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 2017

Highlights for the six months ended 30 June 2017:

- The Group's revenue amounted to RMB1,909,663,000, representing an increase of 8.3% as compared with the Corresponding Period.
- The Group's gross profit amounted to RMB552,147,000, representing an increase of 21.1% as compared with the Corresponding Period.
- The Group's profit before income tax amounted to RMB224,270,000, representing an increase of 56.5% as compared with the Corresponding Period.
- Profit attributable to owners of the parent amounted to RMB148,157,000, representing an increase of 80.4% as compared with the Corresponding Period.
- Basic earnings per share of the Company amounted to RMB4.53 cents (Corresponding Period: RMB2.59 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 2017 (the "Period under Review"). The interim results have been reviewed by external auditor and the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*2*	**1,909,663**	1,762,749
Cost of sales		**(1,357,516)**	(1,306,703)
GROSS PROFIT		**552,147**	456,046
Other income and gains	*3*	**69,879**	32,537
Selling and distribution costs		**(192,876)**	(140,412)
Administrative expenses		**(170,894)**	(167,724)
Other expenses		**(19,135)**	(40,184)
Finance costs	*4*	**(21,279)**	(4,957)
Share of results of associates		**6,428**	545
Gain on disposal of a subsidiary		**–**	7,419
PROFIT BEFORE INCOME TAX		**224,270**	143,270
Income tax	*5*	**(65,217)**	(45,012)
PROFIT FOR THE PERIOD		**159,053**	98,258
Attributable to:			
Owners of the parent		**148,157**	82,140
Non-controlling interests		**10,896**	16,118
		159,053	98,258
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			(Re-presented)
Basic	*6*	**4.53 cents**	2.59 cents
Diluted	*6*	**3.78 cents**	2.59 cents

Details of the dividend are disclosed in note 7 to the condensed consolidated interim financial statements on page 11 of this announcement.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**159,053**	98,258
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**9,724**	(10,277)
Fair value gain on available-for-sale financial assets	**100**	2,600
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**168,877**	90,581
Attributable to:		
Owners of the parent	**157,696**	74,626
Non-controlling interests	**11,181**	15,955
	168,877	90,581

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**639,535**	650,583
Prepaid land lease payments		**46,779**	47,439
Goodwill		**21,161**	21,161
Other intangible assets		**295,030**	312,240
Investments in associates		**44,458**	41,030
Investment in a joint venture		**100,000**	100,000
Long term investments		**275,705**	23,000
Deferred tax assets		**48,833**	48,704
Prepayments for purchase of property, plant and equipment		**422,825**	102,252
Total non-current assets		**1,894,326**	1,346,409
CURRENT ASSETS			
Inventories	*8*	**458,010**	401,668
Trade and bills receivables	*9*	**1,181,230**	1,218,003
Prepayments, deposits and other receivables	*9*	**386,591**	343,115
Income tax recoverable		**10,340**	4,596
Other current assets		**13,388**	25,303
Restricted bank balances and short-term deposits	*9*	**220,429**	445,424
Cash and cash equivalents		**1,124,142**	1,160,155
Total current assets		**3,394,130**	3,598,264
CURRENT LIABILITIES			
Trade and bills payables	*10*	**756,274**	750,036
Other payables and accruals		**656,467**	749,975
Interest-bearing loans	*11*	**65,826**	48,411
Government grants		**1,931**	2,026
Income tax payable		**38,602**	24,951
Convertible bonds – derivative component	*12*	**34,554**	60,230
Convertible bonds – liability component	*12*	**433,282**	–
Total current liabilities		**1,986,936**	1,635,629
NET CURRENT ASSETS		**1,407,194**	1,962,635
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,301,520**	3,309,044

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Note	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Government grants		**12,007**	12,859
Deferred tax liabilities		**87,815**	82,238
Convertible bonds – liability component	*12*	**–**	440,272
Total non-current liabilities		**99,822**	535,369
Net assets		**3,201,698**	2,773,675
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**3**	2
Reserves		**3,120,195**	2,674,734
Proposed final dividend		**–**	28,745
		3,120,198	2,703,481
Non-controlling interests		**81,500**	70,194
Total equity		**3,201,698**	2,773,675

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard 34 ("IAS 34") Interim Financial Reporting issued by the International Accounting Standards Board. These condensed consolidated interim 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 condensed consolidated interim financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") (which also include International Accounting Standards ("IASs") and Interpretations) effective for the first time for periods beginning on or after 1 January 2017. Details of any changes in accounting policies are set out in Note 1.2 below.

In preparing these condensed consolidated interim financial statements in compliance with IAS 34, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to annual consolidated financial statements for the year ended 31 December 2016.

These condensed consolidated interim 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 2016.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new and revised standards and interpretations effective as of 1 January 2017. The nature and the impact of each new standard or amendment that are relevant to the Group are described below:

Amendments to IAS 7, Disclosure Initiative

Amendments to IAS 7 requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosures to be provided in the Group's annual financial statements. The Group is not required to provide the additional disclosures in these condensed consolidated interim financial statements.

Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situation. The amendments clarify that an entity, when assessing whether taxable profit will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

Amendments to IFRS 12, Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements of IFRS 12, other than for those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

None of the above amendments that are effective for the first time for periods beginning on or after 1 January 2017 have a material effect on these condensed consolidated interim financial statements. The Group has not applied any new IFRSs or amendments that are not yet effective for the current accounting period.

2. REVENUE AND SEGMENT INFORMATION

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

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

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

(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.

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Revenue Six months ended 30 June		Results Six months ended 30 June	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Luminaire products	**1,262,710**	1,210,405	**444,899**	361,141
Lamp products	**501,662**	443,105	**67,248**	74,365
Lighting electronic products	**145,291**	109,239	**42,126**	23,900
Total	**1,909,663**	1,762,749	**554,273**	459,406
Reconciliation				
Elimination of intersegment results			**(2,126)**	(3,360)
Interest income			**13,467**	12,783
Unallocated income and gains			**14,480**	19,754
Corporate and other unallocated expenses			**(365,547)**	(308,709)
Gain on disposal of a subsidiary			**–**	7,419
Finance costs			**(21,279)**	(4,957)
Waiver of other payable			**17,358**	–
Fair value gain/(loss) on derivative component of convertible bonds			**24,574**	(837)
Impairment of other intangible assets			**(17,358)**	–
Impairment of property, plant and equipment			**–**	(38,774)
Share of results of associates			**6,428**	545
Profit before income tax			**224,270**	143,270

During the Period under Review, depreciation and amortisation recorded in the condensed consolidated statement of profit or loss amounted to RMB51,364,000 (Corresponding Period: RMB50,739,000).

3. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Bank and other interest income	**13,467**	12,783
Government grants	**4,391**	7,136
Rental income	**1,758**	997
Trademark licence fees	**–**	250
Handling income	**5,011**	–
Others	**1,973**	2,497
	26,600	23,663
Gains		
Exchange gains, net	**–**	5,932
Gain on disposal of items of property, plant, equipment	**–**	2,598
Sales of scrap materials	**1,347**	344
Fair value gain of derivative component of convertible bonds	**24,574**	–
Gain arising from waiver of other payable	**17,358**	–
	43,279	8,874
	69,879	32,537

4. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**631**	363
Interest expenses on convertible bonds *(Note 12)*	**20,513**	2,476
Other interest expenses	**135**	2,118
	21,279	4,957

5. INCOME TAX

The Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which the subsidiaries are domiciled and operated. 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: Nil). Taxes on the corporate income elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
– Current income tax charge	**59,843**	46,603
– (Over)/under provision in respect of prior years	**(74)**	819
	59,769	47,422
Deferred tax	**5,448**	(2,410)
Total tax charge for the period	**65,217**	45,012

The Company's subsidiaries located in the People's Republic of China (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 (Corresponding Period: two) were recognised as western development enterprises by the local tax authorities and were entitled to the preferential tax rate of 15%, while one of our subsidiaries (Corresponding Period: three) was recognised as a high-tech enterprises by PRC tax authorities and was entitled to the preferential tax rate of 15%.

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

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	**148,157**	82,140
Effect of dilutive potential ordinary shares:		
– Interest on convertible bonds	**20,513**	–
– Fair value gain of derivative component of convertible bonds	**(24,574)**	–
Earnings for the purpose of diluted earnings per share	**144,096**	82,140
	'000 Shares	*'000 Shares*
	(Unaudited)	(Unaudited) (Re-presented)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,270,993**	3,176,410
Effect of dilutive potential ordinary shares:		
– Convertible bonds	**540,541**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,811,534**	3,176,410

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those share options is higher than the average market price for shares for the six months ended 30 June 2016 and 2017.

No adjustment was made to the basic earnings per share amount presented for the six months ended 30 June 2016 as the convertible bonds outstanding during the period had an anti-dilutive effect on the basic earnings per share amount presented.

Basic and diluted earnings per share for the six months ended 30 June 2016 are re-presented to reflect the bonus elements of issue of new ordinary shares during the period between 1 July 2016 and 30 June 2017.

In June 2017, the Company issued 368,357,000 new ordinary shares at HK$0.80 each (equivalent to RMB0.78 each) (Corresponding Period: Nil).

7. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2017 (Corresponding Period: no interim dividend declared).

8. INVENTORIES

	30 June 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (Audited)
Raw materials	**86,382**	87,480
Work in progress	**16,270**	16,736
Finished goods	**355,358**	297,452
	458,010	401,668

During the Period under Review, the amount of the reversal of write-down of inventories recognised was RMB2,757,000 (Corresponding Period: RMB9,572,000), which was recorded in "Cost of sales" in the 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 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (Audited)
Trade receivables	**1,143,819**	1,132,043
Impairment	**(153,043)**	(157,876)
Trade receivables, net	**990,776**	974,167
Bills receivable	**190,454**	243,836
	1,181,230	1,218,003

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

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**733,559**	713,343
4 to 6 months	**148,047**	184,072
7 to 12 months	**41,732**	12,303
1 to 2 years	**39,364**	42,370
Over 2 years	**28,074**	22,079
	990,776	974,167

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 2017, certain trade receivables of UK NVC with carrying amounts of RMB55,014,000 (31 December 2016: RMB47,347,000) 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 2016 and 30 June 2017 is within 6 months.

As at 31 December 2016 and 30 June 2017, the fair values of trade and bills receivables approximate to their carrying amounts largely due to the short-term maturities.

As at 30 June 2017, included in prepayments, deposits and other receivables are the amounts due from a company of RMB550,924,000 (31 December 2016: RMB550,924,000), net of impairment of RMB285,360,000 as at 31 December 2016 and 30 June 2017.

As at 30 June 2017, included in prepayments, deposits and other receivables is an amount of RMB55,396,000 which represented an amount withdrawn by the court during the Period under Review, and the same amount was included in restricted bank balances and short-term deposits as at 31 December 2016.

10. TRADE AND BILLS PAYABLES

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Trade and bills payables to third parties	**717,067**	688,851
Trade and bills payables to related parties	**39,207**	61,185
	756,274	750,036

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

Bills payable are generally settled within 6 months.

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

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Within 3 months	**721,282**	716,962
4 to 6 months	**20,818**	16,056
7 to 12 months	**9,212**	1,125
1 to 2 years	**597**	8,641
Over 2 years	**4,365**	7,252
	756,274	750,036

As at 31 December 2016 and 30 June 2017, the fair values of trade and bills payables approximated to their carrying amounts largely due to the short-term maturities.

11. INTEREST-BEARING LOANS

	30 June 2017 (Unaudited)			31 December 2016 (Audited)		
	Contractual interest rate (%)	**Maturity**	***RMB'000***	Contractual interest rate (%)	Maturity	*RMB'000*
Current						
Bank loan – secured	**Base*+1.90**	**On demand[1]**	**55,014**	Base*+1.90	On demand[1]	47,347
Bank loans – unsecured	**4% per month**	**On demand**	**812**	4% per month	On demand	1,064
	4.35% per annum	**2018**	**10,000**	–	–	–
Total			**65,826**			48,411

1 The secured bank loan represented a GBP-denominated secured facility amounting to GBP8,000,000 (31 December 2016: GBP8,000,000), of which GBP6,241,000 (31 December 2016: GBP5,564,000) 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 RMB55,014,000 (31 December 2016: RMB47,347,000) and certain buildings with carrying amounts of approximately RMB44,312,000 (31 December 2016: RMB43,108,000). In accordance with the contract, the loan was repayable upon the collection of the factored trade receivables and carried a floating interest rate based on the Base plus 1.90%.

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

As at 31 December 2016 and 30 June 2017, the fair values of interest-bearing loans approximate to their carrying amounts largely due to the short-term maturities.

12. CONVERTIBLE BONDS

On 20 May 2016, the Company and an independent third party entered into a subscription agreement (the "Subscription Agreement") in relation to the issue of convertible bonds denominated in HKD in an aggregate principal amount of HKD500 million (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", in June 2018) at an initial conversion price of HKD0.925 per share (subject to anti-dilutive adjustments); and

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

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.

12. CONVERTIBLE BONDS *(Continued)*

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

The movements of the liability component and derivative component of the Convertible Bonds during the year ended 31 December 2016 and the six months ended 30 June 2017 are as follows:

	Liability component of Convertible Bonds *RMB'000*	**Derivative component of Convertible Bonds** *RMB'000*	**Total** *RMB'000*
Issue of the Convertible Bonds	**416,493**	**10,841**	**427,334**
Effective interest expenses recognised to profit or loss	**22,321**	**–**	**22,321**
Interest paid	**(17,936)**	**–**	**(17,936)**
Fair value change	**–**	**46,889**	**46,889**
Exchange realignment	**19,394**	**2,500**	**21,894**
At 31 December 2016 (Audited)	**440,272**	**60,230**	**500,502**
Effective interest expenses recognised to profit or loss	**20,513**	**–**	**20,513**
Interest paid	**(17,140)**	**–**	**(17,140)**
Fair value change	**–**	**(24,574)**	**(24,574)**
Exchange realignment	**(10,363)**	**(1,102)**	**(11,465)**
At 30 June 2017 (Unaudited)	**433,282**	**34,554**	**467,836**

The major inputs for the valuation of the fair value of the derivative component of the Convertible Bonds as at 30 June 2017 and 31 December 2016 are shown as follows:

	30 June 2017	31 December 2016
Share price	**HK$0.850**	HK$0.990
Conversion price	**HK$0.925**	HK$0.925
Risk-free rate	**0.482%**	1.002%
Volatility	**37.96%**	28.00%

13. CONTINGENT LIABILITIES

(a) As at 30 June 2017, contingent liabilities not provided for in the condensed consolidated interim financial statements were as follows:

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Guarantees given to banks and a finance company in connection with facilities granted to:		
Two PRC companies and Mrs. WU Lian, an individual	**131,497**	131,497

(b) During the Period under Review, the Group acted as defendant in lawsuits brought by two PRC banks and a PRC finance company alleging that the Group should assume guarantee liabilities and interests according to guarantee agreements. The directors consider that the likelihood of the Group sustaining losses from the guarantees is remote, and accordingly no provision for claims arising from the litigations is considered necessary as at 31 December 2016 and 30 June 2017, save for the related legal and other costs. Based on the respective court judgements, interests are imposed on the principal amounts as disclosed in (a) above, which are calculated on (i) principal amount of approximately RMB62,000,000 at 9.9% per annum plus compound interest at 9.9% per annum on unpaid interest since 21 October 2014; (ii) principal amount of approximately RMB34,000,000 at four times of six-month borrowing rate of the People's Bank of China since 8 October 2015; and (iii) principal amount of approximately RMB35,497,000 at 0.05% per day since 4 January 2015.

14. PLEDGE OF ASSETS

As at 30 June 2017, save for those disclosed elsewhere in these condensed consolidated interim financial statements, the following assets of the Group were pledged, as applicable:

(1) As at 30 June 2017, certain land use rights with aggregate carrying amounts of RMB47,654,000 (31 December 2016: RMB48,314,000) and certain buildings with carrying amounts of RMB234,574,000 (31 December 2016: RMB242,510,000); and buildings with carrying amounts of RMB44,312,000 (31 December 2016: RMB43,108,000) were pledged for the Group's applications of assets preservation in certain PRC legal proceedings and bank loan facilities respectively.

(2) As at 30 June 2017, certain trade receivables with carrying amounts of RMB55,014,000 (31 December 2016: RMB47,347,000) were pledged to secure the bank borrowings.

(3) In accordance with several letters of guarantee, deposits with carrying amounts of RMB21,088,000 (31 December 2016: RMB34,533,000) were pledged for issuing letters of guarantee.

(4) The deposits with carrying amounts of RMB26,501,000 (31 December 2016: RMB26,501,000) were pledged for the Group's applications of assets preservation in certain PRC legal proceedings.

EXTRACT OF REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Company's external auditor has issued a qualified conclusion on the report on review of interim financial information on the Group's condensed consolidated interim financial statements for the six months ended 30 June 2017. 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 condensed consolidated interim financial statements, a subsidiary of the Company (the "Subsidiary") entered into several pledge and guarantee agreements in 2013 and 2014 (the "Pledge and Guarantee Agreements") with certain banks in the People's Republic of China (the "PRC"), providing guarantees to the banks for their loan facilities granted to certain borrowers. Counter guarantees were provided by one of the borrowers of the bank loans (the "Borrower") to the Group. During 2014, aggregate pledged time deposits of RMB550,924,000 of the Subsidiary had been withdrawn by the banks due to default of the bank loans under the guarantees of the Subsidiary.

The Group initiated legal actions to claim the counter guarantees provided by the Borrower. As at 31 December 2016 and 30 June 2017, other receivables of RMB550,924,000 due from the Borrower were included in "Prepayments, deposits and other receivables" in the condensed consolidated statement of financial position as set out in Note 14 to the condensed consolidated interim financial statements. The directors are of the opinion that an amount of RMB265,564,000 (the "Recoverable Amount") is recoverable as at 31 December 2016 and 30 June 2017, and accordingly a provision for the irrecoverable amount of RMB285,360,000 had been recognised in profit or loss for the year ended 31 December 2014. There was no subsequent reversal of the provision or further provision recognised.

As set out in Note 18 to the condensed consolidated interim 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.

For the Guarantee Agreement 1, according to the first court judgement in 2016 and the final court judgement in May 2017, the Subsidiary is adjudicated to be jointly liable for the payment to the PRC bank of the outstanding loan, plus interest and costs, and the Group has no plan of filing further legal proceeding therefor. For the Guarantee Agreement 2, according to the first court judgement in 2016, the Subsidiary is adjudicated to be jointly liable for the payment to the PRC finance company of the outstanding loan, plus interest and costs. The Subsidiary has filed appeal against the first court judgement in relation to the Guarantee Agreement 2 and the related outcome of the appeal according to the official legal documents received by the Subsidiary is pending as of the date of approval of these condensed consolidated interim financial statements.

The directors, with reference to legal opinions obtained and other factors, consider that the likelihood of the Group sustaining losses from the Guarantee Agreements 1 and 2 is remote as it is considered that the loans had sufficient underlying securities including the Borrower's guarantees and the Subsidiary is only one of the guarantors for the loans. As a result, the directors considered that no provision thereon is considered necessary as at 31 December 2016 and 30 June 2017.

However, as the legal proceedings in relation to the Pledge and Guarantee Agreements and the Guarantee Agreement 2 are still in progress and the financial consequence of the final judgement about the legal proceeding in relation to the Guarantee Agreement 1 on the Group is still uncertain and we are unable to obtain sufficient evidence to ascertain the above management assessment, 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 any provision for the Guarantee Agreements 1 and 2 as at 30 June 2017 should be recognised. Our audit opinion on the Company's annual consolidated financial statements ended 31 December 2016 was qualified in this respect.

Any adjustments to the Recoverable Amount due from the Borrower and any provision to be recognised as at 31 December 2016 and 30 June 2017 in respect of the Guarantee Agreements 1 and 2 would have a consequential impact on the Group's net assets as at 31 December 2016 and 30 June 2017, and the Group's financial performance for the periods then ended. Our review conclusion on the Company's condensed consolidated interim financial statements for the six months ended 30 June 2016 was also qualified in this respect.

Had we been able to complete our review of the Recoverable Amount due from the Borrower and provision to be recognised as at 30 June 2017 in respect of the Guarantee Agreements 1 and 2, matters might have come to our attention indicating that adjustments might be necessary to the condensed consolidated interim financial statements.

(b) Provision for loss on financial guarantee contract

As set out in Note 18 to the condensed consolidated interim 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 RMB55,396,000 had been frozen by the bank as at 31 December 2016. According to the first court judgement in 2016 and the final court judgement in January 2017, the Subsidiary is adjudicated to be jointly liable for the payment to the PRC bank of RMB60,000,000, plus interest and costs. In February 2017, the frozen bank balance of the Group has been withdrawn by the court for the purpose of settlement of the claim by the PRC bank. The Subsidiary has filed application of retrial of the PRC court judgements in relation to the Guarantee Agreement 3 and the related outcome of the application according to the official legal documents received by the Subsidiary is pending as of the date of approval of these condensed consolidated interim financial statements and accordingly the Group is of the view that the legal proceedings are still in progress notwithstanding the final court judgement. As at 30 June 2017, the withdrawn amount of RMB55,396,000 was included in "Prepayments, deposits and other receivables" in the condensed consolidated statement of financial position as set out in Note 14 to the condensed consolidated interim financial statements.

The directors, with reference to legal opinion obtained and other factors, consider that the likelihood of the Group sustaining losses from the guarantee is remote as it is considered that the bank loan had sufficient underlying securities and the Subsidiary is only one of the guarantors for the bank loan. The directors believe that the withdrawn bank balance will be fully recovered upon the conclusion of the retrial of the PRC court judgements and no provision on the frozen and subsequently withdrawn amount is considered necessary as at 31 December 2016 and 30 June 2017 respectively. 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 and subsequently withdrawn bank balance is considered necessary as at 31 December 2016 and 30 June 2017 respectively.

However, we are not able to assess the likelihood of successfully applying for the retrial of the PRC court judgements by the Group and the likely outcome of such retrial of the PRC court judgements and we are unable to obtain sufficient evidence to ascertain the above management assessment, and accordingly, we are not able to ascertain whether any provision on the frozen and subsequently withdrawn bank balance as at 30 June 2017, and any shortfall between the amount to be ultimately settled by the Group under the Guarantee Agreement 3 and the Subsidiary's frozen and subsequently withdrawn amount is required to be made as at 30 June 2017. Our audit opinion on the Company's annual consolidated financial statements ended 31 December 2016 was qualified in this respect.

Any provisions that should have been made as at 31 December 2016 and 30 June 2017 would have a consequential impact on the Group's net assets as at 31 December 2016 and 30 June 2017, and the Group's financial performance for periods then ended. Our review conclusion on the Company's condensed consolidated interim financial statements for the six months ended 30 June 2016 was also qualified in this respect.

Had we been able to complete our review of the provisions that should have been made as at 30 June 2017, matters might have come to our attention indicating that adjustments might be necessary to the condensed consolidated interim financial statements.

QUALIFIED CONCLUSION

Except for the adjustments to the condensed consolidated interim financial statements 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Performance Review

During the Period under Review, the global economy experienced gentle recovery. The developed economies such as the U.S., the Eurozone and Japan rebounded in general. The economies of China and India continued to lead the growth. The global economic situation has been the best in recent years. However, the Board of Governors of The Federal Reserve System was in the course of gradual rate hike, the central banks of Europe and Japan continued to maintain the easing monetary policy. Such monetary policy differentiation of major economies has led to the international financial market turmoil and the increasing global trade protectionism sentiment. The risks and uncertainties of the global economic recovery still existed.

During the Period under Review, China's Gross Domestic Product grew by 6.9% as compared with the Corresponding Period. The Chinese economy was on the rise with steady performance. 2017 was the second year of China's "13th Five-year Plan". Various reform projects were under construction. Various types of industrial policy dividends were released gradually. A new round of scientific and technological revolution and the industrial transformation have been ready to go ahead. Following the expedited implementation of major national projects and infrastructure investment, a new round of energy-saving and reform requirements for the sectors of industries, construction, traffic and so on has kept on growing. Consequently, the lighting industry in the next generation will be upgraded to the smart universal lighting by applying the wireless communication technology. In the global market, with the launch of the strategy of "One Belt, One Road", Chinese enterprises have also entered the strategic period of going global and the golden period of development. According to the research, 35 countries along the route of "One Belt, One Road" have indicated "net import" of foreign energies. It has reflected the consumption of the environmental protection energy-saving products and the development demand for relevant industries in the global market (Source: Semiconductor Lighting Network). Persistent technical upgrade and cost reduction have strengthened the global competitiveness of China LED lighting enterprises. Orders from overseas customers gradually increase in the PRC market and the global LED production is shown to be transferred to the PRC market.

Despite the national policy support and the favorable global economic recovery for China LED lighting enterprises, the expedited technological development and industrial integration have led to ever-intensified competition. On the one hand, conventional lighting enterprises have made use of their competitive advantages to shift to the LED lighting market. While the upstream and downstream LED enterprises have utilized their technical advantages in LED chips, packing and application for gradual extension to the lighting market, resulting in the aggravated competition in the industry (Source: Semiconductor Lighting Network). On the other hand, the capital market has also become a strategic place contested by all in the LED lighting industry. More and more enterprises have achieved leaping development with the power of capital. Capital, technology, and scale have become important factors for the existence and development in the industry. LED lighting enterprises are able to seize in advance the opportunities for development in the highly competitive environment only by means of on-going strategic adjustment, accumulation of technologies and capital advantages, so as to create a brand-new sustainable development road in terms of costs, technologies, channels and scales.

The Group has famous brand, extensive sales channel networks and solid strength in the technological research and development, and our products has managed to seize the medium- to high-end domestic and global markets. During the Period under Review, the Group continued to carry on the strategy of dual-channel development of commercial lighting and home lighting, with all-out efforts transforming to the LED lighting product. LED lighting products currently account for more than 70%. Through focusing on the implementation of setting up 400 commercial lighting engineering distributors and the establishment of the stylistic and differentiated home lighting product systems, the Group effectively seized each market segment. By taking advantage of the Internet development trend, the Group worked hand in hand with the "Shaohaihui"* (少海匯) which comprises domestic and overseas high-end housing enterprises to expedite the smart home lighting strategic layout. As for internal management, the Group continued to concentrate on reducing costs and increasing efficiency, and carried out the reduction of research and development costs, procurement costs, purchasing costs and labor costs, which obviously improved the overall gross margin of the Group. By building up the new enterprise culturing such as "endeavour-oriented" and the "second pioneering management philosophy", the Group was infused with the endogenic momentum for sustainable development, which finally helped to enhance the overall performance of the Group.

Sales and distribution

During the Period under Review, as for the NVC brand in the PRC market, the Group had 37 exclusive regional distributors. These exclusive regional distributors had a total of 3,275 exclusive outlets (100.0% coverage rate in the provincial capital, 94.1% coverage rate in the prefecture-level cities, 67.3% coverage rate in the county-level cities and 1.5% coverage rate in the town-level cities). The exclusive outlets of the exclusive regional distributors include commercial lighting exclusive outlets, the home lighting exclusive outlets, and the comprehensive commercial lighting and home lighting outlets. Apart from the exclusive outlets, the exclusive regional distributors also had a total of 3,263 exhibition counters and exhibition walls, with over 90% of these exhibition counters and exhibition walls concentrated in town channels. During the Period under Review, the Group invested more resources to develop the town channels, resulting in an increase of 2,120 exhibition counters and exhibition walls as compared with the Corresponding Period. In the commercial lighting sector, the Group continued to focus on pushing ahead with the "400 Plan" and setting up 400 key engineering project distributor teams nationwide with the assignment of the engineering manager to support the engineering project. The Group initiated the "Spring Thunder Action" directly facing the requirements of customers and obtained successfully several million-level projects including "Xi'an Subway No. 4 Route", "Chengdu Subway No. 7 Route" and "CCCC Yunnan Expressway". Meanwhile, by means of sponsoring the "Zhurong Award" in the national competition of lighting designers, the Group has managed to sign strategic cooperation agreements with Human Settlements Lighting Design Institute Beijing Tsinghua Holdings* (北京清控人居照明設計院) and others, effectively activating the resources of designers in various places and building the national invisible channel. In the home lighting sector, the Group insistently focused on "Technology + Arts" to create the stylistic home lighting products and build the stylistic exclusive outlets, with in-depth tapping of the potentials in the segmented market; meanwhile, making use of the innovative marketing model to set up the "7S" customer experience marketing systems (including shop experience system, case experience system, product experience system, service experience system, visual experience system, participation experience system and evaluation experience system) covering over 1,000 shops, which significantly enhanced the sales capability of sales representatives. Furthermore, market promotion activities such as the launch of the Spring Group Buying Fair and the "Proper Replacement of Lamps", significantly increased the sales of home lighting product. The turnover of the NVC brand products in China increased slightly by 1.1% from the Corresponding Period to RMB1,085,117,000 during the Period under Review.

In respect of the NVC brand products in the international market, the Group kept on promoting the NVC brand in the international market with all-out efforts during the Period under Review, building the "International Leading" lighting brand. The Group continued to consolidate the customer relationship of the matured channels in the UK and so on. In light of the different requirements of customers, the research and development department and the quality department of the Group joined together to customize the stylistic and differentiated products, which effectively stabilized the major customer resources. Having been properly registered, the office in the Middle East was in normal operation to provide project reserves and resources support for the Middle East distributors through in-depth contact with the local market and by tapping products demands. During the Period under Review, the Group won the tenders for major engineering projects including "Qatar Beverly Hills" (卡塔爾貝弗利山莊), "Mobil Oil Qatar Headquarters Building" (美孚石油卡塔爾總部大樓), and "Dubai Horse Racecourse" (迪拜跑馬場), contributing to the sales revenue in millions of Renminbi. Aiming at the development channels in Southeast Asia, the Group released the exclusive regional distributorship in light of the local conditions in order to secure more project orders. Currently, the Southeast Asia region is in the preliminary stage of market development and channel expansion, with limited contribution to the sales revenue. During the Period under Review, the sales revenue of NVC brand products in the international market dropped by 2.4% from the Corresponding Period to RMB174,417,000.

In respect of non-NVC brands in the PRC and international markets, the Group mainly supplied energy-saving lamps, energy-saving light tubes, and accessories for famous lighting enterprises in the form of ODM. Currently, the LED lighting products have been dominating the market gradually. In light of the cost, technology and scale advantages possessed by the production enterprises in China, more and more LED lighting product orders of well-known international lighting enterprises are transferring to China gradually. During the Period under Review, the proportion of the total sales revenue of non-NVC brand LED lighting products of the Group increased persistently, coupled with the stable increase of international orders. Consequently, the total sales revenue of non-NVC brand products grew 27.2% from the Corresponding Period to RMB650,129,000 during the Period under Review.

Product research, development and design

During the Period under Review, the launch of the research and development work of the Group mainly focused on two main streams, the development of new products and the reduction of costs through technology. In response to the Company's strategic product development adjustment plan and oriented by the market demand, the research and development platform of the Group persistently enriches the database of new product designs and has successfully completed the development of 66 product series of indoor luminaries and 33 product series of outdoor luminaries mainly focusing on popular series including the hotel series and the 400 engineering products. Furthermore, the enhancement of the color-rendering index and the improvement of the strobe phenomenon have been achieved through the persistent implementation for the product reform on platformization, modularization, standardization, and serialization, as well as the optimization of power supply solution platform. Through persistent technical upgrade, structural optimization, improvement in technical processes and so on, the Group has attained the target of reducing the costs of the research and development of the Group. During the Period under Review, a total of RMB27,449,000 was invested in the research and development projects of the Group, accounting for 1.4% of the revenue of the Group. In addition, the Group had 108 new patent applications during the Period under Review and was granted 57 patents.

Brand promotion and honour

The Group has committed itself to the creation of No. 1 brand of lighting solution service providers in the era of the Internet. During the Period under Review, in the assessment of the 14th "World Brand Summit" organized by the World Brand Lab, the Group with a brand value of RMB20.685 billion was awarded the No. 1 brand in the lighting industry for six consecutive years. It has showed our powerful brand strength and influence. In the Shanghai International Commercial and Engineering Lighting Exhibition held in April 2017, the Group together with several high-end hotels under Marriott Hotel exhibited the real scene of 4 sets of hotel space model rooms and 1 set of the smart lighting system. Finally, we were honoured to have obtained the "Best Lighting Product Brand Award" of the "Golden Palace Award". It has fully reflected the Group's capability of customizing high-end products and providing overall solutions for systematic lighting schemes, which also indicated the sufficient recognition to the strength of the Group by the experts in the professional application sector of the lighting industry. In addition, during the Period under Review, the Group signed the strategic cooperation agreements with "Shaohaihui" jointly sponsored by Qingdao Haier Home Integration Co., Ltd. and other enterprises, and "Youzhu Website"* (有住網) as well and officially declared to have entered the ecosphere of the smart home. Through the cooperation with "Shaohaihui", the Group by virtue of its professional technology and the brand concept including the art of light has become capable of providing the best overall home lighting solutions for the ecosphere enterprises, which has pushed ahead with the persistent growth in the performance of the Group.

Progress of Litigation

Since December 2014, a subsidiary of the Company (the "Subsidiary") initiated a series of court actions in PRC against Mr. WU Changjiang, a former director and the former chief executive officer of the Company, and other persons in relation to a number of pledges and guarantees entered into by Mr. WU Changjiang purportedly on behalf of the Subsidiary, and certain counter-guarantees provided by a PRC company. During the Period under Review, the Subsidiary was also a co-defendant in three PRC court actions commenced by two PRC banks and a finance company in relation to several purported pledges and guarantees entered into by Mr. WU Changjiang. Please refer to the Company's 2016 annual report for details.

In relation to one of the aforementioned court actions commenced by a PRC bank against the Subsidiary as a co-defendant, certain funds held by the Subsidiary had been frozen by such PRC bank. Judgement was handed down by the Chongqing Fifth Intermediate People's Court in April 2016, which, among other things, ordered that the Subsidiary was jointly liable with another PRC company for the payment of RMB60,000,000, plus interest and costs, to such PRC bank. The Company has filed an appeal against the First Instance Judgement with the Chongqing Higher People's Court. In early 2017, the Company received the judgement of the Chongqing Higher People's Court which rejected the Subsidiary's appeal and upheld the former first instance judgement. Please refer to the Company's announcement dated 27 February 2017 for details. The Subsidiary has filed an application for retrial of such PRC court judgements.

In relation to one of the aforementioned court actions commenced by another bank in China, which alleges, among others, eight individuals/entities (the "Eight Guarantors"), including the Subsidiary, are jointly liable as guarantors for obligations of Chongqing En Wei Xi Industrial Development Co., Ltd.* (重慶恩緯西實業發展有限公司) ("En Wei Xi") owed to such bank in China, being the sum of RMB35,497,000, plus interest. In September 2016, the Company has received a judgement of the Chongqing First Intermediate People's Court which held, among other things, that the Eight Guarantors, including the Subsidiary, are jointly liable with En Wei Xi for the payment to such bank in China of RMB35,497,000, plus interest and costs. The Subsidiary had appealed against such judgement with the Chongqing Higher People's Court. In June 2017, the Company received the judgement of the Chongqing Higher People's Court which rejected Subsidiary's appeal and upheld the first instance judgement. Please refer to the Company's announcement dated 30 June 2017 for details. The Company has no present plan of filing further legal proceedings to seek a retrial of the judgement.

Future Prospects

By means of the on-going innovation and the increase in value and efficiency, various sorts of standardized governance have become effective in the initial stage. During the Period under Review, various goals were achieved perfectly. However, in an environment of intensified domestic and overseas market competition, future pressure and challenges continue to exist. The Group will continue to focus on the expansion of the external channels and the enhancement of the internal management, so as to create new opportunities for the sustainable development of the Group.

In terms of expanding the domestic market channels, the Group will continue to solidly implement the establishment of 400 major engineering distributors, set up the rail transit, big space and landscape lighting project group, construct the inter-departmental platform comprising the product, technology and back-office support departments, to provide the full-process support for the engineering projects of each segmented market. Meanwhile, the Group will gradually optimize the invisible channel system of excellent design resources covering all parts of China, set up the VIP Club for NVC designers, form the systematic management platform for the invisible channels, and further consolidate the channel advantages of the Group. In the home lighting sector, the Group will persistently optimize and replace the disqualified exclusive regional distributors in the second half of the year, with the emphasis placed on developing town channel exclusive outlets, and the focus on the Promotion Fair and the Autumn Group Buying Fair which will directly enhance the sales volume, with the aim to further upgrade the terminal sales capability. The Group will also continue to optimize the incentive policy for the exclusive regional distributors, provide the development and the support for professional, serialized and customized products to prompt the exclusive regional distributors to improve the product structure, and increase the sales amount of the commercial lighting and the home lighting products with high gross profit margin.

As for the expansion of the overseas market channels, the Group has planned to add four exclusive outlets in Dubai, Oman, Cambodia, and Italy in the second half of the year. In particular, the engineering strength of the Group will be displayed in the form of professional engineering exhibition halls in Dubai and Oman to create the display of the high-end brand. Meanwhile, the former single commercial lighting exhibition model will be changed, with the introduction of exhibition and promotion of home lighting products. The exclusive outlet in Cambodia will be the first overseas pilot exclusive outlet of the Group with the theme of home lighting products. In addition, the Group has planned to add ten more distributors or customers in Southeast Asia to enhance the ability of channel coverage. Meanwhile, the Group will select one to two countries in the Southeast Asia market as the major pilot spots to vigorously develop the wholesale channels and increase the exhibition rate of products, so as to enhance the market share and the brand popularity.

In terms of product management, the Group will continue to perform research and development work in relation to cost reduction, persistently increase the efficiency of new product development, and strengthen research and development capacity in order to launch the new products into the market in a shorter period of time. As for the internal management, the Group will continue to build up the inventory early warning mechanism, make reasonable arrangement for procurement and production, adequately store the fundamental materials and general materials to avoid the inventory backlog while effectively reducing the procurement costs, set up the special task forces to properly control the delivery time of engineering projects, and enhance the overall rate of order delivery, implement the system of workshop contracts and the "Amoeba" business model, strengthen the semi-automatic reform of the frequently used processes, and enhance the overall production efficiency to provide powerful protection for the stable development of the Group.

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 RMB1,909,663,000, representing an increase of 8.3% as compared with the Corresponding Period.

Revenue by product segments

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

	Six months ended 30 June		
	2017	2016	Growth rate
	RMB'000	*RMB'000*	
Luminaire products	**1,262,710**	1,210,405	4.3%
Lamp products	**501,662**	443,105	13.2%
Lighting electronic products	**145,291**	109,239	33.0%
Total	**1,909,663**	1,762,749	8.3%

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		
	2017	2016	Growth rate
	RMB'000	*RMB'000*	
Sales revenue from PRC			
NVC brand	**1,085,117**	1,073,119	1.1%
Non-NVC brands	**132,798**	137,967	-3.7%
Subtotal	**1,217,915**	1,211,086	0.6%
Sales revenue from international market			
NVC brand	**174,417**	178,718	-2.4%
Non-NVC brands	**517,331**	372,945	38.7%
Subtotal	**691,748**	551,663	25.4%
Total	**1,909,663**	1,762,749	8.3%

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		
	2017	2016	Growth rate
	RMB'000	*RMB'000*	
LED lighting products	**1,463,148**	1,176,887	24.3%
Non-LED lighting products	**446,515**	585,862	-23.8%
Total	**1,909,663**	1,762,749	8.3%

During the Period under Review, the sales of luminaire products increased by 4.3%, mainly benefited from the successful transformation of the dual-channel development model of commercial and home lighting of the Group and the stable growth in the sales proportion of LED lighting products. The sales of lamp products increased by 13.2%, and the sales of lighting electronic products increased by 33.0%. Such growths were respectively benefited from the increase in sales volume of non-NVC brand lamp products and non-NVC brand lighting electronic products in the international markets. During the Period under Review, the Group had enhanced the development of non-NVC brand lighting products and increased the investment in market resources. There is a steady increase in sales orders of non-NVC brand lighting products from major international customers caused by the ever-increasing preference of well-known international lighting enterprises for Chinese manufacturing companies due to their advantages in cost and scope.

During the Period under Review, the sales of LED lighting products increased by 24.3%, while the sales of non-LED lighting products decreased by 23.8%, mainly attributable to the fact that the Group grasped the favorable opportunity generated from the development of the LED industry to generally increase the proportion of LED lighting products through continuous enhancement in the development of new LED lighting products and the increase of the investment in market resources; while affected by the fierce competition in LED lighting products, the sales and price of traditional lighting products showed a progressive decline. The development trends of the above two products were antagonistic.

Cost of Sales

Cost of sales mainly consists of the cost of raw materials, outsourced manufacturing costs, direct and indirect labor costs and indirect costs. Major raw materials of the Group include iron, aluminum and alloys, fluorescent powder, glass tubes, electronics components and LED packaged chips, etc. 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			
	2017		2016	
	RMB'000	***Percentage in revenue (%)***	*RMB'000*	*Percentage in revenue (%)*
Raw materials	**1,024,311**	**53.6%**	707,830	40.2%
Outsourced manufacturing costs	**143,872**	**7.5%**	415,973	23.6%
Labor costs	**131,656**	**6.9%**	127,452	7.2%
Indirect costs	**57,677**	**3.0%**	55,448	3.1%
Total cost of sales	**1,357,516**	**71.1%**	1,306,703	74.1%

During the Period under Review, the percentage of cost of sales to revenue decreased from 74.1% to 71.1%, and the gross profit margin increased from 25.9% to 28.9% accordingly, mainly due to the positive results achieved by the Group through its ongoing four cost-cutting strategies (namely, reducing the cost of research and development, reducing the procurement cost, reducing the manufacturing cost and reducing the labor cost), including enhancing the upgrade of product technology, optimizing structures and promotion of technological process, public procurement and tendering, timely disposal of dead inventory, the implementation of "Amoeba" operating and strengthening lean production management, 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 RMB552,147,000, representing an increase of 21.1% as compared with the Corresponding Period, gross profit margin increased from 25.9% to 28.9%. 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			
	2017		2016	
	RMB'000	*(%)*	*RMB'000*	*(%)*
Luminaire products	**444,898**	**35.2%**	361,142	29.8%
Lamp products	**67,153**	**13.4%**	71,439	16.1%
Lighting electronic products	**40,096**	**27.6%**	23,465	21.5%
Total	**552,147**	**28.9%**	456,046	25.9%

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

	Six months ended 30 June			
	2017		2016	
	RMB'000	*(%)*	*RMB'000*	*(%)*
Gross profit from PRC sales:				
NVC brand	**412,106**	**38.0%**	318,099	29.6%
Non-NVC brands	**25,724**	**19.4%**	19,880	14.4%
Subtotal	**437,830**	**35.9%**	337,979	27.9%
Gross profit from international sales:				
NVC brand	**34,161**	**19.6%**	48,871	27.3%
Non-NVC brands	**80,156**	**15.5%**	69,196	18.6%
Subtotal	**114,317**	**16.5%**	118,067	21.4%
Total	**552,147**	**28.9%**	456,046	25.9%

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

	Six months ended 30 June			
	2017		2016	
	RMB'000	***(%)***	*RMB'000*	*(%)*
LED lighting products	**455,482**	**31.1%**	337,093	28.6%
Non-LED lighting products	**96,665**	**21.6%**	118,953	20.3%
Total gross profit	**552,147**	**28.9%**	456,046	25.9%

During the Period under Review, gross profit margin of luminaire products increased from 29.8% to 35.2%, mainly attributable to the positive results achieved by the Group through its ongoing four cost-cutting strategies (namely, reducing the cost of research and development, reducing the procurement cost, reducing the manufacturing cost and reducing the labor cost), as well as the increase in operating price of household luminaire products. Gross profit margin of lamp products decreased from 16.1% to 13.4%. On the one hand, LED lamp products offered customers more favorable price in order to seize the international market and win the main customer orders; on the other hand, affected by the competition with LED lamp products, the prices of traditional lamp products continued to drop and the manufacturing costs climbed due to unsaturated production capacity, giving rise to a decrease of gross profit margin of the whole lamp products as compared with the Corresponding Period. Gross profit margin of lighting electronic products increased from 21.5% to 27.6%, mainly attributable to the satisfactory results generated from the newly-launched LED lighting electronic products with high gross profit margin, as well as the impacts of the Group's comprehensive cost reduction measures and the fluctuation of exchange rate.

During the Period under Review, gross profit margin from PRC sales increased from 27.9% to 35.9%; mainly attributable to the benefits generated from the Group's comprehensive cost reduction measures, increase in prices of household products and product structure adjustment. Gross profit margin from international sales decreased from 21.4% to 16.5%, mainly due to the more favorable price offered by the Group in order to seize the international market and win the main customer orders of lamp products during the Period under Review, as well as the obvious decrease in gross profit margin of a subsidiary of the Group which operates in the international markets caused by the fluctuation of the local exchange rate.

Other Income and Gains

Our other income and gains mainly consist of rental income, gain on sales of scrap materials, fair value gain of derivative component of convertible bonds, gain arising from waiver of other payable, government grants and interest income (the breakdown of other income and gains is provided in note 3 to the condensed consolidated interim financial statements on page 9 of this announcement). We received various types of government grants in the form of tax subsidies and incentives for research and development activities and expansion of production capacity of energy-saving lamp. Government subsidies are provided by relevant authorities at their discretion, and may not be recurring in nature. During the Period under Review, other income and gains increased significantly to RMB69,879,000 as compared with the Corresponding Period, which was mainly due to the effect from the fair value gain of derivative component of convertible bonds and the gain arising from waiver of other payable 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 other costs including office expenses, custom clearance expenses, travelling expenses, depreciation and amortisation, insurance fees and other miscellaneous costs.

During the Period under Review, our selling and distribution costs were RMB192,876,000, representing an increase of 37.4% as compared with the Corresponding Period. The increase was mainly due to the rise in staff costs, increase in the marketing and promotion fees of terminal decorations of exclusive outlets for the household lighting products and rise in freight expenses. Our selling and distribution costs as a percentage of total revenue increased from 8.0% to 10.1%.

Administrative Expenses

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

During the Period under Review, our administrative expenses were RMB170,894,000, representing an increase of 1.9% as compared with the Corresponding Period. The increase was mainly attributable to the increase of exchange loss. Our administrative expenses as a percentage in revenue decreased from 9.5% to 8.9%.

Other Expenses

Other expenses mainly consist of losses on disposal of property, plant and equipment, impairment loss of other intangible assets, donations and other miscellaneous expenses.

Finance Costs

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

Share of Results of Associates

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

Income Tax

During the Period under Review, the Group's income tax amounted to RMB65,217,000.

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

Due to the factors mentioned above, our net profit for the period (including profit attributable to non-controlling interests) was RMB159,053,000 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 RMB9,724,000. These exchange differences primarily arose from the translation of the financial statements of the Company and its overseas subsidiaries which are denominated in foreign currencies.

Profit Attributable to Owners of the Parent for the Period

Due to the factors mentioned above, profit attributable to owners of the parent for the period was RMB148,157,000 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 RMB10,896,000.

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 2017 *RMB'000*	31 December 2016 *RMB'000*
CURRENT ASSETS		
Inventories	**458,010**	401,668
Trade and bills receivables	**1,181,230**	1,218,003
Prepayments, deposits and other receivables	**386,591**	343,115
Income tax recoverable	**10,340**	4,596
Other current assets	**13,388**	25,303
Restricted bank balances and short-term deposits	**220,429**	445,424
Cash and cash equivalents	**1,124,142**	1,160,155
Sub-total current assets	**3,394,130**	3,598,264
CURRENT LIABILITIES		
Trade and bills payables	**756,274**	750,036
Other payables and accruals	**656,467**	749,975
Interest-bearing loans	**65,826**	48,411
Government grants	**1,931**	2,026
Income tax payable	**38,602**	24,951
Convertible bonds – derivative component	**34,554**	60,230
Convertible bonds – liability component	**433,282**	–
Sub-total current liabilities	**1,986,936**	1,635,629
NET CURRENT ASSETS	**1,407,194**	1,962,635

As at 30 June 2017 and 31 December 2016, the total net current assets of the Group amounted to RMB1,407,194,000 and RMB1,962,635,000 respectively, and the current ratio was 1.71 and 2.20 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 2017 *RMB'000*	31 December 2016 *RMB'000*
Interest-bearing loans and convertible bonds – liability component	**499,108**	488,683
Total debt	**499,108**	488,683
Less: cash and cash equivalents and short-term deposits (excluding restricted bank balances)	**(1,344,571)**	(1,550,183)
Net debt	**N/A**	N/A
Total equity attributable to owners of the parent	**3,120,198**	2,703,481
Gearing ratio	**N/A**	N/A

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

Capital Expenditure

We funded our capital expenditure with cash generated from operations and bank loans and cash generated from issue of shares or Convertible Bonds. Our capital expenditure is primarily related to expenditure on property, plant and equipment, prepaid land lease payments and other intangible assets. During the Period under Review, the Group's capital expenditure amounted to RMB44,960,000, mainly attributable to the increase in cost of leasehold improvements, machinery equipment, moulds and non-productive equipment.

Off-balance Sheet Arrangement

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

Capital Commitments

On 30 June 2017, the capital commitments in respect of contribution into and acquisition of associate, joint venture and an investment and purchase of property, plant and equipment was RMB490,515,000 (31 December 2016: RMB470,154,000).

EVENTS AFTER THE PERIOD UNDER REVIEW

No significant event has happened after 30 June 2017.

CONTINUING CONNECTED TRANSACTIONS

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

MERGERS, ACQUISITIONS AND INVESTMENTS

On 21 April 2017, the Company formed the Guoyuan China Growth Investment Fund LP (the "Limited Partnership") with Guoyuan Asset Management (Asia) Limited (as the general partner) by the contribution of USD30,000,000. The Limited Partnership intends to invest in (including but not limited to) shares of private companies related to emerging industries such as the lighting, energy saving, environmental friendly industries or private equity funds. Through the Limited Partnership, the Company will be able to benefit from a wealth of attractive investment opportunities in the lighting, energy saving, environmental friendly industries and achieving economies of scale and synergies. This can also enhance the Company's ability to grow organically through the effective use of resources which will save capital expenditure and optimise cash management, thus improving the overall competitiveness of the Company. Please refer to the Company's announcement dated 21 April 2017 for more information.

On 7 June 2017, Huizhou NVC, a wholly-owned subsidiary of the Company, has entered into a purchase agreement with Zhuhai Ruiheng Investment Co., Ltd. (the "Vendor"), pursuant to which Huizhou NVC has agreed to acquire, and the Vendor has agreed to sell, certain properties at a cash consideration of RMB345,000,000. The Group intends to use the office buildings, business exhibition rooms and car parking spaces comprised in such properties for office purposes. The Group intends to use such properties as the office for key businesses of the Group such as household lighting business upon the completion of the acquisition. The Board considers that the acquisition of such properties will meet the Group's rapid business development demand, achieve rental savings and enable effective appreciation of the assets of the Group. Please refer to the Company's announcement dated 7 June 2017 for more information.

On 12 June 2017, the Board announced that it has resolved to acquire shares of ETIC (listed on the Shenzhen Stock Exchange, stock code: 002005) to the amount of no more than RMB110,000,000 on market before 31 December 2017 with the acquisition price of no more than RMB5.45 per share of ETIC. Assuming a purchase price of RMB5.45 per share of ETIC, it is estimated that the total number of shares of ETIC to be acquired by the Company will be approximately 20,183,486 shares, representing 1.45% of the total issued shares of ETIC on 12 June 2017.

Immediately prior to the above acquisition of shares of ETIC, Mr. WANG Donglei indirectly held 20.94% of the total issued shares of ETIC and was a substantial shareholder of ETIC. Mr. WANG Donglei is also the Chairman, Chief Executive Officer and Executive Director of the Company. Although the Company shall acquire shares of ETIC on market from the public, such acquisition was regarded as a connected transaction of the Company under Rule 14A.28 of the Listing Rules.

ETIC is an important business partner of the Company in its industrial chain. The strategic investment in ETIC will enhance the Company's strategic cooperation relationship with ETIC. ETIC is focusing on the production and sale of small household appliances and LED products in the PRC. With a positive outlook on the LED products market and the future performance of ETIC, the Company believes that such share acquisition presents a valuable investment opportunity for the Group to capture the potential growth of ETIC, which will bring benefits to the Group. The Company also considers that the current stock price of ETIC is also at a reasonable level and of investment value. As of the date of this announcement, the acquisition of ETIC shares has not yet been completed. For more details, please refer to the announcement of the Company dated 12 June 2017.

Saved as disclosed in the above, the Group made no acquisition, merger or sale of subsidiaries, associates, joint ventures and investments 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 the PRC 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 condensed consolidated statement of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have no other financial assets which carry significant exposure to credit risk. In 2016, 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 2016 to 30 November 2017 with a maximum compensation amount of RMB25,920,000 for PRC sales and US$25,000,000 (equivalent to approximately RMB173,425,000) 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 2017.

EMPLOYEES

As at 30 June 2017, the Group had approximately 6,731 employees in total (31 December 2016: 6,238). The Group regularly reviews remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contributions, employee provident fund schemes, discretionary incentive and share option schemes.

ISSUE OF NEW SHARES UNDER GENERAL MANDATE

On 2 June 2017, the Company and Rising Wealth Limited, Lead Investment Limited, Mr. Ye Yong, Mr. Feng Chuntian and Ms. Zou Xiaoyang (being the subscribers) entered into a subscription agreement, pursuant to which the subscribers conditionally agreed to subscribe and the Company conditionally agreed to allot and issue in aggregate a total of 368,357,000 subscription shares. The subscription price of HK$0.80 per subscription share represents a discount of approximately 8.05% to the closing price of HK$0.87 per share as quoted on the Stock Exchange on 2 June 2017, being the date of the subscription agreement; and a discount of approximately 8.05% 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 2 June 2017, being the date of the subscription agreement. The subscription shares represent approximately 11.46% of the issued share capital of the Company as at the date of the subscription agreement and approximately 10.28% of the total issued share capital of the Company as enlarged by the allotment and issue of the subscription shares. According to the par value of US$0.0000001 each share, the nominal value of the subscription shares is US$36.84 (equivalent to approximately HK$286.62).

The gross proceeds of this subscription amounts to approximately HK$294,686,000. After deducting the relevant expenses, the net proceeds from the issue of the subscription shares amount to approximately HK$294,000,000. The net price for each subscription share is approximately HK$0.798. For more details, please refer to the announcement of the Company dated 4 June 2017. The subscription was completed on 13 June 2017.

On 27 June 2017, the Company and Rising Wealth Limited (being the subscriber) entered into a subscription agreement, pursuant to which the subscriber conditionally agreed to subscribe and the Company conditionally agreed to allot and issue in aggregate a total of 257,330,000 subscription shares. The subscription price of HK$0.80 per subscription share represents a discount of approximately 2.44% to the closing price of HK$0.82 per share as quoted on the Stock Exchange on 27 June 2017, being the date of the subscription agreement; and a discount of approximately 7.19% to the average of the closing prices of approximately HK$0.862 per share as quoted on the Stock Exchange for the last five trading days immediately before 27 June 2017, being the date of the subscription agreement. The subscription shares represent approximately 7.18% of the issued share capital of the Company as at the date of the subscription agreement and approximately 6.70% of the total issued share capital of the Company as enlarged by the allotment and issue of the subscribed shares. According to the par value of US$0.0000001 each share, the nominal value of the subscription shares is US$25.73 (equivalent to approximately HK$200.67).

The gross proceeds of the subscription will amount to approximately HK$205,864,000. After deducting the relevant expenses, the net proceeds from the issue of the subscription shares will amount to approximately HK$205,000,000. The net price for each subscription share is estimated to be approximately HK$0.797. For more details, please refer to the announcement of the Company dated 27 June 2017. As of the date of this announcement, the subscription has not been completed.

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 agreements mentioned above are on normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders as a whole. As at the date of this announcement, the net proceeds had been used for general corporate and business development and working capital requirements.

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. 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 2017.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

STRATEGY AND PLANNING COMMITTEE

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

INDEPENDENT INVESTIGATIONS COMMITTEE

To advance the internal investigations into matters involving Mr. WU Changjiang, the former Executive Director and Chief Executive Officer of the Company, the Company has established an independent investigations committee (the "Independent Investigations Committee") under the Board. The Independent Investigations Committee has been authorised by the Board to exercise powers and perform duties on behalf of the Board in relation to the conduct of the investigations into, among other things, the alleged wrongdoing of Mr. WU Changjiang. The Independent Investigations Committee has also been authorised to consider and make recommendations to the Board with respect to any potential proceedings arising from the internal investigations. In connection with the Company's investigations of the alleged wrongdoing of Mr. WU Changjiang, the Independent Investigations Committee has instructed a third-party service provider to conduct a forensic review of related irregularities and an internal controls assessment of the Company and its key subsidiaries. The forensic review and internal controls assessment has been completed. Please refer to the announcements of the Company dated 17 July 2015 and 17 September 2015 for details. Currently, the Independent Investigations Committee 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 2017 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. WEI Hongxiong, the Independent Non-executive Director of the Company, has obtained the qualification to be the independent director of listed company from China Securities Regulatory Commission in February 2017.

Mr. WANG Xuexian, the Independent Non-executive Director of the Company, has ceased to be an independent non-executive director of ETIC (a company listed on the Shenzhen Stock Exchange, stock code: 002005) with effect from May 2017.

Mr. LEE Kong Wai, Conway, the Independent Non-executive Director of the Company, has been appointed as an independent non-executive director of Guotai Junan Securities Co., Ltd. (a company listed on the main board of the Stock Exchange and the Shanghai Stock Exchange, stock code: 2611 and 601211) with effect from 11 April 2017.

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 2017 will be included in the Company's interim report which will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.nvc-lighting.com.cn and will be dispatched to the Company's shareholders in due course.

REVIEW OF ACCOUNTS

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

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

APPRECIATION

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

DEFINITIONS

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

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

"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. The shares of the Company are listed on the main board of the Stock Exchange.
"Convertible Bonds"	the convertible bonds denominated in Hong Kong dollar in an aggregate principal amount of HKD500,000,000 issued on 7 June 2016 by the Company.
"Corresponding Period"	means the six months ended 30 June 2017 or the six months ended 30 June 2016 (as the context may require).
"Director(s)"	the director(s) of the Company.
"ETIC"	Elec-Tech International Co., Ltd.* (廣東德豪潤達電氣股份有限公司), a PRC incorporated company which is currently listed on the Shenzhen Stock Exchange. It is a substantial shareholder of the Company.
"Group"	the Company and its subsidiaries.
"GBP"	Great Britain Sterling Pound, the lawful currency of the United Kingdom.
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong.
"Hong Kong"	the Hong Kong Special Administrative Region of People Republic of China.
"Huizhou NVC"	Huizhou NVC Lighting Technology Co., Ltd.* (惠州雷士光電科技有限公司), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 29 April 2006 and our direct wholly-owned subsidiary.
"HID"	high intensity discharge.
"LED"	light-emitting diode.

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.
"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.
"ODM"	Original Design Manufacturing, a type of manufacturing under which the manufacturer is responsible for the design and production of the products and the products are marketed and sold under the customer's brand name.
"Period under Review"	the six months ended 30 June 2017.
"RMB"	Renminbi, the lawful currency of the PRC.
"Stock Exchange"	the Stock Exchange of Hong Kong Limited.
"U.S."	the United States of America, its territories, its possessions and all was subject to its jurisdiction.
"US$"	United States dollars, the lawful currency of the United States.
"UK NVC"	NVC Lighting Limited (formerly known as NVC (Manufacturing) Limited), a private company incorporated in England and Wales on 31 May 2007, and our direct wholly-owned subsidiary.
"we", "us" or "our"	the Company or the Group (as the context may require).

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

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

Hong Kong, 29 August 2017

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

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

Non-executive Directors:
LI Huating
LI Wei
YANG Jianwen

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