

# NVC 雷士照明

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

(Incorporated in the Cayman Islands with Limited Liability)  
Stock Code : 2222

Interim Report 2014



# EXPERT

in lighting environment



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## Corporate Information

Executive Directors	WANG Dongming XIAO Yu XIONG Jie
Non-executive Directors	LIN Ho-Ping ZHU Hai WANG Donglei LI Wei
Independent Non-executive Directors	WANG Jinsui LEE Kong Wai, Conway WU Ling WANG Xuexian WEI Hongxiong
Joint Company Secretaries	LO Yee Har, Susan LEUNG Ching Ching
Authorized Representatives	LO Yee Har, Susan WANG Dongming
Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands
Headquarter	NVC Industrial Park Ruhu Town, Huizhou City Guangdong Province PRC
Principal Place of Business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Corporate Website	<a href="http://www.nvc-lighting.com.cn">www.nvc-lighting.com.cn</a>
Investor Relations	E-mail: <a href="mailto:ir@nvc-lighting.com">ir@nvc-lighting.com</a>

## Corporate Information

Principal Share Registrar and Transfer Office	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Legal Advisor as to Hong Kong Laws	Freshfields Bruckhaus Deringer
Auditor	Ernst & Young ( <i>Certified Public Accountants</i> )
Principal Bankers	China Construction Bank, Huizhou Branch China Construction Bank, Quzhou Branch Bank of China, Quzhou Branch The Commercial and Industrial Bank of China, Chongqing Branch
Investor and Media Relations Consultant	PR ASIA Consultants Limited

## Financial Highlights

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue	1,703,207	1,688,520
Gross profit	381,577	353,989
Profit before tax	94,533	127,196
Profit for the period (Note 1)	71,022	97,666
Profit for the period attributable to		
Owners of the parent	58,043	81,234
Non-controlling interest	12,979	16,432
Earnings per share attributable to ordinary equity holders of the parent		
Basic	1.86 cents	2.60 cents
Diluted	1.86 cents	2.60 cents

Note 1: Profit for the period represents profit before netting off profit for the period attributable to non-controlling interest.

	30 June	31 December
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Non-current assets	1,282,635	1,312,316
Current assets	3,410,229	3,456,658
Current liabilities	790,548	900,279
Net current assets	2,619,681	2,556,379
Total assets less current liabilities	3,902,316	3,868,695
Non-current liabilities	110,330	108,070
Total equity	3,791,986	3,760,625
Attributable to:		
Owners of the parent	3,686,010	3,676,870
Non-controlling interest	105,976	83,755

# Management Discussion and Analysis

## Market Review

During the Period under Review, the global economy showed a sustained recovery trend, the US economy experienced robust growth. The Eurozone headed for stabilized recovery whereas the economic growth in the emerging countries slowed down. International Monetary Fund (“IMF”) has expected the global economy to grow at the rate of 3.4% this year, lower than its 3.7% forecast this April but still better than 3.0% last year.

During the Period under Review, the PRC Government continued to expedite the pace of structural economic adjustment. In the first half of the year, the growth rate of gross domestic product (“GDP”) was 7.4% year-on-year in the PRC, representing a decrease of 0.2% as compared with the Corresponding Period last year. In particular, the growth rate in the first and second quarters was 7.4% and 7.5% year-on-year, respectively.

During the Period under Review, the LED lighting market sustained its growth trend. Driven by the continuous decrease in the prices of LED lighting products and the gradual maturity of LED technology, as well as the strong support from the government, the market penetration rate of LED lighting products was on the rise and the growth of the market demand remained high. The purchase of LED lighting products in the sectors of commercial lighting, outdoor lighting and the government purchase increased rapidly. However, the LED lighting market experienced low concentration and keen competition in the industry. Driven by the rapid improvement in the technological development, the pace of the LED lighting products upgrading expedited, therefore the profitability of the lighting enterprises has been subjected to certain pressure. Moreover, with the rapid upsurge of LED lighting products, the traditional lighting products were subjected to significant challenges and the market demand decreased gradually.

## Business Review

During the Period under Review, the Group made proactive adjustments to improve the business operations to cope with the market changes. Targeting at channel construction and market sales, the Group has insisted on the development of both domestic and foreign markets. In the PRC, we continued to explore the sales network. The major market sales channels were consolidated by means of increasing the number of sales outlets. The penetration into county-level and township cities was enhanced in the form of display counters, display walls as well as the metalware outlets. During the Period under Review, the total number of outlets, display counters, display walls and metalware outlets of the Group increased continuously to 5,692. Moreover, the Group set up related internal business department to reinforce the operational capability of its engineering business and improve the engineering sales results. Upon winning the bid for energy-saving lamps subsidy project in 2013, the Group’s shipment of the lamps has been commenced this year. The highest marketing quantity of energy saving tubes was 4.75 million. We continued to reinforce the construction of the NVC Brand sales outlets to increase the brand product sales overseas. As for the Brand, the Group sponsored major sports events to enhance the brand image of NVC. During the Period under Review, the Group continued to launch new series of LED lighting products to enrich its LED lighting product portfolio, so as to satisfy the diversified needs of the clients. The Group also enhanced its profitability and management efficiency by reinforcing the control on production cost. During the Period under Review, the sales of the Group’s LED lighting products amounted to RMB512,144,000, representing a growth rate of 82.1% as compared with the Corresponding Period last year and accounting for 30.1% of the total revenue. In addition, the gross profit margin of LED lighting products increased from 17.7% of the Corresponding Period to 23.4% of the Period under Review.

# Management Discussion and Analysis

## Sales and distribution

As for the NVC Brand in the PRC market, the Group maintained 37 regional exclusive distributors during the Period under Review. As at 30 June 2014, the regional exclusive distributors of the Group had a total of 3,486 sales outlets (100% coverage of the capital of provinces, 94.04% coverage of the prefecture-level cities, 63.85% coverage of the county-level cities, and 2.57% coverage of the township cities). As compared with 31 December 2013, there was an increase of 187 outlets mostly established in the county-level and the township areas. Apart from the sales outlets, the regional exclusive distributors also had 920 outlets of display counters and display walls and 1,286 metalware outlets, representing an increase of 288 and 87 outlets, respectively, as compared with 31 December 2013. Therefore, as at 30 June 2014, the regional exclusive distributors have developed 5,692 effective outlets. Apart from continuously expanding the outlets, the Group also enhanced the development of its internal business department to explore the potentials of engineering channels. During the Period under Review, the total sales volume of the NVC Brand products amounted to RMB978,246,000 in the PRC, representing an increase of 6.9% as compared with the Corresponding Period last year. The brand's sales volume of LED lighting products amounted to RMB446,077,000, representing an increase of 69.0% as compared with the Corresponding Period last year and accounting for 45.6% of the sales revenue of NVC Brand products in the PRC. Other traditional lighting products recorded various level of decrease in the sales volume resulted from a drop in demand.

As for the non-NVC Brand market in the PRC, the Group mainly provided energy-saving tubes and accessories to energy-saving lamps enterprises. During the Period under Review, the market price and the sales volume of lighting products under the fluorescent category of the Group were adversely impacted by LED lighting products. However, the gross profit margin has picked up as a result of reinforcing production management and increasing the utilization rate of raw materials.

As for international NVC Brand market, the Group continued to enhance the promotion of the NVC Brand products especially the LED lighting products, and the exploitation of engineering channels, coupled with enhanced investment in the emerging markets. During the Period under Review, the Group emphasised on market development in the Middle East, Brazil and Australia, began to expand into Colombia and Norway markets, and added three new sales outlets overseas. All these led to an increase in international sales volume of NVC Brand products to RMB210,120,000 during the Period under Review, representing an increase of 39.6% as compared with the Corresponding Period last year. In particular, the sales volume of LED lighting products reached RMB65,686,000, representing an increase of 283.7% as compared with the Corresponding Period last year, which accounting for 31.3% of the international sales volume of NVC Brand products as compared with 11.4% of the Corresponding Period last year.

As for the non-NVC Brands in the international market, the Group mainly provided well-known international lighting enterprises with energy-saving lamps and tubes as well as the accessories in the form of ODM. During the Period under Review, as impacted by the LED lighting products, the orders from the Group's major clients slightly decreased.

## Product research and development and design

During the Period under Review, the Group continued to enhance the product research and development and launched series of outdoor and indoor LED lighting products to enrich the portfolio of LED lighting products in light of the market demand. The research and development work of the Group placed emphasis on upgrading the industrial design standard and the product quality, and reinforcing the cost control, so as to fully meet the high standard requirements of commercial clients comprehensively and effectively. The Group continued to improve the drive control design to enhance the comprehensive functions and reliability of the products. In respect of the outdoor products, the intelligent control system was adopted to enhance the integration of the control system and achieve the new breakthrough in the engineering application. During the Period under Review, 16 new patent applications were filed, with 46 patents approved and granted. During the Period under Review, the Group invested RMB25,781,000 in the research and development projects of the Group, representing 1.5% of the Group's revenue.

As at 30 June 2014, the Group had a workforce of 482 in design, research and development, of which 398 worked in the Chongqing research and development center and the rest were in other production bases.

## Management Discussion and Analysis

### Brand promotion

During the Period under Review, the brand promotion strategies of the Group were to upgrade and consolidate the domestic popularity of NVC Brand continuously, make proactive response and push forward with the internationalization of NVC Lighting Brand, and enhance the brand influence on a global basis. The Group continued to conduct its branding promotions to enhance the influence and popularity of NVC Brand by launching a series of activities including advertising, media coverage, public relations activities and participation in well-known international sports events. The Group sponsored the international large-scale sports competition, such as Diving Competition Series organized by Federation Internationale de Natation Amateur, to further expand the brand influence of NVC Brand in the international market.

During the Period under Review, the NVC Brand continued to receive widespread recognition in various sectors of society. The three major awards – “Top 100 Enterprises of Good Financial Capability”, “China Light Industry Research and Development and Innovation Advanced Enterprise”, and “China Light Industry E-commerce Advanced Enterprise” granted by China Light Industry Federation have proven its strength. In the third industry billboard, NVC Brand was rated as the “Most Influential Brand”, this honor reflected the leading position of NVC Brand in the lighting industry. In June 2014, NVC continued to take the lead in the domestic lighting industry with a brand value of RMB10.743 billion and was rated as the “China Industry Iconic Brand”. NVC is the only enterprise to receive this honor in China lighting industry.

### Future Prospects

The Group expects to develop its business according to the future prospects disclosed in the annual report for the year ended 31 December 2013. However, given the circumstances surrounding the removal of Mr. WU Changjiang as chief executive officer of the Company and as executive director of the Company as described in the section headed “Recent Developments” below, the Group’s business and financial prospects will be subject to considerable risks and uncertainties because they partly depend on the development of the abovementioned circumstances in the future.

### Recent Developments

The Company has recently become aware of certain wrongdoing relating to Mr. WU Changjiang, the former chief executive officer and former executive director of the Company. In particular, the majority members of the Board were recently informed by Mr. WU Changjiang that in 2012, he signed a licensing agreement on behalf of the Company’s subsidiary, Huizhou NVC, with each of his three associated companies granting those three companies the right to use the NVC brands for 20 years. The majority of the Board was not previously aware of the existence of those licensing agreements nor has the Board approved, authorised or ratified the execution of such agreements.

In relation to the above, the Board made an announcement on 25 July 2014 clarifying that apart from the 4 licensees listed in that announcement, the Company has not authorized the grant of a license to any other company or individual to use NVC trademarks or the NVC brand. In addition, on 31 July 2014, the Company announced that the Board has passed three internal policies on 30 July 2014 including, the Rules on Distributors, Agents and Brand Licensing, so that the relevant counter parties can take reference and act cautiously.

# Management Discussion and Analysis

## Recent Developments (continued)

On 8 August 2014, the Board resolved and announced to remove Mr. WU Changjiang from the office of chief executive officer of the Company and to appoint Mr. WANG Donglei as the interim chief executive officer of the Company. Three other individuals, including Mr. WU Changjiang's brother, Mr. WU Changyong, were removed from the offices of vice-president of the Company at the same day. Considering Mr. WU Changjiang's wrongdoing which calls into questions his fitness to discharge his responsibilities as an executive director of the Company, the Board therefore requested for an extraordinary general meeting ("EGM") of the Company for the purpose of removing Mr. WU Changjiang from the office of executive director. The Board also appointed Mr. XIAO Yu and Mr. XIONG Jie as new executive directors of the Company and resolved to establish an Emergency Committee (A description of the Emergency Committee is provided on page 31 of this report).

Considering the potential impact on the share price of the Company by the above decisions, on 11 August 2014, the Company applied to the Stock Exchange for suspension of trading of its shares.

Subsequently on 13 August 2014, the Company dispatched notices and circular of the EGM to its shareholders notifying that an EGM to consider the resolution to remove Mr. WU Changjiang's directorship of the Company and any other positions in the Board committees of the Company to be held on 29 August 2014.

On 14 August 2014, the Company published an announcement to update the shareholders on the Company's latest development. Given Mr. WU Changjiang and his supporters' unreasonable refusal to comply with the Board resolutions and to hand over the control of the Wanzhou factory of the Company, the Wanzhou factory has suspended its operation since 8 August 2014 and the local government has been involved. Considering the above, the Company has notified the relevant banks to suspend all payments from the bank accounts of the Wanzhou factory, bank accounts of NVC Lighting (China) and all payments from certain bank accounts of Huizhou NVC.

On 20 August 2014, the Company made another announcement to update the shareholders on the latest development. Given Mr. WU Changjiang's continuing unreasonable actions, the Company decided to suspend operations of NVC Lighting (China) in Chongqing and to establish a temporary headquarter at the Company's Huizhou offices. The Emergency Committee will exercise its powers and perform its duties according to the authorisations of the Board.

On 28 August 2014, the Board approved the interim results.

On 29 August 2014, the EGM of the Company was convened at Diamond II, 3/F, The Ritz-Carlton, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The resolution of the removal of Mr. WU Changjiang as a director of the Company and from any position in any of the board committees of the Company was passed by the majority of the votes. Please refer to the announcement of the Company dated 29 August 2014 for the details of the poll results.

On 10 September 2014, the Company published an announcement regarding its latest development of the Company. The Company established an operations sub-committee to ensure its continued smooth operations and also established an independent investigation committee to investigate the alleged wrongdoing of Mr. WU Changjiang and other former officers mentioned above as well as to consider and make recommendations to the Board with respect to any potential proceedings arising from such investigations. The Company's investigations as of 10 September 2014 indicated that certain funds of the Company amounted to RMB173 million may have been allegedly misused by Mr. WU Changjiang through the entering into certain bank facility arrangements by companies associated with Mr. WU Changjiang and purportedly guaranteed by a subsidiary of the Company. The investigations also indicate that Mr. WU Changjiang and Mr. WU Changyong, who were at the time as directors of Huizhou NVC, may have colluded with a third-party company, named Chongqing China Dragon Technology Photoelectricity Stock Co., Ltd\* (重慶華龍盈科光電股份有限公司), to damage Huizhou NVC's interests.

At the time of this report, the Company is still investigating the wrongdoing of Mr. WU Changjiang and the other former officers mentioned above. Moreover, the Company is seeking legal advice in relation to the legal implications and considering possible legal actions in order to protect the interests of the Company.

# Management Discussion and Analysis

## Financial Review

### Revenue

Revenue refers to the net amount of the invoiced value of goods sold, after deduction of the goods returned and trade discount. During the Period under Review, the Group grasped the development trend in LED market to keep up the growth momentum of the LED lighting products sales with the enhanced development of new LED lighting products, technological upgrade and the expansion of LED production capacity. The Group also pushed ahead with the internationalization of NVC Brand by sponsoring Diving Competition Series organized by Federation Internationale de Natation Amateur. The domestic and overseas sales volume of NVC Brand increased 6.9% and 39.6% respectively as compared with the Corresponding Period last year. However, the traditional lighting market was adversely affected. The traditional fluorescent light source products experienced obvious sales drop. The non-NVC Brand products sales volume dropped 17.4% as compared with the Corresponding Period last year. As a result of the increase and decrease in the sales volume of the two products, the Group secured the revenue of RMB1,703,207,000, showing a slight increase of 0.9% as compared with the Corresponding Period last year.

#### *Revenue by product segments*

The following table 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		Growth rate
	2014 RMB'000	2013 RMB'000	
Luminaire products	<b>1,086,439</b>	902,695	20.4%
Lamp products	<b>500,564</b>	653,828	-23.4%
Lighting electronic products	<b>116,204</b>	131,997	-12.0%
Total	<b>1,703,207</b>	1,688,520	0.9%

During the Period under Review, the sales of luminaire products increased by 20.4%, mainly driven by the rapid growth of LED luminaire lighting products. Among which, the sales of LED luminaire lighting products significantly increased by 82.1% as compared with the Corresponding Period, while the traditional luminaire series recorded different levels of decline. The sales of lamp products decreased by 23.4%, primarily attributable to the impact of LED lighting products and the revenue of traditional incandescent lamp products decreased. The sales of lighting electronic products decreased by 12.0%, mainly attributable to the impact of a decline in the sales of traditional electronic products.

## Management Discussion and Analysis

### *Revenue by geographical location and by NVC and non-NVC brand sales*

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

	<b>Six months ended 30 June</b>		
	<b>2014</b>	2013	Growth rate
	<b>RMB'000</b>	RMB'000	
<b>Revenue from PRC sales</b>			
NVC brand	<b>978,246</b>	914,797	6.9%
Non-NVC brand	<b>136,634</b>	209,246	-34.7%
<i>Subtotal</i>	<b>1,114,880</b>	1,124,043	-0.8%
<b>Revenue from international sales</b>			
NVC brand	<b>210,120</b>	150,478	39.6%
Non-NVC brand	<b>378,207</b>	413,999	-8.6%
<i>Subtotal</i>	<b>588,327</b>	564,477	4.2%
Total	<b>1,703,207</b>	1,688,520	0.9%

## Management Discussion and Analysis

### Cost of sales

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

	Six months ended 30 June			
	2014		2013	
	RMB'000	Percentage in income (%)	RMB'000	Percentage in income (%)
Raw materials	<b>979,959</b>	<b>57.5%</b>	986,222	58.3%
Outsourced manufacturing costs	<b>104,812</b>	<b>6.2%</b>	100,920	6.0%
Labour costs	<b>153,448</b>	<b>9.0%</b>	155,034	9.2%
Indirect costs	<b>83,411</b>	<b>4.9%</b>	92,355	5.5%
Total cost of sales	<b>1,321,630</b>	<b>77.6%</b>	1,334,531	79.0%

During the Period under Review, the cost of sales as a percentage to revenue decreased from 79.0% to 77.6%, resulting in an increase in gross profit margin from 21.0% to 22.4%, mainly due to the improvement in gross profit margin of LED lighting products and the changes in product structure.

## Management Discussion and Analysis

### Gross profit and gross profit margin

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

During the Period under Review, the gross profit was RMB381,577,000, representing an increase of 7.8% while the gross profit margin of the sales increased from 21.0% to 22.4%. 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 products):

	<b>Six months ended 30 June</b>			
	<b>2014</b>		<b>2013</b>	
	<b>RMB'000</b>	<b>(%)</b>	<b>RMB'000</b>	<b>(%)</b>
Luminaire products	<b>258,878</b>	<b>23.8%</b>	214,663	23.8%
Lamp products	<b>103,002</b>	<b>20.6%</b>	116,239	17.8%
Lighting electronic products	<b>19,697</b>	<b>17.0%</b>	23,087	17.5%
<b>Total</b>	<b>381,577</b>	<b>22.4%</b>	353,989	21.0%

During the Period under Review, gross profit margin of luminaire products remained the same as the Corresponding Period. Despite the continuing decline in the prices of traditional luminaire products, gross profit margin significantly improved from the Corresponding Period resulted from technology enhancement of LED luminaire products and the decline in purchase costs of LED packaged chips. The gross profit margin of lamp products increased by 2.8% from the Corresponding Period to 20.6%, primarily attributable to the lower gross profit margin resulted from the impact of high-priced fluorescent powder inventory in the Corresponding Period. However, the gross profit margin improved through the enhancement of production management during the year. The gross profit margin of lighting electronic products decreased by 0.5% from the Corresponding Period to 17.0%.

## Management Discussion and Analysis

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

	Six months ended 30 June			
	2014		2013	
	RMB'000	(%)	RMB'000	(%)
<b>Gross profit from PRC sales:</b>				
NVC brand	245,039	25.0%	214,908	23.5%
Non-NVC brand	19,455	14.2%	24,782	11.8%
<i>Subtotal</i>	<b>264,494</b>	<b>23.7%</b>	239,690	21.3%
<b>Gross profit from international sales:</b>				
NVC brand	46,326	22.0%	36,592	24.3%
Non-NVC brand	70,757	18.7%	77,707	18.8%
<i>Subtotal</i>	<b>117,083</b>	<b>19.9%</b>	114,299	20.2%
Total	<b>381,577</b>	<b>22.4%</b>	353,989	21.0%

## Management Discussion and Analysis

### Other income and gains

Our other income and gains mainly consist of trademark licence fees, rental income, gain on sales of scrap materials, government grants and interest income (the breakdown of other income and gains is provided in note 5 to the interim condensed consolidated financial statements on page 45 of this report). We received various types of government grants as tax subsidies and incentives for research and development activities and expansion of production for energy-saving lamp products. Government grants are provided by relevant authorities at their discretion, and may not be recurring in nature. We licensed our trademark to a limited number of lighting product manufacturers in the PRC and received 1% to 3% of the licensees' annual turnover as trademark licence fees. During the Period under Review, other income and gains were RMB43,718,000, representing a decrease of 0.1% as compared with the Corresponding Period.

### Selling and distribution costs

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

During the Period under Review, our selling and distribution costs were RMB175,786,000, representing an increase of 45.6% as compared with the Corresponding Period, which was mainly attributable to a rise in labour costs resulted from cooperate restructure and additional staff as well as an increase of advertising and promotion expenses. Our selling and distribution costs as a percentage of revenue rose from 7.1% to 10.3%.

### Administrative expenses

Our administrative expenses mainly consist of employee costs, amortisation and depreciation, research expenses, office expenses and others. Others mainly include taxes, audit fees, other professional fees, bad debt provision and other miscellaneous items. These taxes mainly include land use tax and stamp duty in connection with our administrative functions.

During the Period under Review, our administrative expenses were RMB152,809,000, representing an increase of 17.5% as compared with the Corresponding Period, primarily attributable to an increase of labour costs and bad debt provision. Our administrative expenses accounting for the percentage of revenue increased from 7.7% to 9.0%.

### Other expenses

Our other expenses mainly consist of loss on sale of property, plant and equipment and scrap materials, donations and other miscellaneous items.

### Finance costs

Our finance costs represent interest on bank loans and other interest expenses.

## Management Discussion and Analysis

### **Share of profit/(loss) of associates**

This item represents the Group's share of the net profit or net loss of associates during the Period under Review.

### **Income tax expense**

During the Period under Review, the Group's income tax expense was RMB23,511,000, representing a decrease of 20.4% as compared with the Corresponding Period, which was mainly attributable to decrease in the profit before tax.

### **Profit for the period (including profit attributable to non-controlling interest)**

Our net profit for the period (including profit attributable to non-controlling interest) amounted to RMB71,022,000 during the Period under Review due to the factors mentioned above.

### **Exchange differences on translation of foreign operations**

During the Period under Review, exchange differences on translation of foreign operations amounted to RMB769,000. This income was primarily derived from the translation of the financial statements of the Company and the overseas subsidiaries which are denominated in foreign currency.

### **Profit attributable to owners of the parent for the period**

Profit attributable to owners of the parent was RMB58,043,000 during the Period under Review due to the factors mentioned above.

### **Profit attributable to non-controlling interest for the period**

During the Period under Review, profit attributable to non-controlling interest was RMB12,979,000.

# Management Discussion and Analysis

## Cash Flow and Liquidity

### Cash flows

The Group met its working capital and other capital requirements principally with the following: (i) cash generated from our operations, and (ii) short-term bank loans. The table below sets out selected cash flow data from our consolidated statement of cash flows.

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Net cash flows (used in)/from operating activities	<b>(48,581)</b>	108,440
Net cash flows from/(used in) investing activities	<b>6,330</b>	(174,195)
Net cash flows used in financing activities	<b>(36,194)</b>	(51,630)
Net decrease in cash and cash equivalents	<b>(78,445)</b>	(117,385)
Cash and cash equivalents at beginning of period	<b>1,332,035</b>	1,200,357
Effect of foreign exchange rate changes, net	<b>(7,678)</b>	(12,650)
Cash and cash equivalents as stated in the statement of cash flows	<b>1,245,912</b>	1,070,322
Bank overdraft	<b>–</b>	10,489
Cash and cash equivalents as stated in the statement of financial position	<b>1,245,912</b>	1,080,811

At the end of the reporting period, the cash and bank balances of the Group were mainly denominated in RMB, HK\$, GBP and US\$. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## Management Discussion and Analysis

### 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.

	<b>30 June 2014 RMB'000</b>	31 December 2013 RMB'000
<b>CURRENT ASSETS</b>		
Inventories	<b>635,999</b>	651,707
Trade and bills receivables	<b>1,339,726</b>	1,268,212
Prepayments, deposits and other receivables	<b>109,945</b>	81,176
Other current assets	<b>12,087</b>	16,919
Short-term deposits	<b>66,560</b>	89,492
Cash and cash equivalents	<b>1,245,912</b>	1,349,152
<b>Total current assets</b>	<b>3,410,229</b>	3,456,658
<b>CURRENT LIABILITIES</b>		
Trade payables	<b>491,546</b>	510,352
Other payables and accruals	<b>231,635</b>	319,754
Interest-bearing loans and borrowings	<b>44,764</b>	47,117
Government grants	<b>6,748</b>	1,909
Income tax payable	<b>15,855</b>	21,147
<b>Total current liabilities</b>	<b>790,548</b>	900,279
<b>NET CURRENT ASSETS</b>	<b>2,619,681</b>	2,556,379

As at 30 June 2014 and 31 December 2013, the total net current assets of the Group amounted to RMB2,619,681,000 and RMB2,556,379,000 respectively, while the current ratios were 4.31 and 3.84 respectively. In light of our current liquidity position, the unutilised banking facilities available to the Group and our projected cash inflow generated from operations, the Directors believe that we have sufficient working capital for our present capital requirements and for the next 12 months.

# Management Discussion and Analysis

## Capital Management

The following table presents our gearing ratios as at the end of the Period under Review.

	<b>30 June 2014 RMB'000</b>	31 December 2013 RMB'000
Interest-bearing loans and borrowings	<b>44,764</b>	47,117
Total debt	<b>44,764</b>	47,117
Less: cash and short-term deposits	<b>(1,312,472)</b>	(1,438,644)
Net debt	<b>N/A</b>	N/A
Total equity attributable to owners of the parent	<b>3,686,010</b>	3,676,870
Gearing ratio	<b>N/A</b>	N/A

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

## Inventories

The balance of inventories represented our balance of stock of raw materials, work in progress and finished goods as at the end of the Period under Review. We monitor our inventories on a regular basis. For the six months ended 30 June 2014, turnover of average inventories (in days) (Average inventories equal inventories at the beginning of the period plus inventories at the end of the period (after provision for impairment of inventories), divided by two. Turnover of average inventories (in days) equals the average inventories divided by the cost of sales and then multiplied by 180) was 87.7 days, while it was 85.4 days during the Corresponding Period.

More details about the inventories are provided in note 11 to the interim condensed consolidated financial statements on page 49 of this report.

# Management Discussion and Analysis

## Trade and bills receivables

Trade receivables of the Group represent proceeds receivables from sale of goods. Our trading terms with our 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. We seek to maintain strict control over our outstanding receivables and have a credit control management system to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that our trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

During the six months ended 30 June 2014, turnover of average trade and bills receivables (in days) (Average trade and bills receivables equal trade and bills receivables at the beginning of the period plus trade and bills receivables at the end of the period (before provision), divided by two. Turnover of average trade and bills receivables (in days) equals the average trade and bills receivables divided by revenue and then multiplied by 180) was 141.0 days, while it was 102.7 days during the Corresponding Period.

More details about the trade and bills receivables are provided in note 12 to the interim condensed consolidated financial statements on page 50 to page 51 of this report.

## Trade payables

During the six months ended 30 June 2014, turnover of average trade payables (in days) (Average trade payables equal trade payables at the beginning of the period plus trade payables at the end of the period, divided by two. Turnover of average trade payables (in days) equals average trade payables divided by cost of sales and then multiplied by 180) was 68.2 days, while it was 64.7 days during the Corresponding Period.

More details about the trade payables are provided in note 13 to the interim condensed consolidated financial statements on page 52 of this report.

## Interest-bearing loans and borrowings

As at 30 June 2014, our total current interest-bearing loans and borrowings amounted to RMB44,764,000 and we had no non-current interest-bearing loans and borrowings. The interest-bearing loans and borrowings were secured.

Interest-bearing loans and borrowings as at 30 June 2014 included: a factoring loan of GBP4,264,000 (equivalent to RMB44,764,000) arising from the factoring of trade receivables. The loan carried a floating interest rate based on the Base plus 1.90%. The loan was repayable upon the collection of the factored trade receivables.

More details about the interest-bearing loans and borrowings are provided in note 14 to the interim condensed consolidated financial statements on page 53 of this report.

## Management Discussion and Analysis

### Capital expenditure

We finance our capital expenditure from cash generated from operations and bank loans. Our capital expenditure primarily relates to expenditure on property, plant and equipment, prepaid land lease payments and other intangible assets. During the Period under Review, our capital expenditure amounted to RMB32,950,000, mainly consist of addition of machinery, moulds and non-production equipment.

### Pledge of Assets

As at 30 June 2014, the Group's certain trade receivables with book value amounting to GBP7,430,000 (equivalent to approximately RMB77,999,000) had been pledged as security for bank borrowings.

### Off-balance Sheet Arrangement

We did not have any outstanding derivative financial instruments or off-balance sheet guarantees for outstanding loans. We did not engage in trading activities involving non-exchange traded contracts.

### Contingent Liabilities

As at 30 June 2014, The Group has provided guarantee amounted to RMB55,000,000 to banks for securing facilities and guarantee amounted to RMB173,000,000 to third parties for securing bank borrowings (The guarantee amount of RMB173,000,000 was the new event found subsequent to 28 August 2014. Details please refer to "Recent Developments" on page 7 to page 8 of this report and the announcement published by the Company on 10 September 2014).

Besides this, the Group has no other material contingent liabilities.

### Capital Commitments

The details to capital commitments are provided in note 18 to the interim condensed consolidated financial statements on page 61 to page 62 of this report.

### Continuing Connected Transactions

The continuing connected transactions of the Group for the Period under Review were within the annual caps as disclosed in the announcements dated 19 December 2012, 20 March 2013, 11 June 2013 and 28 August 2013, respectively.

### Merger and Acquisition

The Group made no material acquisition, merger or sale of subsidiaries and associates for the Period under Review.

# Management Discussion and Analysis

## Use of Proceeds from the Initial Public Offering

We did not use the proceeds from the Global Offering in a manner different from that detailed in the Prospectus of the Company dated 7 May 2010.

## Significant Investment

During the Period under Review, the Group had no significant investment. Save as disclosed in the prospectus of the Company dated 7 May 2010, the Group did not have any plan for significant investment during the Period under Review.

## Employees

On 30 June 2014, the Group had approximately 9,235 employees (31 December 2013: 8,785 employees). During the Period under Review, the relevant employee salary and benefit expense was RMB267,464,000 (including share option expense of RMB127,000), while our employee salary and benefit expense was RMB252,229,000 (including share option expense of RMB245,000) for the Corresponding Period. The Group will regularly review 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 contribution, employee provident fund schemes, discretionary incentive and share option schemes.

## 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 on our financial results.

### Foreign currency risk

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

## Management Discussion and Analysis

### 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 have not entered 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 objective is to maintain a balance between continuity and flexibility of funding through the use of bank loans and other interest-bearing loans. Our Directors have reviewed our working capital and capital expenditure requirements and confirmed that we have no significant liquidity risk.

### Credit risk

The major credit risk arises from our exposure to a substantial number of trade and bills receivables, 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 China and Hong Kong. We also have policies that limit our credit exposure to any financial institution. The carrying amounts of trade and bills receivables, prepayments, deposits and other receivables, cash and cash equivalents and short-term deposits included in the consolidated statement of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have no other financial assets which carry significant exposure to credit risk. In 2013, we entered into several one-year insurance contracts with China Export & Credit Insurance Corporation, which covered up to 85% uncollectible trade receivables from the PRC sales and 90% uncollectible trade receivables from overseas sales during the period from 1 December 2013 to 30 November 2014, subject to a maximum compensation amount of RMB42,000,000 for the PRC sales and a maximum compensation amount of US\$30 million (equivalent to RMB184,584,000) 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 as they become due.

## Disclosure of Interests

### Interests and Short Positions of Substantial Shareholders in the Shares and Underlying Shares

As at 30 June 2014, so far as the Directors and chief executive are aware, the following shareholders (other than Directors or chief executives of the Company) had 5% or more beneficial interests or short positions in the issued shares and underlying shares of the Company which were recorded in the register required to be maintained by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Nature of interests	Class of shares	Number of shares	Percentage of the total shares issued
Elec-Tech International (H.K.) Company Limited	Beneficial owner	Ordinary shares	845,746,000 (L) (Note 1)	27.03%
Elec-Tech International Co., Ltd.	Interest of a controlled corporation	Ordinary shares	845,746,000 (L) (Note 2)	27.03%
SB Asia Investment Fund II L.P.	Beneficial owner	Ordinary shares	578,711,000 (L)	18.50%
Schneider Electric Asia Pacific Limited	Beneficial owner	Ordinary shares	288,371,000 (L)	9.22%
Schneider Electric Industries SAS	Interest of a controlled corporation	Ordinary shares	288,371,000 (L) (Note 3)	9.22%
Schneider Electric SA	Interest of a controlled corporation	Ordinary shares	288,371,000 (L) (Note 3)	9.22%
GS Direct, L.L.C.	Beneficial owner	Ordinary shares	177,351,000 (L)	5.67%
The Goldman Sachs Group, Inc.	Interest of a controlled corporation	Ordinary shares	187,335,757 (L) (Note 4)	5.99%

## Disclosure of Interests

### Notes:

1. (L) represents long position.
2. These shares are held by Elec-Tech International (H.K.) Company Limited. As Elec-Tech International (H.K.) Company Limited is a wholly-owned subsidiary of Elec-Tech International Co., Ltd., Elec-Tech International Co., Ltd. is deemed to be interested in all these shares.
3. These shares are held by Schneider Electric Asia Pacific Limited. As Schneider Electric Asia Pacific Limited is a wholly-owned subsidiary of Schneider Electric Industries SAS, which in turn is a wholly-owned subsidiary of Schneider Electric SA, Schneider Electric Industries SAS and Schneider Electric SA are deemed to be interested in these shares.
4. These shares are held by GS Direct, L.L.C. (177,351,000 shares), Goldman Sachs (Asia) Finance (5,725,000 shares), Goldman Sachs International (3,987,000 shares), Goldman Sachs Asset Management, L.P. (272,000 shares) and Goldman, Sachs & Co. (757 shares), respectively. As all these companies are held by The Goldman Sachs Group, Inc. directly or indirectly, The Goldman Sachs Group, Inc. is deemed to be interested in the shares held by the aforesaid companies in the Company.

Save as disclosed above, as at 30 June 2014, so far as the Directors are aware, no other person (except the Directors and chief executives) or corporation had 5% or more interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be maintained by the Company pursuant to Section 336 of the SFO.

## Disclosure of Interests

### Interests and Short Positions of Directors and Chief Executives in the Shares, Underlying Shares and Debentures

As at 30 June 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or recorded in the register required to be maintained pursuant to Section 352 of Part XV of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the provisions of the Model Code were as follows:

#### a. Long positions in the shares of the Company

Name of Director	Nature of interests	Class of shares	Number of shares/ share options	Percentage of the total shares issued
WU Changjiang (Note 1)	Beneficial owner	Share options (Note 2)	30,476,000 (L) (Note 3)	0.97%
	Beneficial owner	Ordinary shares	53,608,000 (L)	1.71%
	Interest of a controlled corporation	Ordinary shares	27,763,992 (L) (Note 4)	0.89%
	Interest of a controlled corporation	Ordinary shares	239,789,000 (S) (Note 4)/(Note 5)	7.66%
MU Yu (Note 6)	Beneficial owner	Share options (Note 2)	97,000 (L)	0.0031%
LIN Ho-Ping	Beneficial owner	Share options (Note 2)	532,000 (L)	0.017%
	Beneficial owner	Ordinary shares	22,274,000 (L)	0.71%

## Disclosure of Interests

*Notes:*

1. Mr. WU Changjiang was removed from the office of chief executive officer of the Company with effect from 8 August 2014, and was removed as an Executive Director of the Company and from any position in any of the board committees of the Company on 29 August 2014.
2. Details of the interest in Pre-IPO Share Option Scheme are set out below in the paragraph headed “Pre-IPO Share Option Scheme” and the prospectus of the Company dated 7 May 2010.
3. (L) represents long position.
4. These shares are held by NVC Inc. which is 100% beneficially owned by Mr. WU Changjiang, and therefore, Mr. WU Changjiang is deemed to be interested in all these shares.
5. (S) represents short position.
6. Mr. MU Yu has retired as an Executive Director of the Company with effect from 29 May 2014.

### **b. Long positions in shares of our associated corporations**

As at 30 June 2014, none of the Directors or chief executives of the Company have or are deemed to have interests or short positions in the shares, underlying shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which were notifiable to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or recorded in the register required to be maintained by the Company pursuant to Section 352 of the SFO, or which were notifiable to the Company and the Stock Exchange pursuant to the provisions of the Model Code.

### Controlling Shareholders

During the Period under Review, the Company did not have any controlling shareholder.

### Share Option Scheme

A share option scheme (the "Share Option Scheme") was conditionally approved and adopted at an extraordinary general meeting held on 27 April 2010. The purpose of the Share Option Scheme is to provide the Company with a means of incentivising and retaining employees, encouraging employees to work towards enhancing the value of the Company and promoting the long-term growth of the Company. This scheme will link the value of the Company with the interests of the participants, enabling participants and the Company to develop together and promoting the Company's corporate culture. The Directors may, at their discretion, invite any Directors (including executive Directors, non-executive Directors and independent non-executive Directors), employees and advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners and service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group to participate in the Share Option Scheme. The period within which the options must be exercised shall be determined by the Directors at the time of grant and such period must expire no later than 10 years from the date when the Board resolves to make the offer of options to the grantees. All outstanding options shall lapse when the grantee is dead or retired, the employment of the grantee ceases or where the grantee is no longer an employee of the Group.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 10% (the Company may refresh the 10% limit in certain conditions) of the aggregate of the shares in issue on the listing date or 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant under the Share Option Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares in issue. Any further grant of options which would result in the number of shares issued as aforesaid exceeding the said 1% limit requires shareholders' prior approval with the relevant participant and his associates abstaining from voting. At the time of grant of the options, our Company may specify any minimum period(s) for which an option must be held before it can be exercised. The Share Option Scheme does not contain any such minimum period.

The subscription price for the shares the subject of the options shall be no less than the highest of (a) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; and (c) the nominal value of a share upon its issue. The amount payable by a grantee on acceptance of a grant of options is US\$1. Life of the Share Option Scheme is the date of the tenth anniversary of the adoption of the Share Option Scheme. Further details of the Share Option Scheme are set out in the prospectus of the Company dated 7 May 2010.

During the Period under Review, no option has been granted under the Share Option Scheme.

## Disclosure of Interests

### Pre-IPO Share Option Scheme

The Company adopted the pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) approved by the Board on 15 October 2006 and amended on 23 December 2009 and 24 March 2010. The purpose of the Pre-IPO Share Option Scheme is to assist the Company in attracting, retaining and motivating key employees, Directors, consultants and strategic suppliers. The aggregate number of shares subject to the Pre-IPO Share Option Scheme is 240,429,000 shares, representing 8.11% of the issued share capital of the Company following the initial public offering.

Options have been granted under the Pre-IPO Share Option Scheme and shall expire no later than 10 years from the date the Board resolves to make the offer of options to the grantees. Options granted to grantees under the Pre-IPO Share Option Scheme shall vest immediately to the grantees, or vest to the grantees at a rate not more than 25% of each such grant for each year commencing from the date when the grantees can exercise such options granted to them. The exercise price of these share options was determined by the Board with reference to the market value of the Company’s ordinary shares and the Company’s equity value.

In the event that the Board allows a grantee to exercise an option granted under this Pre-IPO Share Option Scheme by delivering shares previously owned by such grantee and unless otherwise expressly provided by the Board, any shares delivered which were initially acquired by the grantee from the Company (upon exercise of a share option or otherwise) must have been owned by the grantee at least six months as at the date of delivery. The Company will not be obligated to deliver any shares unless and until it receives full payment of the exercise or purchase price therefore and any related withholding obligations and any other conditions to exercise or purchase have been satisfied. Unless otherwise expressly provided, the Board may at any time eliminate or limit a grantee’s ability to pay the purchase or exercise price of any option granted under this Pre-IPO Share Option Scheme by any method other than cash payment to the Company. The Board may take all actions necessary to alter the method of option exercise and the exchange and transmittal of proceeds with respect to grantees resident in the PRC not having permanent residence in a country other than the PRC in order to comply with applicable PRC foreign exchange and tax regulations. Further details of the Pre-IPO Share Option Scheme are set out in the prospectus of the Company dated 7 May 2010.

## Disclosure of Interests

As at 30 June 2014, details of outstanding options granted under the Pre-IPO Share Option Scheme are as follows:

Name of the grantee	Class of shares	Relationship with the Group	Number of shares outstanding as at 1 January 2014	Number of shares outstanding as at 30 June 2014	Exercise price (HK\$ per share)	Date of grant	Expiry date	Percentage of the number of shares outstanding as at 30 June 2014 to the total shares issued
WU Changjiang (Note 1)	Share options	Director	30,476,000	30,476,000	2.1	24 March 2010	24 March 2015	0.97%
MU Yu (Note 2)	Share options	Director	97,000	97,000	2.1	24 March 2010	24 March 2016	0.0031%
LIN Ho-Ping	Share options	Director	532,000	532,000	2.1	24 March 2010	24 March 2015	0.017%
Others (including senior management)	Share options	Employees and others	7,000,000	7,000,000	2.1	24 March 2010	24 March 2016	0.22%
			1,000,000	1,000,000	2.1	24 March 2010	25 June 2017	0.032%
			1,000,000	1,000,000	2.1	24 March 2010	8 February 2017	0.032%
			1,000,000	1,000,000	2.1	24 March 2010	31 December 2016	0.032%
Total			41,105,000	41,105,000				1.31%

### Notes:

- Mr. WU Changjiang was removed from the office of chief executive officer of the Company with effect from 8 August 2014, and was removed as an Executive Director of the Company and from any position in any of the board committees of the Company on 29 August 2014.
- Mr. MU Yu has retired as an Executive Director of the Company with effect from 29 May 2014.

During the Period under Review, out of the share options granted under the Pre-IPO Share Option Scheme, none of the share options was exercised, lapsed or cancelled.

## Corporate Governance and Other Information

### Corporate Governance

The Directors are of the opinion that, during the Period under Review, the Company had fully complied with the principles and code provisions set out in the Code. However, Mr. WU Changjiang was removed from the office of chief executive officer of the Company and Mr. WANG Donglei was appointed as the interim chief executive officer since 8 August 2014. As Mr. WANG Donglei performed the roles of chairman and chief executive officer at the same time, the Company, therefore, had not complied with the code provision A.2.1. since 8 August 2014. Mr. WANG Donglei's duty of chief executive officer is on a temporary basis, the Company will appoint suitable candidate to take the role of chief executive officer as soon as possible. Save as disclosed above, the Company had fully complied with the principles and code provisions 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 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 in compliance with the Listing Rules with written terms of reference. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. Currently, the Audit Committee consists of 3 members, namely Non-executive Director Mr. LIN Ho-Ping, Independent Non-executive Director Mr. WANG Jinsui and Independent Non-executive Director Mr. LEE Kong Wai, Conway, 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 2014.

### Remuneration Committee

The Company established a remuneration committee in compliance with the Listing Rules with written terms of reference. Its primary duties are to establish and review the policy and structure of remuneration for Directors and senior management. Currently, the Remuneration Committee consists of 4 members, namely Non-executive Director Mr. ZHU Hai, Independent Non-executive Director Mr. WANG Jinsui, Independent Non-executive Director Mr. LEE Kong Wai, Conway and Independent Non-executive Director Ms. WU Ling, respectively. Mr. WANG Jinsui has been appointed as the chairman of the Remuneration Committee.

### Nomination Committee

The Company established a nomination committee in compliance with the Code with written terms of reference. Its primary duties are to review the structure and composition of the Board, make recommendation to the Board on the appointment, re-appointment of Directors and succession planning for Directors and assess the independence of Independent Non-executive Directors. Currently, the Nomination Committee consists of 3 members, namely Non-executive Director Mr. WANG Donglei, Independent Non-executive Director Mr. LEE Kong Wai, Conway and Independent Non-executive Director Ms. WU Ling, respectively. Mr. WANG Donglei has been appointed as the chairman of the Nomination Committee.

## Corporate Governance and Other Information

### Strategy and Planning Committee

The Company established a Strategy and Planning Committee under the Board on 30 July 2013 with written terms of reference. Its primary duties are to propose and formulate the strategic development plan of the Company for Board's consideration. The Strategy and Planning Committee consists of 4 members, namely Non-executive Director Mr. WANG Donglei, Non-executive Director Mr. ZHU Hai, Independent Non-executive Director Ms. WU Ling and Independent Non-executive Director Mr. WANG Jinsui, respectively. Mr. WANG Donglei has been appointed as the chairman of the Strategy and Planning Committee.

### Emergency Committee

The Company established an Emergency Committee under the Board on 8 August 2014. The Emergency Committee shall be authorised by the Board, in the event of an emergency, to exercise the powers and perform the duties on behalf of the Board, which include without limitation, alternation of the internal organisational structure, appointment of management personnel, execution of business contracts, making financial payments and other matters, in compliance with applicable laws and regulations, the Listing Rules and the Articles of Association of the Company and publication of announcements on behalf of the Board on the website of the Stock Exchange. The Emergency Committee consists of 3 members, namely Non-executive Director Mr. WANG Donglei, Executive Director Mr. XIAO Yu and Independent Non-executive Director Mr. WEI Hongxiong.

### Appointment and Resignation of Directors and Change in Directors' Information

Under Rule 13.51B(1) of Listing Rules, the appointment, resignation and retirement of Directors and changes in the Directors' information of the Company required to be disclosed in this report are as follows:

Mr. MU Yu has retired as an Executive Director of the Company with effect from 29 May 2014.

Mr. XIAO Yu has been appointed as a Non-executive Director of the Company with effect from 29 May 2014 and has been re-designated as an Executive Director with effect from 8 August 2014.

Mr. LI Wei has been appointed as a Non-executive Director of the Company with effect from 29 May 2014.

Mr. WANG Xuexian has been appointed as an Independent Non-executive Director of the Company with effect from 29 May 2014.

Mr. WEI Hongxiong has been appointed as an Independent Non-executive Director of the Company with effect from 29 May 2014.

Mr. XIONG Jie has been appointed as an Executive Director of the Company with effect from 8 August 2014.

Mr. WU Changjiang was removed from the office of chief executive officer of the Company with effect from 8 August 2014, and was removed as an Executive Director of the Company and from any position in any of the board committees of the Company on 29 August 2014.

## Corporate Governance and Other Information

Mr. WANG Donglei was appointed as the interim chief executive officer of the Company with effect from 8 August 2014.

Mr. LEE Kong Wai, Conway, an Independent Non-executive Director of the Company, has served as an independent non-executive director of GCL New Energy Holdings Limited (a company listed on the main board of Stock Exchange, stock code: 451) since 9 May 2014. He has served as a non-executive director and vice chairman of Merry Garden Holdings Limited (a company listed on the main board of Stock Exchange, stock code: 1237) since 16 July 2014. He has served as an independent non-executive director of China Rundong Auto Group Limited (a company listed on the main board of Stock Exchange, stock code: 1365) since 23 July 2014. He has served as an independent non-executive director of WH Group Limited (a company listed on the main board of Stock Exchange, stock code: 288) since 5 August 2014.

### Change of Joint Company Secretary

Ms. KAM Mei Ha Wendy had resigned as a joint company secretary of the Company with effect from 1 April 2014 and Miss LEUNG Ching Ching had been appointed as the joint company secretary of the Company with effect from 1 April 2014.

### Purchase, Sale or Redemption of Listed Securities

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

### Dividend

The Board has resolved to declare an interim dividend of HK1 cent per share for the six months ended 30 June 2014 (Corresponding Period: HK1 cent per share) to shareholders whose names appear on the register of members of the Company at the close of business on 14 November 2014, Friday. Based on the 3,128,448,000 shares in issue as at 30 June 2014, it is expected that the interim dividend payable will amount to approximately HK\$31,284,000 (equivalent to approximately RMB24,833,000) (before tax). The interim dividend will be paid before 1 December 2014, Monday.

### Closure of Register of Members

The Register of Members will be closed from 12 November 2014, Wednesday to 14 November 2014, Friday (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by share certificates and transfer forms must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 11 November 2014, Tuesday.

# Interim Condensed Consolidated Income Statement

## Unaudited Interim Results

The board of directors (the “Board”) of NVC Lighting Holding Limited (the “Company”) announces the interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2014. The interim results have not been audited or reviewed by the auditor of the Company, but have been reviewed by the Audit Committee of the Company.

	Notes	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
<b>REVENUE</b>	3	<b>1,703,207</b>	1,688,520
Cost of sales		<b>(1,321,630)</b>	(1,334,531)
<b>GROSS PROFIT</b>		<b>381,577</b>	353,989
Other income and gains	5	<b>43,718</b>	43,751
Selling and distribution costs		<b>(175,786)</b>	(120,715)
Administrative expenses		<b>(152,809)</b>	(130,064)
Other expenses		<b>(1,389)</b>	(17,844)
Finance costs	6	<b>(1,158)</b>	(1,630)
Share of profit/(loss) of associates		<b>380</b>	(291)
<b>PROFIT BEFORE TAX</b>	4	<b>94,533</b>	127,196
Income tax expense	7	<b>(23,511)</b>	(29,530)
<b>PROFIT FOR THE PERIOD</b>		<b>71,022</b>	97,666
Attributable to:			
Owners of the parent		<b>58,043</b>	81,234
Non-controlling interest		<b>12,979</b>	16,432
		<b>71,022</b>	97,666
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic	8	<b>1.86 cents</b>	2.60 cents
Diluted	8	<b>1.86 cents</b>	2.60 cents

Details of the dividend payable are disclosed in note 9 to the interim condensed consolidated financial statements on page 48 of this report.

## Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>71,022</b>	97,666
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange differences on translation of foreign operations	<b>769</b>	(11,678)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>71,791</b>	85,988
Attributable to:		
Owners of the parent	<b>58,812</b>	69,556
Non-controlling interest	<b>12,979</b>	16,432
	<b>71,791</b>	85,988

## Interim Condensed Consolidated Statement of Financial Position

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	840,527	882,133
Prepaid land lease payments		55,378	56,108
Goodwill		21,161	21,161
Other intangible assets		300,985	301,751
Investment in associates		20,862	6,763
Deferred tax assets		35,528	41,322
Prepayments for purchase of property, plant and equipment		8,194	3,078
<b>Total non-current assets</b>		<b>1,282,635</b>	1,312,316
<b>CURRENT ASSETS</b>			
Inventories	11	635,999	651,707
Trade and bills receivables	12	1,339,726	1,268,212
Prepayments, deposits and other receivables		109,945	81,176
Other current assets		12,087	16,919
Short-term deposits		66,560	89,492
Cash and cash equivalents		1,245,912	1,349,152
<b>Total current assets</b>		<b>3,410,229</b>	3,456,658
<b>CURRENT LIABILITIES</b>			
Trade payables	13	491,546	510,352
Other payables and accruals		231,635	319,754
Interest-bearing loans and borrowings	14	44,764	47,117
Government grants		6,748	1,909
Income tax payable		15,855	21,147
<b>Total current liabilities</b>		<b>790,548</b>	900,279
<b>NET CURRENT ASSETS</b>		<b>2,619,681</b>	2,556,379
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,902,316</b>	3,868,695

*Continued/...*

## Interim Condensed Consolidated Statement of Financial Position

		<b>30 June</b>	31 December
		<b>2014</b>	2013
	<i>Notes</i>	<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Audited)
<b>NON-CURRENT LIABILITIES</b>			
Government grants		<b>15,788</b>	13,576
Deferred tax liabilities		<b>94,330</b>	94,494
Other liabilities		<b>212</b>	–
<b>Total non-current liabilities</b>		<b>110,330</b>	108,070
<b>Net assets</b>		<b>3,791,986</b>	3,760,625
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	15	<b>2</b>	2
Reserve		<b>3,686,008</b>	3,627,676
Proposed final dividend		<b>–</b>	49,192
		<b>3,686,010</b>	3,676,870
<b>Non-controlling interest</b>		<b>105,976</b>	83,755
<b>Total equity</b>		<b>3,791,986</b>	3,760,625

## Interim Condensed Consolidated Statement of Cash Flows

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>RMB'000</b> <b>(Unaudited)</b>	2013 RMB'000 (Unaudited)
Net cash flows (used in)/from operating activities	<b>(48,581)</b>	108,440
Net cash flows from/(used in) investing activities	<b>6,330</b>	(174,195)
Net cash flows used in financing activities	<b>(36,194)</b>	(51,630)
Net decrease in cash and cash equivalents	<b>(78,445)</b>	(117,385)
Cash and cash equivalents at beginning of period	<b>1,332,035</b>	1,200,357
Effect of foreign exchange rate changes, net	<b>(7,678)</b>	(12,650)
Cash and cash equivalents as stated in the statement of cash flows	<b>1,245,912</b>	1,070,322
Bank overdraft	-	10,489
Cash and cash equivalents as stated in the statement of financial position	<b>1,245,912</b>	1,080,811

# Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2014

	Attributable to owners of the parent											
	Issued capital	Share premium	Equity reserve	Shareholders' contribution	Statutory reserve	Employee equity benefit reserve	Foreign currency translation reserve	Retained earnings	Proposed final dividend	Total	Non-controlling interest	Total equity
						RMB'000	RMB'000		RMB'000		RMB'000	
<b>At 1 January 2014</b>	2	1,892,393	(4,158)	6,416	97,539	13,936	(105,317)	1,726,867	49,192	3,676,870	83,755	3,760,625
Profit for the period	-	-	-	-	-	-	-	58,043	-	58,043	12,979	71,022
Other comprehensive income:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	769	-	-	769	-	769
Total comprehensive income for the period	-	-	-	-	-	-	769	58,043	-	58,812	12,979	71,791
Investment in a subsidiary	-	-	-	-	-	-	-	-	-	-	9,242	9,242
Transfer to statutory reserve	-	-	-	-	5,209	-	-	(5,209)	-	-	-	-
Employee share option arrangements	-	-	-	-	-	127	-	-	-	127	-	127
Adjustment to final 2013 dividend declared	-	(607)	-	-	-	-	-	-	(49,192)	(49,799)	-	(49,799)
<b>At 30 June 2014 (Unaudited)</b>	2	1,891,786	(4,158)	6,416	102,748	14,063	(104,548)	1,779,701	-	3,686,010	105,976	3,791,986

Continued/...

# Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2014

	Attributable to owners of the parent										
	Issued capital RMB'000	Share premium RMB'000	Shareholders' contribution RMB'000	Statutory reserve RMB'000	Employee	Foreign	Retained earnings RMB'000	Proposed	Total	Non- controlling interest RMB'000	Total equity RMB'000
					equity	currency		final			
					benefit reserve RMB'000	translation reserve RMB'000		dividend RMB'000			
<b>At 1 January 2013</b>	2	1,961,124	6,416	85,873	14,608	(88,022)	1,493,649	38,051	3,511,701	71,032	3,582,733
Profit for the period	-	-	-	-	-	-	81,234	-	81,234	16,432	97,666
Other comprehensive income:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(11,678)	-	-	(11,678)	-	(11,678)
Total comprehensive income for the period	-	-	-	-	-	(11,678)	81,234	-	69,556	16,432	85,988
Transfer to statutory reserve	-	-	-	4,305	-	-	(4,305)	-	-	-	-
Employee share option arrangements	-	-	-	-	245	-	-	-	245	-	245
Adjustment to final 2012 dividend declared	-	25	-	-	-	-	-	(38,051)	(38,026)	-	(38,026)
<b>At 30 June 2013 (Unaudited)</b>	2	1,961,149	6,416	90,178	14,853	(99,700)	1,570,578	-	3,543,476	87,464	3,630,940

# Notes to the Interim Condensed Consolidated Financial Statements

## 1.1 Basis of Preparation

These interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and IAS 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. These interim condensed consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand (‘000) except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these interim condensed consolidated financial statements are the same as those used in the Group’s annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of the new and revised International Financial Reporting Standards (“IFRSs”) (which also include International Accounting Standards (“IASs”) and Interpretations).

These interim condensed consolidated financial statements do not include all information and disclosures required in the Group’s annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2013.

## 1.2 Impact of New and Revised IFRSs

The Group has adopted the following revised IFRSs for the first time for the current period’s interim condensed consolidated financial statements:

IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – <i>Investment Entities</i>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation</i> – <i>Offsetting Financial Assets And Financial Liabilities</i>
IAS 36 Amendments	Amendments to IAS 36 <i>Impairment of Assets</i>
IAS 39 Amendments	Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement – Amended by Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC 21	<i>Levies</i>

The adoption of the new and revised IFRSs has had no significant financial effect on the interim condensed consolidated financial statements.

# Notes to the Interim Condensed Consolidated Financial Statements

## 1.3 Impact of Issued but not yet Effective IFRSs

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

IFRS 9	<i>Financial Instruments</i> <sup>4</sup>
IFRS 9, IFRS 7 and IAS 39 Amendments	Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 <sup>4</sup>
IFRS 11 Amendments	Amendments to IFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>2</sup>
IFRS 14	<i>Regulatory Deferral Accounts</i> <sup>2</sup>
IFRS 15	<i>Revenue from Contracts with Customers</i> <sup>3</sup>
IAS 16 and IAS 41 Amendments	Amendments to IAS 16 and IAS 41 <i>Bearer Plants</i> <sup>2</sup>
IAS 16 and IAS 38 Amendments	Amendments to IAS 16 and IAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>2</sup>
IAS 19 Amendments	Amendments to IAS 19 <i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i> <sup>1</sup>
IFRSs Amendments	<i>Annual Improvements to IFRSs 2010-2012 Cycle</i> <sup>1</sup>
IFRSs Amendments	<i>Annual Improvements to IFRSs 2011-2013 Cycle</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the impact of the new and revised IFRSs and IFRIC interpretations upon initial application. The Group will adopt the above IFRSs when they become effective.

## 2. Seasonality of Operations

The principal operations of the Group are manufacture and sales of lamp products, luminaire products and lighting electronic products. Due to the seasonal nature of its products, higher revenues and operation profits are usually expected in the second half of the year rather than in the first six months.

# Notes to the Interim Condensed Consolidated Financial Statements

## 3. 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 the products and services and has three reportable operating segments as follows:

- (a) Luminaire products segment: Luminaire products represent a complete lighting unit that consists of a lighting fixture, a lamp (namely the light source such as a light bulb or tube) and a lighting electronics device. The luminaire products are sold as complete lighting units or units without lamps and lighting electronics, based on the needs of end customers;
- (b) Lamp products segment: Lamp products represent a range of light bulbs and tubes for compact fluorescent lamps, HID lamps, fluorescent lamps, halogen lamps and LED lamps; and
- (c) Lighting electronic products segment: Lighting electronic products represent electronic transformers, electronic and inductive ballasts for fluorescent 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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, unallocated income and gains as well as head office and corporate expenses are excluded from such measurement.

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

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

## Notes to the Interim Condensed Consolidated Financial Statements

### 3. Revenue and Segment Information *(continued)*

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

	Revenue		Results	
	Six months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Luminaire products	<b>1,086,439</b>	902,695	<b>258,878</b>	214,663
Lamp products	<b>500,564</b>	653,828	<b>104,853</b>	116,914
Lighting electronic products	<b>116,204</b>	131,997	<b>19,697</b>	24,915
Total	<b>1,703,207</b>	1,688,520	<b>383,428</b>	356,492
<b>Reconciliation</b>				
Elimination of intersegment results			<b>(1,851)</b>	(2,503)
Interest income			<b>16,619</b>	11,389
Unallocated income and gains			<b>27,099</b>	32,362
Corporate and other unallocated expenses			<b>(329,984)</b>	(268,623)
Finance costs			<b>(1,158)</b>	(1,630)
Share of profit/(loss) of associates			<b>380</b>	(291)
Profit before tax			<b>94,533</b>	127,196

During the Period under Review, depreciation and amortisation recognised in the interim condensed consolidated income statement amounted to RMB60,625,000, as compared to RMB57,228,000 for the Corresponding Period.

# Notes to the Interim Condensed Consolidated Financial Statements

## 4. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Cost of inventories sold	<b>1,308,876</b>	1,324,377
Depreciation	<b>55,464</b>	52,332
Amortisation of prepaid land lease payments	<b>731</b>	698
Amortisation of computer software, customer relationships and patents*	<b>1,486</b>	2,568
Research and development costs:		
Deferred expenditure amortised*	<b>3,675</b>	2,328
Current year expenditure	<b>25,781</b>	24,195
Less: Government grants released**	<b>–</b>	(4,511)
	<b>25,781</b>	19,684
	<b>29,456</b>	22,012
Minimum lease payments	<b>7,183</b>	6,584
Auditors' remuneration	<b>2,271</b>	2,479
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	<b>218,128</b>	204,373
Equity-settled share option expense	<b>127</b>	245
Pension scheme contributions (defined contribution scheme)	<b>30,073</b>	28,102
Housing funds' contributions	<b>8,214</b>	8,105
Other welfare expenses	<b>10,922</b>	11,404
	<b>267,464</b>	252,229
Impairment of trade receivables	<b>23,693</b>	6,835
(Reversal of impairment)/impairment of prepayments and other receivables	<b>(524)</b>	(492)
Write-down of inventories to net realisable value	<b>12,754</b>	10,154
Exchange gain or loss, net	<b>(5,145)</b>	15,744
Bank interest income	<b>(16,552)</b>	(11,304)
Other interest income	<b>(67)</b>	(85)
Loss on disposal of items of property, plant and equipment	<b>476</b>	661

## Notes to the Interim Condensed Consolidated Financial Statements

### 4. Profit Before Tax (continued)

- \* The amortisation of computer software, customer relationships and patents and the amortisation of deferred development costs for the period are included in “Cost of sales” and “Administrative expenses” in the interim condensed consolidated income statement.
- \*\* Various government grants have been received for setting up research activities in Chongqing City, Guangdong and Zhejiang Province, Mainland China, to support the development of energy saving products and LED products. The government grants released have been deducted from the research and development costs to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in government grants in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

### 5. Other Income and Gains

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>RMB'000</b> <b>(Unaudited)</b>	2013 RMB'000 (Unaudited)
<b>Other income</b>		
Government grants	<b>5,682</b>	16,850
Trademark licence fees	<b>8,685</b>	7,230
Bank interest income	<b>16,552</b>	11,304
Other interest income	<b>67</b>	85
Rental income	<b>1,564</b>	1,239
Others	<b>5,348</b>	6,105
	<b>37,898</b>	42,813
<b>Gains</b>		
Sales of scrap materials	<b>675</b>	938
Exchange gain and loss, net	<b>5,145</b>	–
	<b>43,718</b>	43,751

# Notes to the Interim Condensed Consolidated Financial Statements

## 6. Finance Costs

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>RMB'000</b> <b>(Unaudited)</b>	2013 RMB'000 (Unaudited)
Interest on bank loans	<b>816</b>	1,463
Other interest expenses	<b>342</b>	167
	<b>1,158</b>	1,630

## 7. 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, the United Kingdom (the "UK") corporation income tax or Brazil profit tax has been made as the Group has no assessable profits arising in Hong Kong, the UK or Brazil during the Period under Review (Corresponding Period: Nil).

The table below sets out the items of income tax expense in the Period under Review, all of which represent PRC income tax expense.

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>RMB'000</b> <b>(Unaudited)</b>	2013 RMB'000 (Unaudited)
Current income tax		
– Current income tax charge for the period	<b>23,441</b>	28,742
– Adjustments in respect of current income tax of previous year	<b>(5,560)</b>	(4,414)
Deferred income tax		
– Relating to origination and reversal of temporary differences	<b>5,630</b>	5,202
Total tax charge for the period	<b>23,511</b>	29,530

## Notes to the Interim Condensed Consolidated Financial Statements

### 7. Income Tax (continued)

The Company's subsidiaries located in Mainland China are subject to enterprise income tax at the statutory tax rate of 25%. According to the preferential tax policies in Mainland China, two of our subsidiaries, Chongqing NVC and NVC Lighting (China), 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, Jiangshan Phoebus, was recognised as a high-tech enterprise by PRC tax authorities and was entitled to the preferential tax rate of 15%. The high-tech enterprise certificate of Sunny already expired at the end of 2013. Sunny is now renewing the certificate.

The table below sets out the applicable tax rates for the Group's PRC subsidiaries:

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Huizhou NVC	25.0%	15.0%
Chongqing NVC	15.0%	15.0%
Zhejiang NVC	25.0%	25.0%
Jiangshan Phoebus	15.0%	15.0%
Zhangpu Phoebus	25.0%	25.0%
Sunny	25.0%	15.0%
Shanghai Arcata	25.0%	15.0%
NVC Lighting (China)	15.0%	25.0%

### 8. Earnings per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the six months ended 30 June 2014 and 2013. The calculation of diluted earnings per share is based on the profit attributable to ordinary equity holders of the parent, while the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of share options or conversion of all dilutive potential ordinary shares into ordinary shares. No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2014 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

## Notes to the Interim Condensed Consolidated Financial Statements

### 8. Earnings per Share Attributable to Ordinary Equity Holders of the Parent (continued)

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

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent	<b>58,043</b>	81,234

	Six months ended 30 June	
	2014 '000 Shares (Unaudited)	2013 '000 Shares (Unaudited)
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>3,128,448</b>	3,128,448
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	1,240
	<b>3,128,448</b>	3,129,688

### 9. Dividend

On 26 March 2014, the Board proposed a final dividend of HK2 cents per share for the year ended 31 December 2013 payable to the shareholders whose names appeared on the register of members of the Company at the close of business on 10 June 2014. The proposed dividend was approved by the shareholders at the annual general meeting on 29 May 2014. Based on the 3,128,448,000 issued shares as at 10 June 2014, the final dividend payable amounted to HK\$62,569,000 (equivalent to approximately RMB49,799,000) (before tax).

On 28 August 2014, the Board passed a resolution for declaration of an interim dividend of HK1 cent per share for the six months ended 30 June 2014 (Corresponding Period: HK1 cent). It is expected that the interim dividend payable will amount to HK\$31,284,000 (equivalent to approximately RMB24,833,000) (before tax) based on the 3,128,448,000 issued shares as at 30 June 2014.

# Notes to the Interim Condensed Consolidated Financial Statements

## 10. Property, Plant and Equipment

During the six months ended 30 June 2014, the Group acquired assets with a cost of RMB28,544,000 (six months ended 30 June 2013: RMB76,188,000). Assets with a net book value of RMB17,219,000 were disposed of by the Group during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB871,000), resulting in a net loss on disposal of RMB476,000 (six months ended 30 June 2013: RMB661,000).

## 11. Inventories

The balance of inventories represents our balance of stock of raw materials, work in progress and finished goods as at the end of the Period under Review. We monitor our inventories on a regular basis. The following table sets out our inventories balance as at the end of the Period under Review, as well as the turnover of average inventories (in days) for the periods indicated.

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Raw materials	<b>115,370</b>	130,146
Work in progress	<b>44,430</b>	20,211
Finished goods	<b>476,199</b>	501,350
	<b>635,999</b>	651,707
Turnover of average inventories (in days) <sup>(1)</sup>	<b>87.7</b>	82.8

<sup>(1)</sup> Average inventories equal inventories at the beginning of the period plus inventories at the end of the period (after provision for impairment of inventories), divided by two. Turnover of average inventories (in days) equals the average inventories divided by the cost of sales and then multiplied by 180 or 365.

During the Period under Review, the amount of the write-down of inventories recognised as expenses was RMB12,754,000 (Corresponding Period: RMB10,154,000), which was recorded in "cost of sales" in the interim condensed consolidated income statement.

## Notes to the Interim Condensed Consolidated Financial Statements

### 12. Trade and Bills Receivables

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

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Trade receivables	<b>1,232,121</b>	1,159,667
Impairment	<b>(41,775)</b>	(18,847)
Trade receivables, net	<b>1,190,346</b>	1,140,820
Bills receivable	<b>149,380</b>	127,392
	<b>1,339,726</b>	1,268,212
Turnover of average trade and bills receivables (in days) <sup>(1)</sup>	<b>141.0</b>	102.7

<sup>(1)</sup> Average trade and bills receivables equal trade and bills receivables at the beginning of the period plus trade and bills receivables at the end of the period (before provision), divided by two. Turnover of average trade and bills receivables (in days) equals the average trade and bills receivables divided by revenue and then multiplied by 180 or 365.

## Notes to the Interim Condensed Consolidated Financial Statements

### 12. Trade and Bills Receivables (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 provision, is as follows.

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Within 3 months	<b>799,460</b>	787,893
4 to 6 months	<b>218,389</b>	234,106
7 to 12 months	<b>134,416</b>	84,184
1 to 2 years	<b>33,958</b>	9,357
Over 2 years	<b>4,123</b>	25,280
	<b>1,190,346</b>	1,140,820

Trade receivables of the Group represent proceeds receivables from sale of goods. Our trading terms with our 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. We seek to maintain strict control over our outstanding receivables and have a credit control management system to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that our trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The following table sets forth the maturity profile of our bills receivables as at the end of the Period under Review.

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Within 6 months	<b>149,380</b>	127,392

As at 30 June 2014, the fair value of trade and bills receivables approximated to their carrying amounts largely due to the short term maturities.

## Notes to the Interim Condensed Consolidated Financial Statements

### 13. Trade Payables

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

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Trade payables to third parties	<b>479,040</b>	501,965
Trade payables to related parties	<b>12,506</b>	8,387
	<b>491,546</b>	510,352
Turnover of average trade payables (in days) <sup>(1)</sup>	<b>68.2</b>	57.8

<sup>(1)</sup> Average trade payables equal trade payables at the beginning of the period plus trade payables at the end of the period, divided by two. Turnover of average trade payables (in days) equals average trade payables divided by cost of sales and then multiplied by 180 or 365.

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

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Within 3 months	<b>482,217</b>	498,434
4 to 6 months	<b>3,856</b>	5,783
7 to 12 months	<b>4,614</b>	1,596
1 to 2 years	<b>407</b>	4,034
Over 2 years	<b>452</b>	505
	<b>491,546</b>	510,352

As at 30 June 2014, the fair value of trade payables approximated to their carrying amounts largely due to the short term maturities.

# Notes to the Interim Condensed Consolidated Financial Statements

## 14. Interest-bearing Loans and Borrowings

	30 June 2014 (Unaudited)			31 December 2013 (Audited)		
	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans – secured <sup>1</sup>	<b>Base*+1.90</b>	<b>April 2016</b>	<b>44,764</b>	–	–	–
Bank loans – unsecured	–	–	–	4.98	April 2014	30,000
Bank overdraft – unsecured	–	–	–	Base*+2.30	On demand	17,117
Total			<b>44,764</b>			<b>47,117</b>

<sup>1</sup> Included in the secured bank loans was a factoring loan of GBP4,264,000 (equivalent to RMB44,764,000) arising from the factoring of trade receivables. The loan carried a floating interest rate based on the Base plus 1.90%. The loan was repayable upon the collection of the factored trade receivables.

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

As at 30 June 2014, the fair value of interest-bearing loans and borrowings approximated to their carrying amounts largely due to the short-term maturities.

# Notes to the Interim Condensed Consolidated Financial Statements

## 15. Issued Capital

### Shares

	30 June 2014 (Unaudited)		31 December 2013 (Audited)	
	US\$	RMB equivalent	US\$	RMB equivalent
Authorised: 500,000,000,000 (31 December 2013: 500,000,000,000) ordinary shares of US\$0.0000001 each	50,000	341,385	50,000	341,385
Issued and fully paid: 3,128,448,000 (31 December 2013: 3,128,448,000) ordinary shares of US\$0.0000001 each	312.84	2,324	312.84	2,324

Movements in the Company's issued capital and share premium during the six months ended 30 June 2014 are as follows:

	Number of shares in issue	Issued capital RMB	Share premium RMB'000	Total RMB'000
At 1 January 2014	3,128,448,000	2,324	1,892,393	1,892,395
Adjustment to 2013 final dividend declared	-	-	(607)	(607)
At 30 June 2014 (Unaudited)	3,128,448,000	2,324	1,891,786	1,891,788

### Share options

Details of the Company's share option scheme and the share options issued under the scheme are set out in the section headed "Disclosure of Interests" on pages 23 to 29 of this interim report.

# Notes to the Interim Condensed Consolidated Financial Statements

## 16. Related Party Transactions

- (a) None of the shareholders is the controlling entity of the Company.
- (b) Major related parties with which the Group had transactions during the six months ended 30 June 2014 and six months ended 30 June 2013 are listed below:

***Entity with significant influence over the Group***

Elec-Tech International Co., Ltd.

***Subsidiary of the entity with significant influence over the Group***

Dalian Elec-Tech Lighting Technology Co., Ltd.

***Associates***

Mianyang Leici Electronic Technology Co., Ltd.

Leitong Photoelectric Device (Huizhou) Co., Ltd.

***Entities controlled by Mr. WU Jiannong, a director of Zhejiang NVC and the substantial shareholder of Signkey, a former substantial shareholder of the Company***

Jiangshan Youhe Machinery Co., Ltd.

Jiangshan World Bright Crystal Co., Ltd.

Hangzhou Tongren Software Co., Ltd.

Quzhou Aushite Illumination Co., Ltd.

***Entities over which a close family member of Mr. WU Changjiang, a former director of the Company, has significant influence***

Zhongshan Sheng Di Ai Si Lighting Co., Ltd.

Chongqing Enlin Electronics Co., Ltd.

Shandong NVC Lighting Development Co., Ltd.

Huizhou NVC Lighting Environment Engineering Co., Ltd.

Chongqing En Wei Xi Industrial Development Co., Ltd.

***An entity over which the Group indirectly has significant influence through its associate***

Chongqing Chidian Technology Co., Ltd.

## Notes to the Interim Condensed Consolidated Financial Statements

### 16. Related Party Transactions (continued)

- (c) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the six months ended 30 June 2014:

	Notes	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
<b>Entity with significant influence over the Group:</b>			
Purchase of raw materials	(i)	2,749	114
Trademark licence fee income	(ii)	3,335	–
<b>Subsidiary of the entity with significant influence over the Group:</b>			
Purchase of raw materials	(i)	6,608	–
<b>Entities controlled by Mr. WU Jiannong, a director of Zhejiang NVC and the substantial shareholder of Signkey, a former substantial shareholder of the Company:</b>			
Purchases of raw materials and finished goods	(i)	2,501	23,365
Sale of finished goods and other materials	(i)	–	210
Transportation income	(i)	23	–
<b>Entities over which a close family member of Mr. WU Changjiang, a former director of the Company, has significant influence:</b>			
Sales of finished goods	(i)	4,801	–
Purchases of raw materials and finished goods	(i)	3,967	3,166
Sales of machinery	(i)	141	–
Trademark licence fee income	(ii)	1,710	6,549
Interest income	(i)	41	1,318
<b>Associates:</b>			
Purchases of finished goods	(i)	62	–
Sales of machinery	(i)	16,230	–
<b>An entity over which the Group indirectly has significant influence through an associate:</b>			
Purchases of raw materials and finished goods	(i)	12,214	5,962

# Notes to the Interim Condensed Consolidated Financial Statements

## 16. Related Party Transactions *(continued)*

### (c) *(continued)*

Notes:

- (i) The transactions were made at prices mutually agreed by both parties.
- (ii) Trademark licence fee income arose from licensing the “NVC” brand to related parties, and was charged at 1% to 3% of the related parties’ annual sales. The royalty rate was mutually agreed by both parties.

In the opinion of the board of directors, the related party transactions were conducted on normal commercial terms and in the ordinary course of the Group’s business.

### (d) Outstanding balances with related parties:

The detailed terms regarding the outstanding balances with related parties as at the end of the period are set out as follows:

#### (i) *Prepayments, deposits and other receivables*

	<b>30 June 2014 RMB’000 (Unaudited)</b>	31 December 2013 RMB’000 (Audited)
Amount due from Mr. WU Changjiang, a former director of the Company	<b>2,377</b>	219
Amounts due from entities over which a close family member of Mr. WU Changjiang, a former director of the Company, has significant influence	<b>28,045</b>	29,392
Amounts due from associates	<b>19,861</b>	–
Amounts due from an entity with significant influence over the Group	<b>3,543</b>	899
Impairment	<b>(22,292)</b>	(22,720)
	<b>31,534</b>	7,790

## Notes to the Interim Condensed Consolidated Financial Statements

### 16. Related Party Transactions *(continued)*

#### (d) Outstanding balances with related parties: *(continued)*

##### (ii) Trade payables

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Entities controlled by Mr. WU Jiannong, a director of Zhejiang NVC and the substantial shareholder of Signkey, a former substantial shareholder of the Company	<b>332</b>	1,006
An entity over which the Group indirectly has significant influence through its associate	<b>3,519</b>	3,951
Entities over which a close family member of Mr. WU Changjiang, a former director of the Company, has significant influence	<b>1,296</b>	9
Entity with significant influence over the Group	<b>7,285</b>	3,421
Associates	<b>74</b>	–
	<b>12,506</b>	8,387

##### (iii) Other payables and accruals

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Entities controlled by Mr. WU Jiannong, a director of Zhejiang NVC and the substantial shareholder of Signkey, a former substantial shareholder of the Company	<b>262</b>	271
Entities over which a close family member of Mr. WU Changjiang, a former director of the Company, has significant influence	<b>154</b>	104
	<b>416</b>	375

## Notes to the Interim Condensed Consolidated Financial Statements

### 16. Related Party Transactions *(continued)*

(e) Compensation of key management personnel of the Group:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Short-term employee benefits	<b>7,402</b>	8,187
Equity-settled share option expenses	<b>23</b>	21
	<b>7,425</b>	8,208

### 17. Financial Instruments

Set out below is an overview of financial instruments held by the Group as at 30 June 2014:

	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>Loans and</b>	Loans and
	<b>receivables</b>	receivables
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>Financial assets:</b>		
Trade and bills receivables	<b>1,339,726</b>	1,268,212
Financial assets included in prepayments, deposits and other receivables	<b>72,165</b>	40,862
Short-term deposits	<b>66,560</b>	89,492
Cash and cash equivalents	<b>1,245,912</b>	1,349,152
	<b>2,724,363</b>	2,747,718
<b>Financial liabilities:</b>		
Trade payables	<b>491,546</b>	510,352
Financial liabilities included in other payables and accruals	<b>168,869</b>	215,372
Interest-bearing loans and borrowings	<b>44,764</b>	47,117
	<b>705,179</b>	772,841

## Notes to the Interim Condensed Consolidated Financial Statements

### 17. Financial Instruments (continued)

#### Fair values

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
<b>Financial assets:</b>				
Trade and bills receivables	1,339,726	1,268,212	1,339,726	1,268,212
Financial assets included in prepayments, deposits and other receivables	72,165	40,862	72,165	40,862
Short-term deposits	66,560	89,492	66,560	89,492
Cash and cash equivalents	1,245,912	1,349,152	1,245,912	1,349,152
	<b>2,724,363</b>	2,747,718	<b>2,724,363</b>	2,747,718
<b>Financial liabilities:</b>				
Trade payables	491,546	510,352	491,546	510,352
Financial liabilities included in other payables and accruals	168,869	215,372	168,869	215,372
Interest-bearing loans and borrowings	44,764	47,117	44,764	47,117
	<b>705,179</b>	772,841	<b>705,179</b>	772,841

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

As at 30 June 2014 and 31 December 2013, the fair values of cash and cash equivalents, short-term deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals and interest-bearing loans and borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

## Notes to the Interim Condensed Consolidated Financial Statements

### 18. Capital Commitments

As at 30 June 2014, we had capital commitments of RMB12,188,000 in respect of acquisition of property, plant and equipment, details as follows:

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Contracted, but not provided for: Property, plant and equipment	<b>12,188</b>	8,682
	<b>12,188</b>	8,682

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

#### Operating leases

As a tenant, we rented certain office properties under operating lease arrangements for rental periods of 1 to 5 years. We were not subjected to any special restriction under these rental agreements. As at the end of the Period under Review, our total future minimum lease payables under non-cancellable operating leases were as follows:

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Within one year	<b>3,557</b>	7,772
In the second to fifth years, inclusive	<b>17,327</b>	7,278
	<b>20,884</b>	15,050

## Notes to the Interim Condensed Consolidated Financial Statements

### 18. Capital Commitments *(continued)*

#### Operating leases *(continued)*

As a lessor, we lease plants and offices under operating lease arrangements, with lease negotiated for terms ranging from 1 to 5 years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. As at the end of the Period under Review, our total future minimum lease receivables under non-cancellable operating leases were as follows:

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Within one year	<b>4,407</b>	2,064
In the second to fifth years, inclusive	<b>243</b>	100
	<b>4,650</b>	2,164

### 19. Subsequent Events

Please refer to "Recent Developments" on page 7 to page 8 of this report for relevant subsequent events.

### 20. Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 28 August 2014.

## Definitions

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

“China” or “PRC”	the People’s Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires, references in this report 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 the Appendix 14 to the Listing Rules.
“Company” or “our Company”	NVC Lighting Holding Limited (雷士照明控股有限公司), a company incorporated in the British Virgin Islands on 2 March 2006 and subsequently redomiciled to the Cayman Islands on 30 March 2010 as an exempted company with limited liability under the laws of the Cayman Islands.
“Corresponding Period”	means the six months ended 30 June 2014 or the six months ended 30 June 2013 (as the context may require).
“Director(s)”	the director(s) of the Company.
“Group”	our Company and its subsidiaries.
“GBP”	Great Britain Sterling Pound, the lawful currency of the United Kingdom.
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong.
“Hong Kong”	the Hong Kong Special Administrative Region of People Republic of China.
“Huizhou NVC”	Huizhou NVC Lighting Technology Co., Ltd.* (惠州雷士光電科技有限公司), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 29 April 2006 and our direct wholly-owned subsidiary.
“HID”	High intensity discharge.
“Jiangshan Phoebus”	Jiangshan Phoebus Lighting Electron Co., Ltd.* (江山菲普斯照明有限公司), a limited liability company incorporated in the PRC on 8 March 2006 and our indirect wholly-owned subsidiary.
“LED”	Light-emitting diode.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

## Definitions

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.
“NVC Lighting (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 2014.
“RMB”	Renminbi, the lawful currency of the PRC.
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
“Shanghai Arcata”	Shanghai Arcata Electronics Co., Ltd.* (上海阿卡得電子有限公司), a limited liability company incorporated in the PRC on 22 September 2005 and our indirect wholly-owned subsidiary.
“Signkey”	Signkey Group Limited* (世紀集團有限公司), a limited liability company incorporated in the British Virgin Islands, 85% equity interest of which is owned by Mr. Wu Jiannong.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Sunny”	Zhejiang Jiangshan Sunny Electron Co., Ltd.* (浙江江山三友電子有限公司), a limited liability company incorporated in the PRC on 2 July 1994 and our indirect wholly-owned subsidiary.
“USA” or “US”	the United States of America, its territories, its possessions and all was subject to its jurisdiction.
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States.
“we”, “us” or “our”	our Company or our Group (as the context may require).
“Zhangpu Phoebus”	Zhangpu Phoebus Lighting Co., Ltd.* (漳浦菲普斯照明有限公司), a limited liability company incorporated in the PRC on 9 May 2004 and our indirect wholly-owned subsidiary.
“Zhejiang NVC”	Zhejiang NVC Lamps Co., Ltd.* (浙江雷士燈具有限公司), a limited liability company incorporated in the PRC on 28 September 2007, 51% equity interest of which is held by Huizhou NVC and the remaining 49% equity interest of which is held by Zhejiang Tonking Investment Co., Ltd..

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

**NVC 雷士照明**

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



Olympic Council of Asia



Guangzhou 2010  
第十六届亚运会



Tianjin 2013  
第六届东亚运动会

OCA Lighting and Service Cooperation Partner  
Guangzhou 2010 Asian Games Lighting Product Supplier  
2013 6th East Asian Games Lighting and Service Exclusive Supplier

[www.nvc-lighting.com.cn](http://www.nvc-lighting.com.cn)