's 2015 Annual Report for more information.

In relation to one of the aforementioned court actions commenced by a PRC bank (the "Bank") against the Subsidiary as a co-defendant, certain funds held by the Subsidiary had been frozen by the Bank. In addition, the Company received a judgment from the Chongqing Fifth Intermediate People's Court (the "Judgment") in May 2016, which, among other things, ordered that the Subsidiary was jointly and severally liable with another PRC company for the payment of RMB60,000,000, plus interest and costs, to the Bank. Please refer to the announcement of the Company dated 22 May 2016 for details. The Company has filed an appeal against the Judgment with the Chongqing Higher People's Court, and the outcome of the appeal is pending.

Business Review

2016 is the year of reform implementation for the Group. In respect of the market positioning, the Group expedited the simultaneous development of "Commercial Lighting + Household Lighting". The Group continued to push forward the rapid development of commercial lighting while actively explored the business opportunities of household lighting with an aim to achieve remarkable growth results of household lighting and commercial lighting businesses. In relation to channels expansion, leverage on its competitive edge in engineering project, the Group won the bids and commenced operation for the "G20 Summit Hangzhou Qianjiang Century City Lighting Project", and significant municipal projects including the "Liuzhou Feng Qing Gang Lighting Project" and "Xiangjiang Lighting Project". Meanwhile, the Group has also secured a group of large-scale chained commercial clients led by Evergrande Group (恒大集團) and Greenland Group (綠地集團). In terms of the products, the Group adopted a dual model of "Quality + Design" that enhanced the functionality, craftsmanship and appearance of the products to strive for excellence and refinement. In particular, the commercial lighting business has shifted its focus from the general market to segmented market. The Group adhered to mid- and high-end positioning for its household lighting products to achieve unity in professionalism, technology and art with its competitiveness in design and price-to-performance ratio. As for product management, the Group continued to enhance supply chain management and optimize the manufacturing processes to improve its responsiveness. The application of the lean production and management system as well as the "Amoeba" operating concept imposed strict production and labor cost control and lifted up the overall operating efficiency. Furthermore, the Group has been proactively seeking opportunities to reinforce the complementarity among industry players and accelerate overseas market expansion, and also enhanced the international influence of the NVC brand by means of various major sport events. Overall, the Group has witnessed fruitful outcomes from the standardisation measures while the costs and fees have been effectively controlled since the implementation of reform and transformation, contributing to the remarkable growth in the Group's overall results.

Sales and distribution

As for the NVC brand in the PRC market, the Group incorporated 38 exclusive regional distributors during the Period under Review. The exclusive regional distributors had a total of 3,187 exclusive outlets (100.0% coverage rate in the provincial capital, 93.9% coverage rate in the prefecture-level cities, 68.0% coverage rate in the county-level cities, and 1.8% coverage rate in the town centers), representing a decrease of 250 exclusive outlets as compared with the Corresponding Period. Such decrease was mainly due to the elimination of some underperforming outlets while reforming and upgrading the advantageous outlets so as to increase the sales volume of each outlet. Apart from the exclusive outlets, the exclusive regional distributors also had a total of 1,143 exhibition counters and exhibition walls. During the Period under Review, the Group strengthened the construction of household sales channels, integrated products and suppliers' resources, and set up a comprehensive household marketing system. Meanwhile, the Group endeavored to transfer traditional channels to O2O business model in order to realise the advantages of both offline servicing and online cost-effectiveness, aiming at providing consumers with perfect shopping experiences and products with high price-to-performance ratio. Driven by the revenue growth of household lighting products during the Period under Review, the sales volume of NVC brand products in the PRC reached RMB1,073,119,000, representing a 13.2% increase as compared with the Corresponding Period.

In respect of the NVC brand in the international market, the Group restructured the product lines in light of "Technology + Art" to gradually broaden and deepen the sales channels, while expedited the NVC brand globalisation strategy grasping the opportunities arising from Rio Olympic Games during the Period under Review. Product development will incline toward international standard and take reference to the product series and positioning of large-scale international enterprises for technology advancement, in order to enhance the market positioning and quality control of the products. In terms of channel development, the number of engineering projects in Middle East continued to grow, while projects like the Qatar FIFA World Cup and the top 10 family-operated hotels in United Arab Emirates were in smooth progress. At the same time, the Group has actively expanded the Southeast Asia market by launching the NVC brand and project in Indonesia. In addition, with reference to the successful market development by the UK NVC, the Group has kicked off the preparation work for setting up offices in Singapore and Dubai. The UK, Brazil, Dubai and Singapore offices will form a stronghold of service and support network covering global front-end markets upon completion to provide clients with more immediate and prompt services. However, dragged by the international economic situation during the Period under Review, the international sales volume of NVC brand products dropped 6.1% from the Corresponding Period to RMB178,718,000.

For non-NVC brands in the PRC and the international markets, the Group mainly supplied well-known lighting enterprises with energy-saving lamps, energy-saving light tubes and accessories in the form of ODM. The Group's non-NVC brands were in a gradual transition from traditional lighting products to LED lighting products. Impacted by the shrinking market share of the traditional lighting products during the Period under Review, the total sales volume of non-NVC brand products was RMB510,912,000, representing a drop of 19.4% as compared with the Corresponding Period.

Product research, development and design

During the Period under Review, the roadmap of the Group's research and development focus on "Technology + Art". In relation to the development of new products and new technology, the Group continued to promote the product platforms, modularisation, serialisation and standardisation. During the Period under Review, the Group launched 39 new products in the luminaire series, and started to conduct research on smart lighting. In respect of the enhancement of production efficiency, the Group kept pushing forward the reform of production automation and semi-automation. The cost of existing products reduced as a result of various proactive measures including the standardisation of components and parts, advancement of technical processes, minimization of procurement categories, as well as the adoption of bulk procurement. During the Period under Review, the Group invested RMB25,944,000 in research and development, accounting for 1.5% of the Group's revenue. As at 30 June 2016, the Group had a workforce of 346 in product design and research and development. Furthermore, the Group applied for 45 new patents with 14 patents granted and approved during the Period under Review.

Brand promotion and honors

2016 marked the third year for the Group's in-depth cooperation in brand promotion with Federation Internationale de Natation ("FINA"). The Group continued to adopt the sports marketing strategy through being the title sponsor for the 2016 FINA Diving World Series and the 2016 FINA Men's Water Polo World League to enhance the international influence of NVC brand. Furthermore, the Group cooperated with platforms like Chimelong Group (長隆集團) and Champions League (冠軍聯盟) proactively to satisfy the needs of different consumer groups by working with respective clients, with an aim to achieve the unity of product quality and efficacy. Meanwhile, UK NVC, a wholly-owned subsidiary of the Group, was granted the "Best Foreign Enterprise Award" by the British Chambers of Commerce for its outstanding localisation strategies and excellent development prospects. UK NVC was also selected as one of the 21 featured case studies in the "China-Britain Belt and Road Case Studies Report 2016", which was jointly issued by China-Britain Business Council and Tsinghua University, representing the general public's recognition to and certification of the NVC brand. In June 2016, the Group was rated by the Top 500 Chinese Brand Evaluation Committee and the World Brand Value Lab respectively as one of the "China's 500 Most Valuable Brands" in 2016 with the brand value of RMB15.397 billion, consolidating its leading position in the lighting industry for five consecutive years.

FINANCIAL REVIEW

Revenue

Revenue represents the net amount of the invoiced value of goods sold, after allowances for returns and trade discounts. During the Period under Review, the turnover of the Group amounted to RMB1,762,749,000, representing a decrease of 0.5% as compared with the Corresponding Period. In particular, the LED lighting products recorded revenue of RMB1,176,887,000 with a drastic increase of 94.8% from the Corresponding Period.

Revenue by product segments

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

	Six months ended 30 June		
	2016	2015	Growth rate
	RMB'000	*RMB'000*	
Luminaire products	**1,210,405**	1,060,923	14.1%
Lamp products	**443,105**	580,272	-23.6%
Lighting electronic products	**109,239**	131,052	-16.6%
Total	**1,762,749**	1,772,247	-0.5%

During the Period under Review, the sales of luminaire products increased 14.1% mainly attributed to the successful transformation of the Group's diversified business models and the remarkable growth in the sales of household lighting products, accounting for an important revenue growth source of the Group. Sales of lamp products and lighting electronic products recorded a decrease of 23.6% and 16.6% respectively, mainly due to the transformation of some lamp products and lighting electronic products from traditional lighting to LED lighting, as well as the declining sales volume and unit price of traditional lighting products under the fierce market competition of LED lighting products.

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

The table below sets forth the revenue by geographical locations, NVC brand products and non-NVC brand products and the growth rate of each item. Our non-NVC brand products primarily consist of ODM products.

	Six months ended 30 June		
	2016	2015	Growth rate
	RMB'000	*RMB'000*	
Sales revenue from PRC			
NVC brand	**1,073,119**	947,780	13.2%
Non-NVC brand	**137,967**	157,992	-12.7%
Subtotal	**1,211,086**	1,105,772	9.5%
Sales revenue from international market			
NVC brand	**178,718**	190,370	-6.1%
Non-NVC brand	**372,945**	476,105	-21.7%
Subtotal	**551,663**	666,475	-17.2%
Total	**1,762,749**	1,772,247	-0.5%

Revenue by LED lighting products and non-LED lighting products

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

	Six months ended 30 June		
	2016	2015	Growth rate
	RMB'000	*RMB'000*	
LED lighting products	**1,176,887**	604,264	94.8%
Non-LED lighting products	**585,862**	1,167,983	-49.8%
Total	**1,762,749**	1,772,247	-0.5%

Cost of Sales

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

	Six months ended 30 June			
	2016		2015	
	RMB'000	***Percentage in revenue (%)***	*RMB'000*	*Percentage in revenue (%)*
Raw materials	**707,830**	**40.2%**	889,459	50.2%
Outsourced manufacturing costs	**415,973**	**23.6%**	253,843	14.3%
Labor costs	**127,452**	**7.2%**	162,146	9.1%
Indirect costs	**55,448**	**3.1%**	85,860	4.9%
Total cost of sales	**1,306,703**	**74.1%**	1,391,308	78.5%

During the Period under Review, the cost of sales as a percentage to revenue decreased from 78.5% to 74.1%, the gross profit margin increased from 21.5% to 25.9% accordingly, mainly due to the comprehensive cost saving measures adopted by the Group, including public procurement and tendering, strengthening inventory management, restructuring of the production flow, and the implementation of "Amoeba" operating and lean production, etc., which have significantly controlled the costs and improved the overall gross profit margin level.

Gross Profit and Gross Profit Margin

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

During the Period under Review, gross profit of the Group was RMB456,046,000, representing an increase of 19.7% as compared with the Corresponding Period, gross profit margin increased from 21.5% to 25.9%. The gross profit and gross profit margin by segments are as follows:

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

	Six months ended 30 June			
	2016		2015	
	RMB'000	***(%)***	*RMB'000*	*(%)*
Luminaire products	**361,142**	**29.8%**	254,369	24.0%
Lamp products	**71,439**	**16.1%**	103,226	17.8%
Lighting electronic products	**23,465**	**21.5%**	23,344	17.8%
Total	**456,046**	**25.9%**	380,939	21.5%

During the Period under Review, gross profit margin of luminaire products increased by 5.8% to 29.8% as compared with the Corresponding Period, which is mainly attributable to the implementation of effective and comprehensive cost reduction measures and the contribution from increasing proportion of household lighting products with higher gross profit margin. Gross profit margin of lamp products decreased by 1.7% to 16.1% as compared with the Corresponding Period, which is mainly due to the unsaturated production capacity and decline in selling price of traditional lamp products. Gross profit margin of lighting electronic products increased by 3.7% to 21.5% as compared with the Corresponding Period, which is attributable to the Group's comprehensive cost reduction measures, as well as the impacts of the product structure adjustment and the fluctuation of exchange rate.

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

	Six months ended 30 June			
	2016		2015	
	RMB'000	***(%)***	*RMB'000*	*(%)*
Gross profit from PRC sales:				
NVC brand	**318,099**	**29.6%**	222,940	23.5%
Non-NVC brands	**19,880**	**14.4%**	21,646	13.7%
Subtotal	**337,979**	**27.9%**	244,586	22.1%
Gross profit from international sales:				
NVC brand	**48,871**	**27.3%**	46,014	24.2%
Non-NVC brands	**69,196**	**18.6%**	90,339	19.0%
Subtotal	**118,067**	**21.4%**	136,353	20.5%
Total	**456,046**	**25.9%**	380,939	21.5%

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

	Six months ended 30 June			
	2016		2015	
	RMB'000	***(%)***	*RMB'000*	*(%)*
LED lighting products	**337,093**	**28.6%**	151,806	25.1%
Non-LED lighting products	**118,953**	**20.3%**	229,133	19.6%
Total gross profit	**456,046**	**25.9%**	380,939	21.5%

Other Income and Gains

Our other income and gains mainly consist of trademark license fees, rental income, gain on sales of scrap materials, gain on disposal of items of property, plant and equipment, 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 10 of this announcement). We received various types of government grants as 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 necessarily be recurring in nature. We licensed our trademark to a limited number of related companies and a third party company at one to three percent of the companies' sales amount as trademark license fees. During the Period under Review, other income and gains were RMB32,537,000, representing a decrease of 24.3% as compared with the Corresponding Period, which was mainly due to the decrease in trademark license fees and government subsidies during the Period under Review.

Selling and Distribution Costs

Our selling and distribution costs mainly consist of freight costs, advertising and promotion expenses, staff costs and others 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 RMB140,412,000, representing a decrease of 8.2% as compared with the Corresponding Period, which was mainly attributable to the decrease in marketing and promotion fee as well as the control in office expenses. Our selling and distribution costs as a percentage of revenue dropped from 8.6% to 8.0%.

Administrative Expenses

Our administrative expenses mainly consist of staff costs, amortisation and depreciation, research and development expenses, office expenses and others, which mainly include taxes, audit fees, other professional fees, bad debt provision and miscellaneous items. 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 RMB167,724,000, representing a decrease of 10.0% as compared with the Corresponding Period. The decrease was mainly attributable to the decrease in staff costs and the legal consultation fees as compared with the Corresponding Period. Our administrative expenses as a percentage in revenue decreased from 10.5% to 9.5%.

Other Expenses

Other expenses mainly consist of losses on disposal of property, plant and equipment and scrap materials, impairment loss of property, plant and equipment, donation, exchange losses and other miscellaneous expenses. During the Period under Review, our other expenses increased significantly compared with the Corresponding Period, which was mainly due to the increase of impairment loss of production equipment for traditional lighting products.

Finance Costs

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

Share of Results of Associates

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

Gain on Disposal of a Subsidiary

This item represents the Group's gain from the disposal of a subsidiary during the Period under Review.

Income Tax Expense

During the Period under Review, the Group's income tax expense increased significantly to RMB45,012,000 as compared with the Corresponding Period, which is mainly attributable to the higher income tax rates of the profitable subsidiaries including Huizhou NVC and Zhongshan NVC.

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 interest) was RMB98,258,000 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 RMB10,277,000. These exchange differences primarily arose from the translation of the financial statements of the Company and the 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 RMB82,140,000 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 RMB16,118,000.

Liquidity

Net current assets and working capital sufficiency

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
CURRENT ASSETS		
Inventories	**426,897**	495,450
Trade and bills receivables	**1,239,411**	1,189,914
Prepayments, deposits and other receivables	**353,166**	344,778
Income tax recoverable	**4,978**	7,998
Other current assets	**22,585**	16,515
Restricted bank balances and short-term deposits	**250,949**	660,307
Cash and cash equivalents	**1,055,533**	903,849
	3,353,519	3,618,811
Assets of disposal group classified as held for sale	**–**	27,005
Sub-total current assets	**3,353,519**	3,645,816
CURRENT LIABILITIES		
Trade and bills payables	**580,361**	611,498
Other payables and accruals	**520,491**	483,032
Interest-bearing loans	**44,911**	174,122
Government grants	**2,024**	2,034
Income tax payable	**43,642**	38,381
Convertible bonds – derivative component	**11,688**	–
	1,203,117	1,309,067
Liabilities of disposal group classified as held for sale	**–**	4,704
Sub-total current liabilities	**1,203,117**	1,313,771
NET CURRENT ASSETS	**2,150,402**	2,332,045

As at 30 June 2016 and 31 December 2015, the total net current assets of the Group amounted to RMB2,150,402,000 and RMB2,332,045,000 respectively, and the current ratio was 2.79 and 2.78 respectively. In light of our current liquidity position, the unutilised banking facilities available to the Group and our projected cash inflows generated from operations, the Directors believe that we have sufficient working capital for our present requirements and for the next 12 months.

Capital Management

The table below sets out our gearing ratio as at the end of the Period under Review.

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Interest-bearing loans	**44,911**	174,122
Total debt	**44,911**	174,122
Less: cash and cash equivalents and short-term deposits (excluding restricted bank balances)	**(1,251,406)**	(1,523,502)
Net debt	**N/A**	N/A
Total equity attributable to owners of the parent	**2,839,837**	3,316,907
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 through 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 less cash and short-term deposits (excluding restricted bank balances).

Capital Expenditure

We funded our capital expenditure with cash generated from operations and bank loans and cash generated from issue of shares or Convertible Bonds. Our capital expenditure is primarily related to expenditure on property, plant and equipment, prepaid land lease payments and other intangible assets. During the Period under Review, the Group's capital expenditure amounted to RMB66,755,000, mainly attributable to the increase in leasehold improvements, machinery equipment, moulds, non-productive equipment and patent.

Off-balance Sheet Arrangement

Except for the derivative component of Convertible Bonds mentioned in note 12 to the interim condensed consolidated financial statements, we did not have any outstanding derivative financial instruments or off-balance sheet guarantees for outstanding loans. We did not engage in trading activities involving non-exchange traded contracts.

Capital Commitments

As at 30 June 2016, we had capital commitments of RMB131,631,000 for the acquisition of property, plant and equipment.

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

Operating Lease

As a lessee, we leased certain of our office properties under operating lease arrangements, with leases negotiated for terms ranging from one to five years. There are no restrictions placed on us by entering into these leases. As at the end of the Period under Review, our total future minimum lease payments under non-cancellable operating lease falling due in the next five years will be RMB17,656,000.

As a lessor, we leased plants and offices under operating lease arrangements with leases negotiated for terms ranging from one to five years. The terms of the leases generally require tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions. As at the end of the Period under Review, our total future minimum lease receivables under non-cancellable operating leases with our tenants falling due in the next five years will be RMB3,700,000.

FUTURE PROSPECTS

The Group achieved significant results from all standardisation measures since reform implementation and transformation have taken place, achieving fruitful results in the first half year. In the future, the Group will continue to adhere the strategy of "Sales Promotion, Product Enhancement, Brand Building and Cost Control", shaping the Group as the pinnacle in the lighting industry through framing a high-end brand with the perfect blend of technology and art.

In respect of "Sales Promotion", the Group will conduct channel expansion in the domestic commercial lighting market, the domestic household lighting market and the overseas market. The Group will gradually set up a sound product system for the segmented market in the domestic commercial lighting market, coupled with the implementation of engineering project management and the enhancement of project delivery capability. For the domestic household lighting market, the Group will reinforce intensive training and terminal management to form professional household retail teams and town channel development teams so as to capture the market share in the region. Meanwhile, the Group will carry out renovation of exclusive outlets. It is estimated that there will be over 700 reformed or newly established exclusive outlets. As for the overseas market, the Group will deploy more resources on the development of project distributors in the regions of Southeast Asia, Middle East, and Eastern Europe, with an estimation of 20 more new project distributors. The Group will also make great efforts to develop exclusive outlets, shops-in-shops and exhibition walls. It is estimated to add 100 outlets for our brand.

With respect to "Product Enhancement", the Group will focus on adjusting product structure and product mix of commercial lighting and household lighting products. Art and intelligence will become the newly defined consumer demands. In particular, the development focus in commercial lighting products will shift from the general market to segmented market, whereas the household lighting products will focus on mid-and high-end products so as to achieve unity in professionalism, technology and art.

As for “Brand Building”, along with the in-depth reform of the Group, providing customers with magnificent lighting experience through innovative technology and artistic design has become the mission of the Group. In terms of technology, the Group will implement the pilot automation and semi-automation tests and focus on smart lighting products. In terms of art, designers will play vital roles in product system, with the kick-off of marketing cooperation with designers and luxurious products. Meanwhile, the Group will enhance its brand value by virtue of significant marketing events, including Rio Olympic Games, G20 Summit, and the operation of pioneering smart store among industry players.

In terms of “Cost Control”, the Group will carry out systematic product planning, balance production capacity, minimise order placements and centralise purchasing to lower procurement cost. The Group will also implement “Amoeba” operation mode concept with, lean management and the optimal organisational structure to streamline staffing, and press ahead the automation and semi-automation of production plant so as to reduce production costs. From product standardisation to platform-orientated, the Group will make use of its integrated advantages of upstream and downstream resources to develop new secondary optical platform and power supply platform based on its existing lighting solutions with an aim to reduce research and development costs eventually.

EVENT AFTER THE PERIOD UNDER REVIEW

Huizhou NVC, the Group’s wholly-owned subsidiary, proposed to invest RMB5,000,000 to establish a wholly-owned subsidiary Bengbu NVC. Bengbu NVC is principally engaged in the development, production and sale of luminaire, lamps, integrated ceiling lamps, kitchen and bathroom appliances etc. As at the date of the announcement, the registered capital is not fully paid.

CONTINUING CONNECTED TRANSACTIONS

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

MERGERS, ACQUISITIONS AND INVESTMENTS

On 3 February 2016, Hong Kong NVC Lighting (“NVC HK”), the Company’s wholly-owned subsidiary, has entered into the equity transfer agreement (the “Equity Transfer Agreement”) with Gold Interact Investment Limited (the “Transferor”). Pursuant to the Equity Transfer Agreement, NVC HK agrees to acquire, and the Transferor agrees to sell, 75% equity interest in LED Holdings Limited (“LED Holdings”). The total final consideration for the acquisition is determined to be RMB508,725,000. The major asset of LED Holdings is 50% equity interest in Zhongshan NVC, and the Company holds effectively 75% equity interest in LED Holdings after the acquisition.

In March 2016, World Through Investments Limited, the Company’s wholly-owned subsidiary, transferred its 100% equity interest in Zhangpu Phoebus to an independent third party vendor in the price of RMB30,146,000. Since then, Zhangpu Phoebus is no longer a subsidiary of the Company.

In April 2016, Huizhou NVC, the Company’s wholly-owned subsidiary, established NVC Kitchenware with natural persons. Huizhou NVC contributed RMB2,550,000 and held 51% equity interest in NVC Kitchenware. Since then, NVC Kitchenware has become a non-wholly-owned subsidiary of the Company.

On 4 May 2016, Huizhou NVC, the Company's wholly-owned subsidiary, signed a partnership agreement with Zhuhai Hengqin Lemon Net Technology Co., Ltd. (the "General Partner") to establish a limited partnership. Huizhou NVC will contribute RMB500,000,000 in cash, while the General Partner will contribute RMB100,000,000 in cash, representing respectively 83.33% and 16.67% of the total investment in the limited partnership.

On 18 May 2016, the Board approved Huizhou NVC to contribute a total of RMB8,000,000 into Huizhou Thorled-Opto Co., Ltd.* (惠州雷通光電器件有限公司) ("Huizhou Thorled-Opto") with ETIC on a pro rata basis. The amount of capital contribution to be made by Huizhou NVC and ETIC were RMB3,920,000 and RMB4,080,000, respectively. Since the capital contribution is on a pro rata basis, Huizhou Thorled-Opto will remain held as to 49% by Huizhou NVC. Upon completion of the capital contribution by its shareholders, the total paid-in capital of Huizhou Thorled-Opto was increased from RMB48,000,000 to RMB56,000,000.

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

We did not use the proceeds from the Global Offering in a manner different from those set out in the prospectus of the Company dated 7 May 2010.

MARKET RISKS

We are exposed to various market risks in the ordinary course of business. Our risk management strategy aims to minimise the adverse effects of these risks to our financial results.

Foreign Currency Risk

We are exposed to transactional currency risk. Such risk arises from sales or procurement by operating units in currencies other than its functional currency. As a result, we are exposed to fluctuations in the exchange rate between the functional currencies and foreign currencies. During the Period under Review, the Group had entered into several forward currency contracts in place to hedge the foreign exchange exposure and did not experience any material difficulties or negative impacts on our operations or liquidity as a result of fluctuations on currency exchange rates.

Commodity Price Risk

We are exposed to fluctuations in the prices of raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect our financial performance. We did not enter into any commodity derivative instruments to hedge the potential commodity price changes.

Liquidity Risk

We monitor our risk of having a shortage of funds by considering the maturity of our financial instruments, financial assets and liabilities and projected cash flows from operations. Our goal is to maintain a balance between continuity and flexibility of funding through the use of bank loans and other interest-bearing loans. Our Directors have reviewed our working capital and capital expenditure requirements and determined that we have no significant liquidity risk.

Credit Risk

Our major credit risk arises from exposure to a substantial number of trade and bills receivables and prepayments, 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, prepayments, and deposits and other receivables, cash and cash equivalents and short term deposits included in the 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 2015, we entered into a number of one-year insurance contracts with China Export & Credit Insurance Corporation, which covered up to 85% of uncollectible receivables from PRC sales and 90% uncollectible receivables from international sales during the period from 1 December 2015 to 30 November 2016 with a maximum compensation amount of RMB19,200,000 for PRC sales and US$30,000,000 (equivalent to approximately RMB194,808,000) for international sales. We purchased such insurance in order to minimise our exposure to credit risk as we expand our business. We plan to renew such insurance contracts when they become due.

INTERIM DIVIDEND

The Board proposed not to declare an interim dividend for the six months ended 30 June 2016 (Corresponding Period: no interim dividend declared).

EMPLOYEES

As at 30 June 2016, the Group had approximately 6,860 employees in total (31 December 2015: 7,125). The Group regularly reviews remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contributions, employee provident fund schemes, and discretionary incentive and share option schemes.

ISSUE OF NEW SHARES UNDER GENERAL MANDATE

On 23 May 2016, the Company and the subscriber Mr. Ye Yong entered into a subscription agreement. Pursuant to the subscription agreement, Mr. Ye Yong conditionally agreed to subscribe and the Company conditionally agreed to allocate and issue in aggregate a total of 85,000,000 subscription shares. The subscription price of HK$0.83 per subscription share represents a discount of approximately 3.49% to the closing price of HK$0.86 per share as quoted on the Stock Exchange on 23 May 2016, being the date of the subscription agreement; and a discount of approximately 4.60% to the average of the closing prices of approximately HK$0.87 per share as quoted on the Stock Exchange for the last five trading days immediately before 23 May 2016, being the date of the subscription agreement. The subscription shares represent approximately 2.72% of the existing issued share capital of the Company and approximately 2.65% of the total issued share capital of the Company as enlarged by the allotment and issue of the subscribed shares as at the date of the subscription agreement. According to the par value of US$0.0000001 each share, the nominal value of the subscription shares is US$8.5 (approximately HK$65.98).

The Directors have considered various ways of raising additional funds for future use and they consider that the issue of the subscription shares is an appropriate means of raising additional capital for the Company since the shareholder base of the Company will be enlarged, the capital base of the Company can be broadened at a relatively low cost compared to bank borrowings or the issue of debt securities, and the financial position of the Group will be improved for establishing and strengthening the existing and future business of the Group. The Board considers that the terms of the subscription agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders as a whole.

The gross proceeds of the subscription will amount to approximately HK$70,550,000. After deducting the relevant expenses, the estimated net proceeds from the issue of the subscription shares amount to approximately HK$70,000,000. The net price for each subscription share is estimated to be approximately HK$0.824. The Company intends to use the net proceeds for general corporate and business development and working capital requirements. The subscription has not completed as of the date.

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

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

CORPORATE GOVERNANCE

The Directors are of the opinion that, during the Period under Review, the Company had complied with the applicable principles and codes provisions set out in the Code, except for Code Provision A.2.1 which requires that the role of chairman and chief executive officer should be separate and should not be performed by the same person. Given that Mr. WANG Donglei assumed the roles of both chairman and chief executive officer, the Company deviated from this code provision. Mr. WANG Donglei is the chairman and general manager of ETIC, which is the controlling corporation of the largest shareholder of the Company, Elec-Tech International (H.K.) Company Limited. Mr. WANG Donglei has many years of experience in product research and development, manufacturing and business management. The dual role arrangement provides strong and consistent market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with members of the Board and its other relevant committees, and there are four Independent Non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purposes of complying with the Code and maintaining a high standard of corporate governance practices of the Company. Save as disclosed above, the Company had fully complied with the principles and code provisions as set out in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding directors' securities transactions. Specific enquiry has been made to all Directors, and all the Directors have confirmed that they had complied with all relevant requirements as set out in the Model Code during the Period under Review.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") in compliance with the Listing Rules with written terms of reference. The primary duties of the Audit Committee include maintaining relationship with the auditor of the Group, reviewing financial information of the Group, supervising the financial reporting system, risk management and internal control system of the Group, and the duties of corporate governance designated by the Board. During the Period under Review, Mr. LIN Ho-Ping has retired as a Non-executive Director with effect from 15 June 2016, therefore, he ceased to be the member of Audit Committee. Ms. YANG Jianwen has been appointed as a member of Audit Committee by the Board on the same date. Currently, the Audit Committee consists of three members, namely, Non-executive Director Ms. YANG Jianwen, Independent Non-executive Director Mr. LEE Kong Wai, Conway and Independent Non-executive Director Mr. WANG Xuexian, 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 six months ended 30 June 2016.

REMUNERATION COMMITTEE

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

STRATEGY AND PLANNING COMMITTEE

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

EMERGENCY COMMITTEE

The Company established an emergency committee (the "Emergency Committee") under the Board on 8 August 2014. Upon the establishment of the Emergency Committee, emergency situations can be declared in a timely manner. The Emergency Committee has been authorised by the Board, in the event of an emergency, to exercise the powers and perform the duties on behalf of the Board, which include without limitation, (1) conducting internal organisational restructuring, appointing management personnel, executing business contracts, making financial payments and other matters, in compliance with applicable laws and regulations, the Listing Rules and the Articles of Association of the Company; and (2) publishing announcements on behalf of the Board on the website of the Stock Exchange. The Emergency Committee currently consists of three members, namely, Executive Director Mr. WANG Donglei, Executive Director Mr. XIAO Yu and Independent Non-executive Director Mr. WEI Hongxiong, respectively.

INDEPENDENT INVESTIGATIONS COMMITTEE

To advance the internal investigations into matters involving Mr. WU Changjiang, the former Executive Director and Chief Executive Officer of the Company, the Company has established an independent investigations committee (the "Independent Investigations Committee") under the Board. The Independent Investigations Committee has been authorised by the Board to exercise powers and perform duties on behalf of the Board in relation to the conduct of the investigations into, among other things, the alleged wrongdoing of Mr. WU Changjiang. The Independent Investigations Committee has also been authorised to consider and make recommendations to the Board with respect to any potential proceedings arising from the internal investigations. In connection with the Company's investigations of the alleged wrongdoing of Mr. WU Changjiang, the Independent Investigations Committee has instructed a third-party service provider to conduct a forensic review of related irregularities and an internal controls assessment of the Company and its key subsidiaries. The forensic review and internal controls assessment has been completed. Please refer to the announcements of the Company dated 17 July 2015 and 17 September 2015 for details. During the Period of Review, Mr. LIN Ho-Ping has retired as a Non-executive Director with effect from 15 June 2016, therefore, he ceased to be the member of Independent Investigations Committee. Ms. YANG Jianwen has been appointed as a member of Independent Investigations Committee by the Board on the same date. The Independent Investigations Committee currently consists of four members, namely, Non-executive Director Ms. YANG Jianwen, 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 2016 to the date of this announcement, the appointment and resignation of Directors and changes in the Directors' information of the Company are as follows:

Mr. LEE Kong Wai, Conway, has ceased to be an Independent Non-executive Director of CITIC Securities Company Limited (a company listed on the main board of the Stock Exchange, stock code: 6030, and the Shanghai Stock Exchange, stock code: 600030) with effect from May 2016.

Mr. LIN Ho-Ping has retired as a Non-executive Director, member of Audit Committee and member of Independent Investigations Committee with effect from 15 June 2016.

Ms. YANG Jianwen has been appointed as a Non-executive Director, member of Audit Committee and member of Independent Investigations Committee with effect from 15 June 2016.

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 2016 will be included in the Company's interim report which will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.nvc-lighting.com.cn and will be dispatched to the Company's shareholders in due course.

REVIEW OF ACCOUNTS

The Group's interim results have been reviewed by the Audit Committee and approved by the Board.

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

APPRECIATION

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

DEFINITIONS

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

"Bengbu NVC"	Bengbu NVC Smart Household Technology Co., Ltd* (蚌埠雷士智能家居科技有限公司), a wholly-owned subsidiary of the Group with limited liability incorporated in the PRC.
"Board"	the board of Directors of the Company.
"BRL"	The Brazilian real, the lawful currency of Brazil.
"China" or "PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to "China" and the "PRC" do not apply to Taiwan, the Macau Special Administrative Region and the Hong Kong Special Administrative Region.
"Chongqing NVC"	Chongqing NVC Lighting Co., Ltd.* (重慶雷士照明有限公司), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 1 December 2006 and our direct wholly-owned subsidiary.
"Code"	the 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.
"Corresponding Period"	means the six months ended 30 June 2016 or the six months ended 30 June 2015 (as the context may require).
"Director(s)"	the director(s) of the Company.
"ETIC"	Elec-Tech International Co., Ltd. (廣東德豪潤達電氣股份有限公司), a PRC incorporated company which is currently listed on the Shenzhen Stock Exchange. It is a substantial shareholder of the Company.
"Group"	the Company and its subsidiaries.
"GBP"	Great Britain Sterling Pound, the lawful currency of the United Kingdom.
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong.
"Hong Kong"	the Hong Kong Special Administrative Region of People Republic of China.
"Huizhou NVC"	Huizhou NVC Lighting Technology Co., Ltd.* (惠州雷士光電科技有限公司), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 29 April 2006 and our direct wholly-owned subsidiary.
"HID"	high intensity discharge.
"Jiangshan Phoebus"	Jiangshan Phoebus Lighting Electron Co., Ltd.* (江山菲普斯照明有限公司), a limited liability company incorporated in the PRC on 8 March 2006 and our indirect wholly-owned subsidiary.
"LED"	light-emitting diode.
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.
"NVC Brasil"	NVC Lighting Do Brasil Commercial Import and Export Co., Ltd. a limited liability company incorporated in Brazil, 51% equity interest of which is held by Hong Kong TYU Technology Co., Ltd., our wholly-owned subsidiary, and the remaining 49% equity interest of which is held by NVC Brasil Technology Co., Ltd.

"NVC China"	NVC Lighting (China) Co., Ltd* (雷士照明（中國）有限公司) (formerly known as NVC Lighting (Chongqing) Co., Ltd* (重慶雷士實業有限公司)), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 7 November 2011 and our indirect wholly-owned subsidiary.
"NVC Kitchenware"	Huizhou NVC Kitchenware Co., Ltd.* (惠州雷士櫥衛電器有限責任公司), a limited liability company incorporated in the PRC on 15 April 2016, 51% equity interest of which is held by Huizhou NVC.
"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.
"O2O"	Online to Offline, referring to the combination of business opportunity offline and internet to enable internet to become the platform of offline transactions.
"Period under Review"	the six months ended 30 June 2016.
"RMB"	Renminbi, the lawful currency of the PRC.
"Shanghai Arcata"	Shanghai Arcata Electronics Co., Ltd.* (上海阿卡得電子有限公司), a limited liability company incorporated in the PRC on 22 September 2005 and our indirect wholly-owned subsidiary.
"Stock Exchange"	the Stock Exchange of Hong Kong Limited.
"Sunny"	Zhejiang Jiangshan Sunny Electron Co., Ltd.* (浙江江山三友電子有限公司), a limited liability company incorporated in the PRC on 2 July 1994 and our indirect wholly-owned subsidiary.
"U.S."	the United States of America, its territories, its possessions and all was subject to its jurisdiction.
"US$"	United States dollars, the lawful currency of the United States.
"UK NVC"	NVC Lighting Limited (formerly known as NVC (Manufacturing) Limited), a private company incorporated in England and Wales on 31 May 2007, and our direct wholly-owned subsidiary.
"we", "us" or "our"	the Company or the Group (as the context may require).
"Zhangpu Phoebus"	Zhangpu Phoebus Lighting Co., Ltd.* (漳浦菲普斯照明有限公司), a limited liability company incorporated in the PRC on 9 May 2004. On March 2016, 100% equity interest of Zhangpu Phoebus was disposed to an independent third party and ceased to be our indirect wholly-owned subsidiary.

"Zhejiang NVC"	Zhejiang NVC Lamps Co., Ltd.* (浙江雷士燈具有限公司), a limited liability company incorporated in the PRC on 28 September 2007, 51% equity interest of which is held by Huizhou NVC and the remaining 49% equity interest of which is held by Zhejiang Tonking New Energy Group Co., Ltd.* (浙江同景新能源集團有限公司).
"Zhongshan NVC"	Zhongshan NVC Decorative Lighting Technology Co., Ltd.* (中山雷士燈飾科技有限公司), a limited liability company incorporated in the PRC on 26 January 2015 and our indirect non-wholly-owned subsidiary.

* 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, 25 August 2016

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

Executive Directors:
WANG Donglei
WANG Dongming
XIAO Yu
XIONG Jie

Non-executive Directors:
ZHU Hai
LI Wei
YANG Jianwen

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