NVC 雷士照明

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2222)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2016:

- The Group's revenue amounted to RMB3,806,329,000, representing a decrease of 1.0% as compared with the Corresponding Period.
- The Group's gross profit amounted to RMB1,020,958,000, representing an increase of 13.3% as compared with the Corresponding Period.
- The Group's profit before income tax amounted to RMB254,054,000, representing an increase of 25.1% as compared with the Corresponding Period.
- Profit attributable to owners of the parent amounted to RMB150,928,000, representing an increase of 170.7% as compared with the Corresponding Period.
- Basic earnings per share of the Company amounted to RMB4.76 cents.
- The Board of the Company has proposed to declare final dividend of HK$1 cent per share (equivalent to approximately RMB0.9 cent) (2015: HK$1 cent per share).

The board of directors (the "Board") of NVC Lighting Holding Limited (the "Company") is pleased to announce the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 (the "Reporting Period").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended 31 December 2016 RMB'000	2015 RMB'000
REVENUE	2	**3,806,329**	3,845,650
Cost of sales		**(2,785,371)**	(2,944,645)
GROSS PROFIT		**1,020,958**	901,005
Other income and gains	3	**95,829**	66,143
Selling and distribution costs		**(359,812)**	(371,754)
Administrative expenses		**(412,806)**	(369,916)
Other expenses	4	**(78,565)**	(14,386)
Finance costs	5	**(25,769)**	(5,567)
Share of results of associates		**6,800**	(2,437)
Gain on disposal of a subsidiary		**7,419**	–
PROFIT BEFORE INCOME TAX		**254,054**	203,088
Income tax	6	**(75,471)**	(75,351)
PROFIT FOR THE YEAR		**178,583**	127,737
Attributable to:			
Owners of the parent		**150,928**	55,759
Non-controlling interests		**27,655**	71,978
		178,583	127,737
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			(Re-presented)
Basic	7	**RMB4.76 cents**	RMB1.77 cents
Diluted	7	**RMB4.76 cents**	RMB1.77 cents

Details of dividends are disclosed in note 8 on page 13 of this announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**178,583**	127,737
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(35,863)**	12,909
Fair value gain on available-for-sale financial assets	**1,000**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**143,720**	140,646
Attributable to:		
Owners of the parent	**117,092**	69,371
Non-controlling interests	**26,628**	71,275
	143,720	140,646

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2016 RMB'000	31 December 2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**650,583**	738,143
Prepaid land lease payments		**47,439**	48,758
Goodwill		**21,161**	21,161
Other intangible assets		**312,240**	294,974
Investments in associates		**41,030**	26,430
Investments in a joint venture		**100,000**	–
Available-for-sale financial assets		**23,000**	–
Deferred tax assets		**48,704**	51,567
Trade receivables with maturity more than one year	*10*	**–**	13,856
Prepayments		**102,252**	26,859
Total non-current assets		**1,346,409**	1,221,748
CURRENT ASSETS			
Inventories	*9*	**401,668**	495,450
Trade and bills receivables	*10*	**1,218,003**	1,189,914
Prepayments, deposits and other receivables		**343,115**	344,778
Income tax recoverable		**4,596**	7,998
Other current assets		**25,303**	16,515
Restricted bank balances and short-term deposits		**445,424**	660,307
Cash and cash equivalents		**1,160,155**	903,849
		3,598,264	3,618,811
Assets of disposal group classified as held for sale		**–**	27,005
Total current assets		**3,598,264**	3,645,816
CURRENT LIABILITIES			
Trade and bills payables	*11*	**750,036**	611,498
Other payables and accruals		**749,975**	483,032
Interest-bearing loans and borrowings	*12*	**48,411**	174,122
Government grants		**2,026**	2,034
Income tax payable		**24,951**	38,381
Convertible bonds – derivative component	*13*	**60,230**	–
		1,635,629	1,309,067
Liabilities of disposal group classified as held for sale		**–**	4,704
Total current liabilities		**1,635,629**	1,313,771
NET CURRENT ASSETS		**1,962,635**	2,332,045
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,309,044**	3,553,793

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		31 December	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT LIABILITIES			
Government grants		**12,859**	14,419
Deferred tax liabilities		**82,238**	83,345
Convertible bonds – liability component	*13*	**440,272**	–
Total non-current liabilities		**535,369**	97,764
Net assets		**2,773,675**	3,456,029
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2**	2
Reserves		**2,674,734**	3,290,695
Proposed final dividend	*8*	**28,745**	26,210
		2,703,481	3,316,907
Non-controlling interests		**70,194**	139,122
Total equity		**2,773,675**	3,456,029

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value. These consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

1.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.3 ADOPTION OF IFRSs

(a) Adoption of new/revised IFRSs – effective 1 January 2016

In the current year, the Group has applied, for the first time, the following new/revised IFRSs, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2016.

IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations

Except as explained below, the adoption of these amendments has no material impact on the Group's consolidated financial statements.

1.3 ADOPTION OF IFRSs *(continued)*

(a) Adoption of new/revised IFRSs – effective 1 January 2016 *(continued)*

Annual Improvements 2012-2014 Cycle
The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

Amendments to IAS 1 – Disclosure Initiative
The amendments are designed to encourage entities to use judgement in the application of IAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments to IAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to IAS 27 – Equity Method in Separate Financial Statements
The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations
The amendments require an entity to apply the relevant principles of IFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of IFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties. The amendments are applied prospectively.

(b) New/revised IFRSs that have been issued but are not yet effective

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

IFRSs (Amendments)	Annual Improvements 2014-2016 Cycles[5]
Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment[2]
IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.
5 The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018; the amendment to IFRS 12 is effective for annual periods beginning on or after 1 January 2017.

1.3 ADOPTION OF IFRSs *(continued)*

(b) New/revised IFRSs that have been issued but are not yet effective *(continued)*

Amendments to IAS 7 – Statement of Cash Flows
The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to IAS 12 – Income Taxes
The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Amendments to IFRS 2 – Share-based Payment
The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

IFRS 9 – Financial Instruments
IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

IFRS 15 – Revenue from Contracts with Customers
The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a five-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

1.3 ADOPTION OF IFRSs *(continued)*

(b) New/revised IFRSs that have been issued but are not yet effective *(continued)*

Amendments to IFRS 15 – Revenue from Contracts with Customers
The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

IFRS 16 – Leases
IFRS 16, which upon the effective date will supersede IAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration
IFRIC 22 clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

2. REVENUE AND SEGMENT INFORMATION

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

For management purposes, the Group is organised into business units based on 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 electronic device. The luminaire products are sold as complete lighting units or units without lamps and lighting electronics, based on the needs of end customers;

2. **REVENUE AND SEGMENT INFORMATION** *(continued)*

(b) Lamp products segment

Lamp products represent a range of light bulbs and tubes for compact fluorescent lamps, HID lamps, fluorescent lamps, halogen lamps and LED lamps; and

(c) Lighting electronic products segment

Lighting electronic products represent electronic transformers, electronic and inductive ballasts for fluorescent, LED and HID lamps, and HID ballast boxes.

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

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

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

Segment information represents the revenue and results from external customers, detailed as below.

	Revenue year ended 31 December		**Results year ended 31 December**	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Luminaire products	**2,644,430**	2,588,368	**817,517**	671,651
Lamp products	**942,142**	1,040,485	**152,445**	187,808
Lighting electronic products	**219,757**	216,797	**52,101**	42,207
Total	**3,806,329**	3,845,650	**1,022,063**	901,666
Reconciliation				
Elimination of intersegment results			**(1,105)**	(661)
Interest income			**14,505**	18,487
Unallocated income and gains			**81,324**	47,656
Corporate and other unallocated expenses#			**(774,121)**	(756,056)
Gain on disposal of a subsidiary			**7,419**	–
Finance costs			**(25,769)**	(5,567)
Fair value change of the derivative component of convertible bonds			**(46,889)**	–
Share of results of associates			**6,800**	(2,437)
Loss on disposal of property, plant and equipment			**(30,173)**	–
Profit before income tax			**254,054**	203,088

During the Reporting Period, depreciation and amortisation recorded in the consolidated statement of profit or loss amounted to RMB100,395,000 (2015: RMB113,089,000).

\# Corporate and other unallocated expenses consist of unallocated depreciation, amortisation and staff costs, freight expense and impairment loss of trade receivables, prepayments and other receivables.

3. OTHER INCOME AND GAINS

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Other income		
Government grants	**18,124**	25,880
Trademark licence fees	**2,467**	8,941
Bank interest income	**14,087**	16,216
Other interest income	**418**	2,271
Rental income	**2,728**	3,454
Handling income	**9,874**	–
Others	**10,080**	5,229
	57,778	61,991
Gains		
Gain on sale of scrap materials	**–**	3,270
Exchange gains, net	**38,051**	882
	38,051	4,152
	95,829	66,143

4. OTHER EXPENSES

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Fair value change of derivative component of the Convertible Bonds (Note 13)	**46,889**	–
Loss on disposal of items of property, plant and equipment	**30,173**	5,567
Others	**1,503**	8,819
	78,565	14,386

5. FINANCE COSTS

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interest on bank loans	**3,448**	5,567
Interest on the Convertible Bonds	**22,321**	–
	25,769	5,567

6. INCOME TAX

The Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which most of the companies within the Group are domiciled and operated. No provision for Hong Kong profits tax or United Kingdom ("UK") corporation income tax has been made as the Group had no assessable profits arising in Hong Kong or the UK during the Reporting Period (2015: Nil).

The table below sets out the items of income tax expense in the Reporting Period.

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current – the PRC		
– Charge for the year	**74,631**	65,162
– Overprovision in prior years	**(916)**	(996)
Deferred	**1,756**	11,185
Income tax for the year	**75,471**	75,351

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

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

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

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2015 and 2016 in respect of a dilution as the impact of the outstanding share options and convertible bonds had an anti-dilutive effect on the basic earnings per share amounts presented.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit:		
Profit attributable to ordinary equity holders of the parent	**150,928**	55,759

	Year ended 31 December	
	2016	2015
	'000	*'000*
	Number of shares	Number of shares (Re-presented)
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,169,816**	3,153,187

Basic and diluted earnings per share for the year ended 31 December 2015 are re-presented to reflect the bonus element of issue of new ordinary shares during the current year.

8. DIVIDENDS

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Proposed final dividend of HK$1 cent per ordinary share (2015: HK$1 cent per ordinary share)	**28,745**	26,210

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. INVENTORIES

	31 December	
	2016	2015
	RMB'000	*RMB'000*
Raw materials	**87,480**	71,451
Work in progress	**16,736**	21,883
Finished goods	**297,452**	402,116
Total	**401,668**	495,450

The reversal of write-down of inventories amounted to RMB39,770,000 (2015: write-down of inventories amounted to RMB3,668,000), which was recorded in "Cost of sales" in the consolidated statement of profit or loss.

10. TRADE AND BILLS RECEIVABLES

	31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**1,132,043**	1,135,749
Impairment	**(157,876)**	(118,992)
Trade receivables, net	**974,167**	1,016,757
Bills receivable	**243,836**	187,013
Less: Trade receivables with maturity more than one year [(1)]	**–**	(13,856)
Current portion	**1,218,003**	1,189,914

(1) The amount represented trade receivables due from a customer which was expected to be repaid beyond 12 months from 31 December 2015. In addition, the net amount of RMB4,133,000 (31 December 2015: RMB21,358,000) due from the same customer, net of impairment, was recorded as current as at 31 December 2016. The Group does not hold any collateral or other credit enhancements over the trade receivable balances.

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

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

	31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**713,343**	639,615
4 to 6 months	**184,072**	235,337
7 to 12 months	**12,303**	59,798
1 to 2 years	**42,370**	68,990
Over 2 years	**22,079**	13,017
	974,167	1,016,757

As at 31 December 2016, certain trade receivables of UK NVC with carrying amounts of RMB47,347,000 (2015: RMB22,153,000) were pledged to secure the bank borrowings of UK NVC as further set out in Note 12.

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

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

11. TRADE AND BILLS PAYABLES

	31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade and bills payables to third parties	**688,851**	560,594
Trade and bills payables to related parties	**61,185**	50,904
Total	**750,036**	611,498

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

Bills payables are normally settled within 6 months.

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

	31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**716,962**	589,303
4 to 6 months	**16,056**	4,654
7 to 12 months	**1,125**	7,694
1 to 2 years	**8,641**	9,660
Over 2 years	**7,252**	187
	750,036	611,498

As at 31 December 2015 and 2016, the fair value of trade and bills payables approximated to their carrying amounts largely due to the short-term maturity.

12. INTEREST-BEARING LOANS AND BORROWINGS

	31 December					
	2016			2015		
	Contractual Interest rate(%)	**Maturity**	***RMB'000***	*Contractual Interest rate(%)*	Maturity	*RMB'000*
Current						
Bank loans – secured	**Base*+1.90%**	**On demand[1]**	**47,347**	Base*+1.90%	On demand[1]	22,153
			–	5.35%	2016[2&3]	27,800
			–	5.35%	2016[2&3]	22,200
			–	3.20%	2016[2]	101,969
Bank loans – unsecured	**4% per month**	**On demand**	**1,064**			–
Total			**48,411**			174,122

1 The secured bank loan represented a GBP-dominated secured facility amounting to GBP8,000,000 (2015: GBP5,000,000), of which GBP5,564,000 (2015: GBP2,304,000) had been utilised as at the end of the reporting period. The bank loan was secured by the pledge over certain trade receivables amounting to RMB47,347,000 (2015: RMB22,153,000) and certain buildings with carrying value of approximately RMB43,108,000 (2015: Nil). The secured bank loan as at 31 December 2015 was also secured by time deposits amounting to RMB51,000,000. In accordance with the contract, the loan was repayable upon the collection of the factored trade receivables and carried a floating interest rate based on the Base plus 1.90%.

2 The secured bank loans represented RMB-denominated secured facilities. The bank loans were secured by the pledge of time deposits amounting to RMB151,850,000.

3 The loan agreements contain repayment on demand clause.

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

As at 31 December 2016, the fair value of interest-bearing loans and borrowings approximated to their carrying amount largely due to the short-term maturities.

13. CONVERTIBLE BONDS

On 20 May 2016, the Company and an independent third party entered into a subscription agreement (the "Subscription Agreement") in relation to the issue of convertible bonds denominated in HK$ in an aggregate principal amount of HK$500,000,000 (the "Convertible Bonds"). The Convertible Bonds have been issued on 7 June 2016.

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

(a) on or after the issue date (i.e. 7 June 2016) and up to and excluding the close of business on the second anniversary of the issue date (the "First Maturity Date") at an initial conversion price of HK$0.925 per share (subject to anti-dilutive adjustments); and

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

13. CONVERTIBLE BONDS *(continued)*

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

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

The movements of the liability component and derivative component of the Convertible Bonds during the Reporting Period are as follows:

	31 December 2016		
	Liability component of Convertible Bonds *RMB'000*	**Derivative component of Convertible Bonds** *RMB'000*	**Total** *RMB'000*
Issue of the Convertible Bonds	**416,493**	**10,841**	**427,334**
Effective interest expenses recognised to profit or loss	**22,321**	**–**	**22,321**
Interest paid	**(17,936)**	**–**	**(17,936)**
Fair value change	**–**	**46,889**	**46,889**
Exchange realignment	**19,394**	**2,500**	**21,894**
31 December 2016	**440,272**	**60,230**	**500,502**

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

	Issue date	**31 December 2016**
Share price	**HK$0.850**	**HK$0.990**
Conversion price	**HK$0.925**	**HK$0.925**
Risk-free rate	**0.6136%**	**1.002%**
Volatility	**39.09%**	**28.00%**

14. CONTINGENT LIABILITIES

(a) As at 31 December 2016, contingent liabilities not provided for in the consolidated financial statements were as follows:

	31 December	
	2016	2015
	RMB'000	*RMB'000*
Guarantees given to banks and a finance company in connection with facilities granted to:		
Two PRC companies and Ms. WU Lian, an individual	**131,497**	131,497

(b) The Group currently acts as defendant in lawsuits brought by two PRC banks and a PRC finance company alleging that the Group should assume guarantee liabilities and interests according to guarantee agreements. The Directors consider that the likelihood of the Group sustaining further losses from the guarantees is remote, and accordingly no provision for claims arising from the litigations is considered necessary as at 31 December 2015 and 2016, save for the related legal and other costs. Based on the respective court judgments, interests are imposed on the principal amounts as disclosed in (a) above, which are calculated on (i) principal amount of approximately RMB62,000,000 at 9.9% per annum plus compound interest at 9.9% per annum on unpaid interest since 21 October 2014; (ii) principal amount of RMB34,000,000 at four times of six-month borrowing rate of People's Bank of China since 8 October 2015; and (iii) principal amount of 35,497,000 at 0.05% per day since 4 January 2015.

15. PLEDGE OF ASSETS

Save for those disclosed in other parts of this announcement, at the end of the Reporting Period, certain assets of the Group were pledged as follows:

(1) As at 31 December 2016, certain land use rights with aggregate carrying amounts of RMB48,314,000 (31 December 2015: RMB49,633,000) and certain buildings included in property, plant and equipment with aggregate carrying amounts of RMB242,510,000 (31 December 2015: RMB248,348,000) and RMB43,108,000 (31 December 2015: Nil) were pledged for the Group's applications of assets preservation in certain PRC legal proceedings and bank borrowings respectively.

(2) As at 31 December 2016, certain trade receivables with carrying amounts of RMB47,347,000 (31 December 2015: RMB22,153,000) were pledged to secure the bank borrowings.

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

(4) In accordance with several letters of guarantee, deposits with carrying amounts of RMB34,533,000 (31 December 2015: RMB20,258,000) were pledged for issuing letters of guarantee.

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

(6) As at 31 December 2015, deposits with carrying amounts of RMB4,613,000 were pledged for issuing bank acceptance bills.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The Company's external auditor has issued a qualified opinion on the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2016. An extract from the independent auditor's report is as follows:

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

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

As set out in Note 33 to the consolidated financial statements, a subsidiary of the Company (the "Subsidiary") entered into several pledge and guarantee agreements in 2013 and 2014 (the "Pledge and Guarantee Agreements") with certain banks in the People's Republic of China (the "PRC"), providing guarantees to the banks for their loan facilities granted to certain borrowers. Counter guarantees were provided by one of the borrowers of the bank loans (the "Borrower") to the Group. During 2014, aggregate pledged time deposits of RMB550,924,000 of the Subsidiary had been withdrawn by the banks due to default of the bank loans under the guarantees of the Subsidiary.

The Group initiated legal actions to claim the counter guarantees provided by the Borrower. As at 31 December 2015 and 2016, other receivables of RMB550,924,000 due from the Borrower were included in "Prepayments, deposits and other receivables" in the consolidated statement of financial position as set out in Note 22 to the consolidated financial statements. The directors are of the opinion that an amount of RMB265,564,000 (the "Recoverable Amount") is recoverable as at 31 December 2015 and 2016, and accordingly a provision for the irrecoverable amount of RMB285,360,000 had been recognised in the consolidated statement of profit or loss for the year ended 31 December 2014. There was no subsequent reversal of the provision or further provision recognised in the years ended 31 December 2015 and 2016.

As set out in Notes 33 and 34 to the consolidated financial statements, the Subsidiary also entered into guarantee agreements with another PRC bank in 2013 (the "Guarantee Agreement 1") and a PRC finance company in 2014 (the "Guarantee Agreement 2") respectively, providing guarantees to the PRC bank and the PRC finance company for their loan facilities granted to their borrowers. The outstanding loans of RMB35,497,000 and RMB34,000,000 in relation to the Guarantee Agreements 1 and 2 were in default in 2015 and 2014 respectively. The PRC bank and the PRC finance company have taken legal actions against the respective borrowers and the guarantors (including the Subsidiary and the Borrower as guarantors) to recover the loan balances and interests. According to the respective first court judgements in 2016, the Subsidiary is adjudicated to be jointly and severally liable for the payments to the PRC bank and the PRC finance company of the outstanding loans, plus interests and costs, under the Guarantee Agreements 1 and 2. The Subsidiary has filed appeals against the respective judgements and the outcome of the appeals is pending as of the date of approval of these financial statements.

The directors, with reference to legal opinion obtained and other factors, consider that the likelihood of the Group sustaining losses from the Guarantee Agreements 1 and 2 is remote as it is considered that the loans had sufficient underlying securities including the Borrower's guarantees and the Subsidiary is only one of the guarantors for the loans. As a result, the directors considered that no provision thereon is considered necessary as at 31 December 2015 and 2016.

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

Any adjustments to the Recoverable Amount due from the Borrower and any provision to be recognised as at 31 December 2015 and 2016 in respect of Guarantee Agreement 1 and 2 would have a consequential impact on the Group's net assets as at 31 December 2015 and 2016 and the Group's financial performance for the years then ended. Our audit opinion on the consolidated financial statements for the year ended 31 December 2015 was modified accordingly.

(b) Provision for loss on financial guarantee contract

As set out in Notes 33 and 34 to the consolidated financial statements, in addition to the agreements as mentioned in the above paragraphs, the Subsidiary entered into a guarantee agreement (the "Guarantee Agreement 3") with a PRC bank in 2014, providing guarantee to the bank for a loan facility granted to its borrower. The bank loan was in default in 2014 and the bank has taken legal actions against the borrower and the guarantors (including the Subsidiary) to recover the bank loan balance and interest. A court order was issued to freeze assets of the guarantors (including the Subsidiary) in the amount of RMB62,000,000. As a result of the court order, bank balance of the Subsidiary in the amount of RMB54,758,000 and RMB55,396,000 had been frozen by the bank as at 31 December 2015 and 2016 respectively. According to the first court judgement in 2016 and the final court judgement in January 2017, the Subsidiary is adjudicated to be jointly and severally liable for the payment to the PRC bank of RMB60,000,000, plus interest and costs. In February 2017, the frozen bank balance of the Group has been withdrawn by the court for the purpose of settlement of the claim by the PRC bank. The Group is in the process of applying for retrial of the PRC court judgements and is of the view that the legal proceedings are still in progress notwithstanding the final court judgement.

The directors, with reference to legal opinion obtained and other factors, consider that the likelihood of the Group sustaining losses from the guarantee is remote as it is considered that the bank loan had sufficient underlying securities and the Subsidiary is only one of the guarantors for the bank loan. The directors believe that the withdrawn bank balance will be fully recovered upon the conclusion of the retrial of the PRC court judgements and no provision on the frozen and subsequently withdrawn amount is considered necessary as at 31 December 2015 and 2016. In addition, the directors are of the opinion that no provision on any shortfall between the amount to be ultimately settled by the Group under the Guarantee Agreement 3 and the Subsidiary's frozen bank balance is considered necessary as at 31 December 2015 and 2016.

However, we are not able to obtain sufficient appropriate audit evidence to assess the likelihood of successfully applying for the retrial of the PRC court judgements by the Group and the likely outcome of such retrial of the PRC court judgements, and accordingly, we are not able to ascertain whether any provision on the frozen bank balance as at 31 December 2015 and 2016, and any shortfall between the amount to be ultimately settled by the Group under the Guarantee Agreement 3 and the Subsidiary's frozen bank balance is required to be made as at 31 December 2015 and 2016.

Any provisions that should have been made as at 31 December 2015 and 2016 would have a consequential impact on the Group's net assets as at 31 December 2015 and 2016 and the Group's financial performance for the years then ended. Our audit opinion on the consolidated financial statements for the year ended 31 December 2015 was modified accordingly.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by us and a qualified opinion was expressed on those statements on 5 April 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2016, the global economy was recovering at an unstable pace, with a foreseeable ongoing decline of growth. There was a divergence in the growth pattern among developed economies, while the overall growth rate of emerging markets and developing economies was slow but stable. The further increase in the interest rate by the Board of Governors of The Federal Reserve System and Brexit have triggered the global financial market turmoil and impacted the macro-economic policies of major economies. The series of issues such as the slow global economic growth, the high debt level, the trade and investment downturn, and the on-going high financial leverage ratio still affected the global economic growth.

Against the background of the overall downturn of the global economy, the economic growth in the PRC was still a major highlight. As indicated by the National Bureau of Statistics, the 2016 Gross Domestic Product in the PRC enjoyed a growth rate of 6.7% as compared with the Corresponding Period. This reflects that the PRC has maintained its position as one of the countries with the highest economic growth rate and developed at a steady but growing pace. Year 2016 marked the first year in the "13th Five-year Plan" in the PRC, which was also a critical year for the transformation and development of the economic growth in the PRC. The release of the programmatic documents including the "13th Five-year National Technical Innovation Plan" and the "Smart Production Development Plan (2016-2020)" led a new round of technical revolution and industrial reform.

As one of the seven strategic emerging industries in the PRC, the semiconductor lighting has further expanded its market space with the help of the internal favorable policy. According to the report on the "2017 Global Lighting Market Prospects" published by TrendForce, the market size of the LED lighting in 2016 reached US$29.6 billion, and that of 2017 is expected to reach US$33.1 billion, leading to a LED lighting market penetration rate of 52%. However, transformation was inevitable for the development of the LED lighting industry. The active mergers and acquisitions in the overseas LED lighting industry in 2016 has expedited the upgrade of industrial integration. Enterprises with technical and capital advantages were gradually leading the market. The overwhelming E-commerce trend has provided the lighting industry with new development opportunities. To tap the "supply-side' demand through combination with the Internet is an effective way for the enterprises to proceed with innovation development. The internet of things and the smart lighting have gained popularity among the lighting enterprises and they are more widely used and implemented. The effective combination of the research and development, production process, quality management and smart equipment is achieved through the reasonable use of smart machinery and equipment. The enterprises will switch to the automatic and digital production mode featuring the green effect and the environmental protection to achieve the ultimate successful transformation from "Made in China" to "Smartly Made in China".

BUSINESS REVIEW

During the Reporting Period, the persistent innovation and reform have led to the overall growth in the results of the Group. With respect to channel expansion, the Group continued to implement the model with a focus on "commercial and home lighting". The organized distributor teams for key projects have successfully penetrated into various market project segments of commercial lighting. Stylistic shops and products were used for entering into home lighting business with the aim to establish a comprehensive product series tailored for a wide group of target customers and to attract customers from various market segments by applying differentiation strategies. As for reducing cost and increasing efficiency, the establishment of the cost appraisal mechanism has successfully reduced cost of incoming materials; the introduction of lean production management system and the Amoeba operating model also enhanced the cost, quality and delivery management and hence reduced production cost; the automatic reform with labor being replaced by machinery also led to the reduction in labor cost. Furthermore, the Group has made a tremendous effort into changing its culture and recognised "client-oriented and dedication" as a core cultural concept of the Company. The implementation of the performance-oriented incentive mechanism has effectively driven the team to create value, resulting in the persistent improvement in management efficiency and operational quality.

Sales and Distribution

As for the NVC Brand in the PRC market, the Group had exclusive cooperation with 36 regional distributors during the Reporting Period. These exclusive regional distributors had a total of 3,215 exclusive outlets (100.0% coverage rate in the provincial capital, 95.1% coverage rate in the prefecture-level cities, 66.3% coverage rate in the county-level cities and 1.6% coverage rate in the town centers), and 1,435 exhibition counters and exhibition walls, of which over 80.0% of these exhibition counters and exhibition walls were located in town centers to offset the issue of insufficient coverage of exclusive outlets in the town area. During the Reporting Period, the Group continued to develop its dual-channel development model of "commercial and home lighting". As far as the commercial lighting sector is concerned, the Group has officially implemented the "400 Plan" to establish 400 key engineering project distributor teams nationwide. The on-site engineering manager was assigned to provide the project management and project skills training. By means of focusing on the engineering projects in the market segments, the Group has been successfully engaged in several million–worth projects, including Wenzhou Elephant City in Zhejiang, Soundon New Energy Inspection Building in Xiangtan, Hunan. At the same time, the Group continued to tap the opportunities of reserve engineering projects of the sole regional distributor and provide competitive resources support by means of upgrading and improving the design, the product and the on-site supporting services, leading to an increase of 5% in the project conversion rate. As for the home lighting sector, the Group has continued to implement the stylistic construction of exclusive outlets and establish the experimental smart lighting scenes to provide clients with a fulfilling customer experience of technical innovation and artistic design. During the Reporting Period, the market promotion such as the group-buying fair and the "Lamp Replacement for Good" were launched on more than 9,000 occasions, leading to more than 100 million sales revenue derived from the sale of home lighting products. The "Thousand-Sail Plan" training programme aiming at nurturing talents was also implemented. The programme has trained 1,100 leading outlet managers to provide support for various exclusive outlets in the PRC with their front-end sales talents and to contribute to the persistent growth in the home lighting business. During the Reporting Period, the NVC Brand has achieved the product sales turnover of RMB2,316,747,000 in the PRC, which was comparable to that achieved in the Corresponding Period.

In respect of the international NVC Brand market, continuous effort was placed in implementing the Brand's globalization process with an aim to create the excellent brand characterized by "Made in China". At the Rio Olympics, the Group was chosen to particulate in lighting engineering project of Madureira Olympic Park in Rio de Janeiro. The sparkling of NVC radiance has shone at the Olympic Games for three consecutive years. In the Middle East region, the engineering projects for the five-star hotel in United Arab Emirates, the horse racing course in Qatar, the Salalah Plaza Hotel Villas and so on were implemented as scheduled; in the Southeast Asia region, the Group has abandoned the exclusive sole distribution model and opened the engineering project distributorship in order to obtain a greater market share of engineering projects. During the Reporting Period, the total international sales turnover of the NVC Brand dropped 2.2% to RMB387,859,000 as compared to the Corresponding Period, the decrease of which was also contributed by international economic trends and the rapid decrease in the sales order of traditional lighting products.

As for the non-NVC Brand in the PRC and international market, the Group mainly supplied the well-known lighting enterprises with energy-saving lamps, energy-saving light tubes and other accessories in the form of ODM. Affected by the shrinking market share of traditional lighting products. During the Reporting Period, the sales revenue of non-NVC brand products dropped slightly by 0.9% to RMB1,101,723 as compared with the Corresponding Period.

Product research, development and design

During the Reporting Period, the research and development work of the Group mainly focused on the development of new products, the technical upgrade and the implementation of automatic reform. During the Reporting Period, the Group established an internal mechanism in order to timely respond to market demands. Oriented by the market demands, the Group developed 91 series of new products, covering indoor luminaries, outdoor luminaries, household products and other popular products. The Group has also set up an initial framework for the Group's smart lighting control system and completed advanced research projects of smart products, such as the daily track light and the smart shop sky screen system. Meanwhile, the Group continued to implement the product platform, standardization, modularization and series reform. The current product platform and modularization reform have covered 75% of the commercial indoor lighting products. The standardization has optimized the product varieties and tremendously increased the work efficiency. Furthermore, the delivery of LED 912 automatic pilot production lines has completed smoothly. During the Reporting Period, the Group invested RMB72,365,000 on project research and development, representing 1.9% of the Group's sales revenue. In addition, the Group filed 86 new patent applications during the Reporting Period and together the Group had 87 successful patent application cases.

Brand promotion and honor

During the Reporting Period, the Group endeavored to create the No. 1 brand of the lighting solution service providers in the era of Internet. During the Reporting Period, the Group with the brand value of RMB15.397 billion was elected as one of "China's 500 Most Valuable Brands" again and remained the No.1 brand in the lighting industry. Through sponsoring the 2016 FINA Diving World Series and winning the bid for the engineering project of Rio Olympics, the Group successfully implemented its sports marketing strategy. The Group focused on WeChat, Weibo, and other social media platforms for in-depth brand communication. The influence of the NVC Brand on young consumer groups was greatly enhanced by the sponsorship of "WULI--Home Transformation" (WULI屋裡變) – the first celebrity home renovation show in the PRC. UK NVC, a wholly-owned subsidiary of the Group, was awarded the "Best Foreign Enterprise Award" by the Office of Government Commerce in the UK for its outstanding localization strategy and excellent development prospects. UK NVC was also selected as one of the 21 featured case studies in the "China-Britain Belt and Road Case Studies Report 2016", which was jointly issued by China-Britain Business Council and Tsinghua University, representing the general public recognition of the NVC Brand. In addition, during the Reporting Period, the Group signed the cooperation agreement on smart lighting with Cloud Computing Center (CAS Smart City) under Chinese Academy of Sciences. This strategic cooperation will create the NVC Smart Ecological Layout and further implement the strategic progress of the Group's Internet platform.

Production and management supporting platform

During the Reporting Period, the Group's production and management supporting platform mainly aimed at reducing cost and enhancing efficiency. The Group's production system implemented with great efforts the automation and semi-automation upgrade and reform and optimized the layout of production lines to cut labor cost and process waste tremendously. The pilot raw material consignment system and the establishment of the inventory responsibility system significantly reduced the level of inventory and achieved the light asset operation. The implementation of the product platform and standardization reform, coupled with the introduction of the quality prevention system reduced the cost of quality loss. During the Reporting Period, the Group's management supporting platform proactively and effectively implemented and organized the cultural reconstruction and established the remuneration incentive reform system based on value creation to cultivate the mainstream culture and ideology based on the foundation of value creation. The training system tailored for key positions in the Group was set up to provide the talent pool for the Group's future on-going development. Furthermore, the online new office portal system realized the systematic and paperless goals of all internal processes resulting in the significant enhancement of office efficiency, which provided strong support for the Group's overall growth performance.

Future Prospects

In 2017, the Group will adhere to the openness, innovative, value-added and efficiency-enhanced development targets by making comprehensive strategy deployment in aspects including the brand, research and development, production, domestic sales and overseas sales as to further deepen the thorough implementation of the enterprise culture and innovative operations management model, with an aim to transform the Group into a platform enterprise in the era of Internet.

Define new meaning of brands

N is Nexus. Nexus is the cause to create the ecological platform by means of open interconnection;

V is Vigor. Vigor is the process to enable the enterprise to flourish forever by means of innovative creation of ecological viability;

C is Change. Change is the outcome to lead the industry reform through changing people's living by means of innovative smart solutions.

Adherence to the open innovation as well as the value-added and efficiency-enhanced development target

Research and development platform

In 2017, the Group will integrate the external designer resources and establish designer platforms, thereby bringing in external design forces who understand the market demand to take part in the product design. We will prioritize the design aspects and establish a solutions base, so as to achieve the goal of focused market demand and enhanced market response speed. At the same time, we plan to construct the modular and standardized platforms to enable the majority of new product development of the enterprises to be conducted directly in form of modular assembly via the standard platform to further enhance the efficiency of research and development. We will implement the product project manager system along with an accountability mechanism to improve the morale of research and development personnel, in order to realize the innovation in terms of organization and mechanism.

Production platform

In the aspect of production platform, the Group will further upgrade the standard of automation and semi-automation through the launch of projects including the reform on automatic and semi-automatic production lines, the injection molding integration and the improvement in production techniques; reduce production cost through the persistent implementation of the supply chain consignment system and the Amoeba operating model; shorten the delivery time for purchasing orders through the enhanced planning forecast and the scientific long-term material preparation; reduce enterprise purchase and logistics costs through the unified supply chain platform and the logistics platform; reduce the inventory level by strengthening the inventory appraisal through the establishment of a mechanism to handle existing sluggish inventory issues. The Group will adhere to the principle of prioritizing quality, strengthen management execution and optimize the quality system to provide strong support for the overall development of the Group.

Domestic sales

In the aspect of commercial lighting, the Group will focus on the engineering projects of subdivided market segments targeting to establish relationships with clients including convenience stores, shops, real estates and hotels; continue to implement the “400 Plan” to establish local professional engineering teams while shifting the backstage services forward to the front line and to participate early in projects, provide excellent solutions for lighting applications through the customized product research and development and project support, with an aim to seize the share of subdivided market segments rapidly while maintaining a steady growth in the inventory market.

In the aspect of home lighting, the Group will focus on the channel construction, opening the product design system, launching the stylistic and differentiated product lines, with the key creation of stylistic product line emphasizing on the “complete copper lamp” and the “modern Chinese style” in 2017. At the same time, the Group will strengthen the development of town distribution outlets and endeavor to have more than 1,000 newly constructed and refurbished outlets.

In addition, kitchen and bathroom electric appliance is the new business of the Group. In 2017, the Group will develop the new business with a focus on product innovation and channel construction and establish self-owned exclusive outlet system. The Group will seek to set up 100 new pinch agents with the prefecture-level cities as the center and 600 integrated ceiling exclusive outlets with the county as the unit. Furthermore, the Group will continue to proceed with product innovation, with an emphasis on developing living room, bedroom, kitchen and bathroom products to broaden the variety of products offered, so as to fulfil the demand of different clients and achieve the Group’s multi-channel development.

Overseas sales

In 2017, the Group will set up the office in the Middle East. The UK, Brazil and the Middle East offices will focus on integrating market resources to strengthen brand-building and the quality of customer services; more cooperation with distributors in the Southeastern Asian market to seize the market vacancy with international famous lighting enterprises withdrawing from the market; the front-end technology and supporting talents will be provided to the distributors bidding for large-scale projects in the Middle East market. The Group will also internally strengthen the development of supporting products for the engineering projects, optimize the suppliers’ resources, expedite product delivery time, and strive to be the supplier of high-end lighting solutions and products in key regions for major clients.

FINANCIAL REVIEW

Revenue

Revenue represents the invoiced value of goods sold, after allowances for returns and trade discounts. During the Reporting Period, the revenue of the Group decreased slightly by 1.0% from the Corresponding Period to RMB3,806,329,000. In particular, the LED lighting products recorded revenue of RMB2,696,868,000 with an increase of 21.3% from the Corresponding Period.

Revenue by product segments

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

	Year ended 31 December		
	2016	2015	Growth rate
	RMB'000	*RMB'000*	
Luminaire products	**2,644,430**	2,588,368	2.2%
Lamp products	**942,142**	1,040,485	(9.5%)
Lighting electronic products	**219,757**	216,797	1.4%
Total	**3,806,329**	3,845,650	(1.0%)

During the Reporting Period, the sales of luminaire products increased slightly by 2.2% mainly benefited from the growth in the sales of household luminaire products of the Group. The sales of lamp products decreased 9.5%, which was mainly attributed to the impact of the decline in both sales volumes and prices of the traditional lamp products. The sales of lighting electronic products grew slightly, mainly benefited from the increase in the sales proportion of LED lighting electronic products and the impact from the exchange fluctuation during the Reporting Period.

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

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

	Year ended 31 December		
	2016	2015	Growth rate
	RMB'000	*RMB'000*	
Sales revenue from PRC			
NVC brand	**2,316,747**	2,337,517	(0.9%)
Non-NVC brand	**313,080**	278,018	12.6%
Subtotal	**2,629,827**	2,615,535	0.5%
Sales revenue from international market			
NVC brand	**387,859**	396,724	(2.2%)
Non-NVC brand	**788,643**	833,391	(5.4%)
Subtotal	**1,176,502**	1,230,115	(4.4%)
Total	**3,806,329**	3,845,650	(1.0%)

Revenue by LED lighting products and non-LED lighting products

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

	Year ended 31 December		
	2016	2015	Growth rate
	RMB'000	*RMB'000*	
LED lighting products	**2,696,868**	2,223,989	21.3%
Non-LED lighting products	**1,109,461**	1,621,661	(31.6%)
Total	**3,806,329**	3,845,650	(1.0%)

Cost of Sales

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

	Year ended 31 December			
	2016		2015	
	RMB'000	***Percentage in revenue (%)***	*RMB'000*	*Percentage in revenue (%)*
Raw materials	**1,907,153**	**50.1%**	1,948,892	50.7%
Outsourced manufacturing costs	**508,702**	**13.4%**	484,315	12.6%
Labor costs	**275,305**	**7.2%**	331,766	8.6%
Indirect costs	**94,211**	**2.5%**	179,672	4.7%
Total	**2,785,371**	**73.2%**	2,944,645	76.6%

During the Reporting Period, the cost of sales as a percentage to revenue decreased from 76.6% to 73.2%, the gross profit margin increased from 23.4% to 26.8%, mainly benefited from the comprehensive cost saving measures adopted by the Group, including public procurement and tendering, strengthening inventory management, implementing trial points for semi-automation and automation reform of the production plants and improving the production flow, etc., which have significantly controlled the costs and improved the overall gross profit margin level.

Gross Profit and Gross Profit Margin

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

During the Reporting Period, gross profit was RMB1,020,958,000, representing an increase of 13.3% as compared with the Corresponding Period, gross profit margin increased from 23.4% to 26.8%. 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):

	Year ended 31 December			
	2016		2015	
	RMB'000	***(%)***	*RMB'000*	*(%)*
Luminaire products	**817,517**	**30.9%**	671,651	25.9%
Lamp products	**152,193**	**16.2%**	187,930	18.1%
Lighting electronic products	**51,248**	**23.3%**	41,424	19.1%
Total	**1,020,958**	**26.8%**	901,005	23.4%

During the Reporting Period, the gross profit margin of luminaire products increased from 25.9% to 30.9%, mainly benefited from the comprehensive cost saving measures implemented by the Group including strengthening inventory management, implementing automation reform, streamlining organisational structure, etc. The gross profit margin of lamp products decreased from 18.1% to 16.2%, mainly attributed to the unsaturated production capacity of traditional lamp products and more favourable prices were offered to clients in order to stabilise the client base, leading to the decrease in gross profit margin. The profit margin of lighting electronic products increased from 19.1% to 23.3%, mainly attributed to the comprehensive cost saving measures adopted by the Group and the products sold to overseas benefited from the continuous appreciation of the U.S. dollars.

Gross Profit and Gross Profit Margin *(Continued)*

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

	Year ended 31 December			
	2016		2015	
	RMB'000	*(%)*	*RMB'000*	*(%)*
Gross profit from PRC sales:				
NVC brand	**745,727**	**32.2%**	600,856	25.7%
Non-NVC brand	**58,579**	**18.7%**	37,881	13.6%
Subtotal	**804,306**	**30.6%**	638,737	24.4%
Gross profit from international sales:				
NVC brand	**78,376**	**20.2%**	97,134	24.5%
Non-NVC brand	**138,276**	**17.5%**	165,134	19.8%
Subtotal	**216,652**	**18.4%**	262,268	21.3%
Total	**1,020,958**	**26.8%**	901,005	23.4%

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

	Year ended 31 December			
	2016		2015	
	RMB'000	*(%)*	*RMB'000*	*(%)*
LED lighting products	**788,901**	**29.3%**	604,732	27.2%
Non-LED lighting products	**232,057**	**20.9%**	296,273	18.3%
Total gross profit	**1,020,958**	**26.8%**	901,005	23.4%

Other income and gains

Other income and gains mainly consist of trademark license fees, rental income, government grants, interest income, handling income and exchange gain (please refer to note 3 on page 11 of this announcement for the composition of other income and gains). We received various types of government grants as tax subsidies and incentives for research and development activities and expansion of production capacity of energy-saving lamps. Government subsidies are provided by relevant authorities at their discretion, and may not necessarily be recurring in nature. In 2016, we licensed our trademark to a related company at one to three percent of its sales amount as trademark license fees. During the Reporting Period, other income and gains were RMB95,829,000, representing an increase of 44.9% as compared with the Corresponding Period, mainly due to the increase of exchange gain compared with the Corresponding Period.

Selling and Distribution Costs

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

During the Reporting Period, our selling and distribution costs were RMB359,812,000, representing a decrease of 3.2% as compared with the Corresponding Period. The decrease was mainly attributed to the decrease of the freight and office expenses compared with the Corresponding Period. Our selling and distribution costs as a percentage in revenue decreased from 9.7% to 9.5%.

Administrative Expenses

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

During the Reporting Period, our administrative expenses were RMB412,806,000, representing an increase of 11.6% as compared with the Corresponding Period, which was mainly due to the increase of bad debt provision as compared with the Corresponding Period. Our administrative expenses as a percentage in revenue increased from 9.6% to 10.8%.

Other Expenses

Other expenses mainly consist of fair value change of derivative component of convertible bonds, losses on disposal of property, plant and equipment and scrap, donation and other miscellaneous expenses. During the Reporting Period, our other expenses increased significantly compared with the Corresponding Period, which was mainly attributed to the increase in the disposal losses of production equipment for traditional lighting products and the fair value change of derivative component of convertible bonds.

Finance Costs

Our finance costs represent interests on bank loans and interest expenses on convertible bonds.

Share of Results of Associates

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

Gain on Disposal of a Subsidiary

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

Income Tax

During the Reporting Period, the Group's income tax expense amounted to RMB75,471,000.

Profit for the Year (including Profit Attributable to Non-controlling interests)

Due to the factors mentioned above, our net profit for the year (including profit attributable to non-controlling interests) was RMB178,583,000 during the Reporting Period.

Exchange Differences on Translation of Foreign Operations

During the Reporting Period, our exchange differences on translation of foreign operations were RMB35,863,000. These exchange differences primarily arose from the translation of the financial statements of the Company and the overseas subsidiaries which are denominated in foreign currencies.

Profit Attributable to Owners of the Parent for the Year

Due to the factors mentioned above, profit attributable to owners of the parent was RMB150,928,000 during the Reporting Period.

Profit Attributable to Non-controlling interests for the Year

During the Reporting Period, profit attributable to non-controlling interests was RMB27,655,000.

Liquidity

Net current assets and working capital sufficiency

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

	31 December	
	2016	2015
	RMB'000	*RMB'000*
CURRENT ASSETS		
Inventories	**401,668**	495,450
Trade and bills receivables	**1,218,003**	1,189,914
Prepayments, deposits and other receivables	**343,115**	344,778
Income tax recoverable	**4,596**	7,998
Other current assets	**25,303**	16,515
Restricted bank balances and short-term deposits	**445,424**	660,307
Cash and cash equivalents	**1,160,155**	903,849
	3,598,264	3,618,811
Assets of disposal group classified as held for sale	**–**	27,005
Total current assets	**3,598,264**	3,645,816
CURRENT LIABILITIES		
Trade and bills payables	**750,036**	611,498
Other payables and accruals	**749,975**	483,032
Interest-bearing loans and borrowings	**48,411**	174,122
Government grants	**2,026**	2,034
Income tax payable	**24,951**	38,381
Convertible bonds – derivative component	**60,230**	–
	1,635,629	1,309,067
Liabilities of disposal group classified as held for sale	**–**	4,704
Total current liabilities	**1,635,629**	1,313,771
NET CURRENT ASSETS	**1,962,635**	2,332,045

As at 31 December 2016 and 31 December 2015, net current assets of the Group amounted to RMB1,962,635,000 and RMB2,332,045,000, respectively, and the current ratio was 2.20 and 2.78, respectively. In light of our current liquidity position, the unutilised banking facilities available to the Group and our projected cash flows generated from operations, the Directors believe that we have sufficient working capital for our present requirements and for the next 12 months.

Capital Management

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

	31 December	
	2016	2015
	RMB'000	*RMB'000*
Interest-bearing loans and borrowings and convertible bonds – liability component	**488,683**	174,122
Total debt	**488,683**	174,122
Less: cash and cash equivalents and short-term deposits (excluding restricted bank balance)	**(1,550,183)**	(1,523,502)
Net debt	**N/A**	N/A
Total equity attributable to owners of the parent	**2,703,481**	3,316,907
Gearing ratio	**N/A**	N/A

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

Capital Expenditure

We funded our capital expenditure with cash generated from operations and bank loans, and cash generated from issue of shares or convertible bonds. Our capital expenditure is primarily related to expenditure on property, plant and equipment, prepaid land lease payments and other intangible assets. During the Reporting Period, the Group's capital expenditure amounted to RMB86,274,000, mainly attributable to the increase in machinery equipment, moulds, non-productive equipment, intangible assets and patent.

Off-balance Sheet Arrangement

Except for the derivative component of Convertible Bonds mentioned in note 13, we did not have any outstanding derivative financial instruments or off-balance sheet guarantees for outstanding loans. We did not engage in trading activities involving non-exchange traded contracts.

Capital Commitments

As at 31 December 2016, we had capital commitments of RMB470,154,000 mainly for the capital injection and acquisition of joint venture and associates and an investment, and acquisition of property, plant and equipment.

EVENTS AFTER THE REPORTING PERIOD

From December 2014 onwards, a subsidiary of the Company (the "Subsidiary") initiated a series of court proceedings in the PRC against Mr. WU Changjiang, a former director and former chief executive officer of the Company, and others in relation to a number of pledges and guarantees entered into by Mr. WU Changjiang purportedly on behalf of the Subsidiary, and certain counter guarantees provided by a PRC company. The Subsidiary is also a co-defendant in three PRC court actions commenced by two PRC banks and a finance company, respectively, in relation to several purported pledges and guarantees entered into by Mr. WU Changjiang. Please refer to the Company's 2015 Annual Report, and the 2016 Interim Report for more information.

In relation to one of the aforementioned court actions commenced by a PRC bank (the "Bank") against the Subsidiary as a co-defendant, certain funds held by the Subsidiary had been frozen by the Bank. In addition, the Company received a judgment from the Chongqing Fifth Intermediate People's Court (the "Judgment") in May 2016, which, among other things, ordered that the Subsidiary was jointly and severally liable with another PRC company for the payment of RMB60,000,000, plus interest and costs, to the Bank. The Company has filed an appeal against the Judgment with the Chongqing Higher People's Court. In January 2017, the Company received the judgement of the Higher People's Court of Chongqing which rejected NVC China's appeal and upheld the First Judgement. Please refer to the Company's announcement dated 27 February 2017 for more information. The Group is in the process of applying for retrial of the PRC court judgements.

CONTINUING CONNECTED TRANSACTIONS

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

MERGER, ACQUISITION AND INVESTMENT

On 3 February 2016, Hong Kong NVC Lighting Limited ("NVC HK"), the Company's wholly-owned subsidiary, has entered into the equity transfer agreement (the "Equity Transfer Agreement") with Gold Interact Investment Limited (the "Transferor"). Pursuant to the Equity Transfer Agreement, NVC HK agrees to acquire, and the Transferor agrees to sell, 75% equity interest in LED Holdings Limited ("LED Holdings"). On 11 November 2016, NVC HK has entered into another Equity Transfer Agreement with the Transferor, pursuant to which NVC HK agrees to acquire, and the Transferor agrees to sell, 25% equity interest in LED Holdings. Please refer to the Company's announcement dated 4 February 2016 and 11 November 2016 for more information. The major asset of LED Holdings is 50% equity interest in Zhongshan NVC and patents, technology and other intellectual property rights of LED chips, devices and luminaire. The Company holds effectively 100% equity interest in LED Holdings after the acquisitions.

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

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

On 4 May 2016, Huizhou NVC, the Company's wholly-owned subsidiary, signed a partnership agreement with Zhuhai Hengqin Lemon Net Technology Co., Ltd. (the "General Partner") to establish a limited partnership. Huizhou NVC will contribute RMB500,000,000 in cash, while the General Partner will contribute RMB100,000,000 in cash, representing respectively 83.33% and 16.67% of the total investment in the limited partnership. As at the date of the announcement, Huizhou NVC has paid RMB100,000,000 and no business activity has been carried out.

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

On 2 June 2016, Huizhou NVC, the Company's wholly-owned subsidiary, proposed to invest RMB5,000,000 to establish a wholly-owned subsidiary Bengbu NVC. Bengbu NVC is principally engaged in the development, production and sale of luminaire, lamps, integrated ceiling lamps, kitchen and bathroom appliances etc. As at the date of the announcement, the registered capital is not fully paid.

On 20 December 2016, NVC HK, the Company's wholly-owned subsidiary, proposed to invest RMB10,000,000 to establish NVC Trade Development Company Limited* (惠州雷士貿易發展有限公司) ("NVC Trade Development"). NVC Trade Development is principally engaged in the sale of luminaire, lamps, appliances and integrated ceiling lamps etc. As at the date of the announcement, the registered capital is not fully paid.

On 21 December 2016, Huizhou NVC, the Company's wholly-owned subsidiary, proposed to invest RMB10,000,000 to establish Huizhou NVC Lighting Engineering Company Limited* (惠州雷士照明工程有限公司) ("NVC Lighting Engineering"). NVC Lighting Engineering is principally engaged in the research, development, design, production and sale of luminaire as well as design and construction of lighting engineering projects. As at the date of the announcement, the registered capital is not fully paid.

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

MARKET RISKS

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

FOREIGN CURRENCY RISK

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

Commodity Price Risk

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

Liquidity Risk

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

Credit Risk

Our major credit risk arises from exposure to a substantial number of trade and bills receivables, deposits and other receivables from debtors. We have policies in place to ensure that the sales of products are made to customers with an appropriate credit limit, and we have strict control over credit limits of trade receivables. Our cash and short-term deposits are mainly deposited with registered banks in Mainland China and Hong Kong. We also have policies that limit our credit risk exposure to any financial institutions. The carrying amounts of trade and bills receivables, deposits and other receivables, cash and cash equivalents and short-term deposits included in the consolidated statement of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have no other financial assets which carry significant exposure to credit risk. In 2016, we entered into a number of one-year insurance contracts with China Export & Credit Insurance Corporation, which covered up to 85% of uncollectible receivables from PRC sales and 90% uncollectible receivables from international sales between the period from 1 December 2016 to 30 November 2017 with a maximum compensation amount of RMB25,920,000 for PRC sales and US$25,000,000 (equivalent to approximately RMB173,425,000) for international sales. We purchased such insurance in order to minimise our exposure to credit risk as we expand our business. We plan to renew such insurance contracts when they become due.

FINAL DIVIDEND

The Board proposed to declare final dividend of HK$1 cent (equivalent to approximately RMB0.9 cent) per share payable to the shareholders whose names appear on the register of members of the Company on Wednesday, 5 July 2017, which is subject to the approval of the Company's shareholders ("Shareholders") at the forthcoming annual general meeting (the "annual general meeting"). Based on the 3,213,448,000 shares in issue as at 31 December 2016, it is expected that the final dividend payable will amount to approximately HK$32,134,000 (equivalent to approximately RMB28,745,000) (before tax). Subject to the approval of the Shareholders at the annual general meeting, the final dividend is expected to be paid to the eligible Shareholders by no later than 31 July 2017.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 28 June 2017. A notice convening the annual general meeting will be published and dispatched to shareholders of the Company in due course.

PERIOD OF CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 23 June 2017 to Wednesday, 28 June 2017 (both days inclusive) and from Tuesday, 4 July 2017 to Wednesday, 5 July 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong 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 Thursday, 22 June 2017. In order to qualify for the proposed final dividend (subject to the approval by shareholders at the forthcoming annual general meeting), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at the abovementioned address before 4:30 p.m. on Monday, 3 July 2017.

EMPLOYEES

As at 31 December 2016, the Group had approximately 6,238 employees in total (31 December 2015: 7,125). The Group regularly reviews remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contributions, employee provident fund schemes, and discretionary incentive and share option schemes.

ISSUE OF NEW SHARES UNDER GENERAL MANDATE

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

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

The gross proceeds of the subscription will amount to approximately HK$70,550,000. After deducting the relevant expenses, the net proceeds from the issue of the subscription shares amount to approximately HK$70,000,000. The net price for each subscription share is approximately HK$0.824. The Company intends to use the net proceeds for general corporate and business development and working capital requirements.

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

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

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") in compliance with the Listing Rules with written terms of reference. The primary duties of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all Directors and senior management, and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. During the Reporting Period, Ms. WU Ling and Mr. ZHU Hai have resigned as Independent Non-executive Director and Non-executive Director with effect from 25 August 2016 and 1 December 2016, respectively. Therefore, they ceased to be members of the Remuneration Committee. Mr. LI Wei has been appointed as a member of Remuneration Committee with effect from 19 December 2016. Currently, the Remuneration Committee consists of three members, namely, Non-executive Director Mr. LI Wei, Independent Non-executive Director Mr. LEE Kong Wai, Conway and Independent Non-executive Director Mr. WEI Hongxiong, respectively. Mr. WEI Hongxiong has been appointed as the chairman of the Remuneration Committee.

NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") in compliance with the Code with written terms of reference. The primary duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors. During the Reporting Period, Ms. WU Ling has resigned as an Independent Non-executive Director with effect from 25 August 2016. Therefore, she ceased to be a member of Nomination Committee. Mr. WEI Hongxiong has been appointed as a member of Nomination Committee by the Board on the same date. Currently, the Nomination Committee consists of three members, namely, Executive Director Mr. WANG Donglei, Independent Non-executive Director Mr. LEE Kong Wai, Conway and Independent Non-executive Director Mr. WEI Hongxiong, respectively. Mr. WANG Donglei has been appointed as the chairman of the Nomination Committee.

STRATEGY AND PLANNING COMMITTEE

The Company established a strategy and planning committee (the "Strategy and Planning Committee") under the Board with written terms of reference. The primary duty of the Strategy and Planning Committee is to propose and formulate the strategic development plan of the Company for the Board's consideration. During the Reporting Period, Ms. WU Ling and Mr. ZHU Hai have resigned as Independent Non-executive Director and Non-executive Director with effect from 25 August 2016 and 1 December 2016, respectively. Therefore, they ceased to be members of the Strategy and Planning Committee. Mr. XIAO Yu has been appointed as a member of Strategy and Planning Committee by the Board on 25 August 2016. Mr. LI Wei and Mr. WANG Xuexian have been further appointed as members of the Strategy and Planning Committee by the Board on 19 December 2016. Currently, the Strategy and Planning Committee consists of four members, namely, Executive Director Mr. WANG Donglei, Executive Director Mr. XIAO Yu, Non-executive Director Mr. LI Wei and Independent Non-executive Director, Mr. WANG Xuexian, respectively. Mr. WANG Donglei has been appointed as the chairman of the Strategy and Planning Committee.

INDEPENDENT INVESTIGATIONS COMMITTEE

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

APPOINTMENT AND RESIGNATION OF DIRECTORS AND CHANGE IN DIRECTORS' INFORMATION

From 1 January 2016 to the date of this announcement, the appointment and resignation of Directors and changes in the Directors' information of the Company are as follows:

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

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

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

Mr. XIONG Jie has resigned as an Executive Director with effect from 25 August 2016.

Ms. WU Ling has resigned as an Independent Non-executive Director, member of Remuneration Committee, member of Nomination Committee and member of Strategy and Planning Committee with effect from 25 August 2016.

Mr. WEI Hongxiong has been appointed as a member of Nomination Committee with effect from 25 August 2016.

Mr. XIAO Yu has been appointed as a member of Strategy and Planning Committee with effect from 25 August 2016.

Mr. ZHU Hai has resigned as a Non-executive Director, member of Remuneration Committee and member of Strategy and Planning Committee with effect from 1 December 2016.

Mr. WANG Keven Dun has been appointed as an Executive Director with effect from 12 December 2016.

Mr. LI Huating has been appointed as a Non-executive Director with effect from 12 December 2016 and has been appointed as the vice-chairman of the Company since 19 December 2016.

Mr. SU Ling has been appointed as an Independent Non-executive Director with effect from 19 December 2016.

Mr. LI Wei has been appointed as the member of Remuneration Committee and member of Strategy and Planning Committee with effect from 19 December 2016.

Mr. WANG Xuexian has been appointed as the member of Strategy and Planning Committee with effect from 19 December 2016.

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

The Group's audited annual results for the Reporting Period will be included in the Company's annual report which will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.nvc-lighting.com.cn and will be dispatched to the Company's shareholders in due course.

REVIEW OF ACCOUNTS

The financial information has been reviewed by the Audit Committee and approved by the Board.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and the consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited ("BDO"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO on the preliminary announcement.

APPRECIATION

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

DEFINITIONS

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

"Bengbu NVC"	Bengbu NVC Smart Household Technology Co., Ltd* (蚌埠雷士智能家居科技有限公司), a wholly-owned subsidiary of the Group with limited liability incorporated in the PRC.
"Board"	the board of Directors of the Company.
"BRL"	The Brazilian real, the lawful currency of Brazil.
"Mainland China" or "PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to "China" and the "PRC" do not apply to Taiwan, the Macau Special Administrative Region and Hong Kong.

"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"	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.
"Company"	NVC Lighting Holding Limited (雷士照明控股有限公司), a company incorporated in the British Virgin Islands on 2 March 2006 and subsequently redomiciled to the Cayman Islands on 30 March 2010 as an exempted company with limited liability under the laws of the Cayman Islands. The shares of the Company are listed on the main board of the Stock Exchange.
"Corresponding Period"	means the year ended 31 December 2015 or the year ended 31 December 2016 (as the context may require).
"Director(s)"	the director(s) of the Company.
"ETIC"	Elec-Tech International Co., Ltd. (廣東德豪潤達電氣股份有限公司), a PRC incorporated company which is currently listed on the Shenzhen Stock Exchange. It is a substantial shareholder of the Company.
"Group"	the Company and its subsidiaries.
"GBP"	Great Britain Sterling Pound, the lawful currency of the United Kingdom.
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong.
"Hong Kong"	the Hong Kong Special Administrative Region of People Republic of China.
"Huizhou NVC"	Huizhou NVC Lighting Technology Co., Ltd.* (惠州雷士光電科技有限公司), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 29 April 2006 and our direct wholly-owned subsidiary.
"HID"	high intensity discharge.
"Jiangshan Phoebus"	Jiangshan Phoebus Lighting Electron Co., Ltd.* (江山菲普斯照明有限公司), a limited liability company incorporated in the PRC on 8 March 2006 and our indirect wholly-owned subsidiary.
"LED"	light-emitting diode.

"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.
"NVC Brasil"	NVC Lighting Do Brasil Commercial Import and Export Co., Ltd. a limited liability company incorporated in Brazil, a 51% equity interest of which is held by Hong Kong TYU Technology Co., Ltd., our wholly-owned subsidiary, and the remaining 49% equity interest of which is held by NVC Brasil Technology Co., Ltd.
"NVC China"	NVC Lighting (China) Co., Ltd.* (雷士照明(中國)有限公司) (formerly known as NVC Lighting (Chongqing) Co., Ltd* (重慶雷士實業有限公司)), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 7 November 2011 and our indirect wholly-owned subsidiary.
"NVC Kitchenware"	Huizhou NVC Kitchenware Co., Ltd.* (惠州雷士櫥衛電器有限責任公司), a limited liability company incorporated in the PRC on 15 April 2016, 51% equity interest of which is held by Huizhou NVC.
"ODM"	original design manufacturing, a type of manufacturing under which the manufacturer is responsible for the design and production of the products and the products are marketed and sold under the customer's brand name.
"Reporting Period"	the year ended 31 December 2016.
"RMB"	Renminbi, the lawful currency of the PRC.
"Shanghai Arcata"	Shanghai Arcata Electronics Co., Ltd.* (上海阿卡得電子有限公司), a limited liability company incorporated in the PRC on 22 September 2005 and our indirect wholly-owned subsidiary.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.
"Sunny"	Zhejiang Jiangshan Sunny Electron Co., Ltd.* (浙江江山三友電子有限公司), a limited liability company incorporated in the PRC on 2 July 1994 and our indirect wholly-owned subsidiary.
"U.S.A." or "U.S."	the United States of America, its territories, its possessions and all was subject to its jurisdiction.
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States.
"UK NVC"	NVC Lighting Limited (formerly known as NVC (Manufacturing) Limited), a private company incorporated in England and Wales on 31 May 2007, and our direct wholly-owned subsidiary.

"we", "us" or "our"	the Company or the Group (as the context may require).
"Zhangpu Phoebus"	Zhangpu Phoebus Lighting Co., Ltd.* (漳浦菲普斯照明有限公司), a limited liability company incorporated in the PRC on 9 May 2004, 100% equity interest of Zhangpu Phoebus has been sold to an independent third party in March 2016, and ceased to be our indirect wholly-owned subsidiary.
"Zhejiang NVC"	Zhejiang NVC Lamps Co., Ltd.* (浙江雷士燈具有限公司), a limited liability company incorporated in the PRC on 28 September 2007, a 51% equity interest of which is held by Huizhou NVC and the remaining 49% equity interest of which is held by Zhejiang Tonking New Energy Group Co., Ltd.* (浙江同景新能源集團有限公司).
"Zhongshan NVC"	Zhongshan NVC Decorative Lighting Technology Co., Ltd.* (中山雷士燈飾科技有限公司), a limited liability company incorporated in the PRC on 26 January 2015 and our indirect wholly-owned subsidiary.

* Denotes English translation of the name of a Chinese or entity, or vice versa, and is provided for identification purposes only.

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

Hong Kong, 30 March 2017

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

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

Non-executive Directors:
LI Huating
LI Wei
YANG Jianwen

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