NVC LIGHTING HOLDIN

Annual Report 2017 年報

EXCELLENCE

Making a difference

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Contents
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WANG Dongming
XIAO Yu
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LI Wei
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Independent Non-executive Directors

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NVC Lighting Holding Limited (the “Company”, together with its subsidiaries hereinafter referred to as the “Group”) is a leading supplier of lighting products in China, which is engaged in the design, development, production, marketing and sale of a wide variety of lighting products including lamp products, luminaire products and lighting electronic products. Our products are sold through the national sales network of 36 exclusive regional distributors and our 3,634 NVC outlets covering 31 provinces, municipalities and autonomous regions in China. Our production bases in China are located in Guangdong, Chongqing, Zhejiang and Shanghai and we have established research and development centre in Huizhou. We have set up operation agencies in more than 40 countries and regions around the world.

Since the establishment in 1998, we always insist on independent innovation in product research and development, and are committed to providing efficient, energy-saving, healthy and comfortable lighting solutions for the fields of construction, transportation, urban lighting, supermarket, hotel, office, housing and industry. We have maintained the leading position in the market, especially in the commercial lighting sector. On 20 May 2010, the Company’s shares were listed on the main board of the Stock Exchange (stock code: 02222).

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As a professional lighting enterprise, our products and solutions are selected and used by a number of famous projects and brands, including the well-known projects such as the 2008 Beijing Olympic Games, the Shanghai World Expo 2010, Hangzhou G20 Summit, Tianjin Subway, Wuhan-Guangzhou Highspeed Railway and Shanghai Hongqiao Transport Hub, etc. and also by the world-class hotels such as Hilton, Sheraton and Intercontinental, and the domestic sales outlets of famous automotive brands such as Bentley, BMW and Toyota as well as the garment brands such as Metersbonwe, Septwolves, K-Boxing and Erdos. In 2011, we became the lighting and service cooperative partner of the Olympic Council of Asia. We entered into an agreement to become an “Official Cooperative Partner of International Swimming Federation” from 2013 to 2017 in 2013 and became the senior sponsor for the 2014 Qingdao International Horticultural Exposition.

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The Group has devoted itself to beautify the commercial and living space with artificial lighting and protecting the ecological environment with environmentally-friendly and energy-saving lighting products. Therefore, we have been vigorously promoting the research and development and applications of advanced lighting technologies, accomplishing its brand beliefs and commitments with excellence and expertise.

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		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ	2015 2015 Ë RMB'000 w [O Æ	2014 2014 Ë RMB'000 w [O Æ	2013 2013 Ë RMB'000 w [O Æ
Revenue	×]	4,063,163	3,806,329	3,845,650	3,471,014	3,773,816
Gross profit	ã ;	1,172,858	1,020,958	901,005	741,576	797,403
Gross profit margin (Note 1)	ã ; *€ • W1 •*	28.9%	26.8%	23.4%	21.4%	21.1%
Profit/(loss) before income tax	ü Ã ; — Ɉ f & •	435,856	254,054	203,088	(314,587)	354,458
Profit/(loss) margin before income tax (Note 1)	ü Ã ; — Ɉ f & • *€ • W1 •*	10.7%	6.7%	5.3%	(9.1%)	9.4%
Profit/(loss) for the year (Note 2)	I Ë ; — Ɉ f & • *€ • W2 •*	331,600	178,583	127,737	(328,068)	282,107
Net profit/(loss) margin (Note 1)	; — Ɉ f & • *€ • W1 •*	8.2%	4.7%	3.3%	(9.5%)	7.5%
Profit/(loss) for the year attributable to:	ø h ¢ Ù Ð & I Ë ; — Ɉ f & ȷ					
Owners of the parent	N ® ! ¹ Þ [	314,268	150,928	55,759	(354,153)	244,884
Non-controlling interests	¢ › S Ì Æ B	17,332	27,655	71,978	26,085	37,223

Note 1: Gross profit margin equals to gross profit divided by revenue; profit/(loss) margin before income tax equals to profit/(loss) before income tax divided by revenue; net profit/(loss) margin equals to profit/(loss) for the year divided by revenue.

Note 2: Profit/(loss) for the year represents profit before netting off profit for the year attributable to non-controlling interests.

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			2016	2015	2014	2013
		2017 Ë	2016 Ë	2015 Ë	2014 Ë	2013 Ë
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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Non-current assets	¢ t *	1,836,115	1,346,409	1,221,748	1,304,846	1,312,316
Current assets	t *	3,637,201	3,598,264	3,645,816	3,206,593	3,456,658
Current liabilities	t À	2,043,767	1,635,629	1,313,771	1,043,726	900,279
Net current assets	t *	1,593,434	1,962,635	2,332,045	2,162,867	2,556,379
Total assets less current liabilities	< * ¯ t À	3,429,549	3,309,044	3,553,793	3,467,713	3,868,695
Non-current liabilities	¢ t À	99,320	535,369	97,764	101,104	108,070
Total equity	< Æ B	3,330,229	2,773,675	3,456,029	3,366,609	3,760,625
Including:	I • j					
Equity attributable to owners of the parent	N ® ! ¹ Þ [Ð & Æ B	3,242,052	2,703,481	3,316,907	3,247,462	3,676,870
Non-controlling interests	¢ › S Ì Æ B	88,177	70,194	139,122	119,147	83,755
Current ratio (Note 1)	t â *€ • W1 •*	1.78	2.20	2.78	3.07	3.84

Note 1: Current ratio equals to current assets divided by current liabilities.

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NVC Lighting signed strategic cooperation agreements with Shaohaihui* (Ç Ò) jointly sponsored by Haier Home Integration* (' • ¢) and other enterprises, and Youzhu Website* (Þ c), thus entering the ecosphere of the smart home.

4 Ü/April

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Huizhou NVC ranked among China's Top 30 enterprises in terms of LED technology innovation in the "Fourth LED Pioneering Award of China"* (K , £ • 7LED / ô ¤).

6 Ü/June

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NVC Lighting's brand value of RMB20.685 billion ranked among China's Top 500 Most Valuable Brands.

9 Ü/September

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The first prize was awarded for Huizhou NVC's "Nightscape Lighting Project for Riverside Landscape Belt of Hangzhou Qianjiang Century City"* (È 9 z ê ð Ï ì 6 ê { H m • { k ü ˆ û) in the "China Lighting Award – Lighting Engineering Design Award"* (• k k ü ¤ Ñ k ü ˆ û £ ¤).

11 Ü/November

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Dear Shareholders,

On behalf of the board of Directors (the "Board") of NVC Lighting Holding Limited (the "Company"), I hereby present to you the 2017 annual report of the Company and its subsidiaries (collectively referred to as the "Group").

In 2017, the global economy improved as a whole, and China's economy became the bellwether of global economic growth. The "Belt and Road Initiative" of the PRC government was promoted in an orderly manner. This brought about large energy-saving reconstruction demands to LED lighting enterprises. Meanwhile, market competition in the LED lighting industry was increasingly fierce. Especially in recent years, certain metallic raw material, components and parts and labor costs increased continuously, leading to shrinkage in profitability of manufacturing enterprises. LED manufacturing enterprises can only improve the quality, efficiency and core competitiveness and realize their sustainable development eventually through internal in-depth technical improvement or product mix adjustment, or through achieving scale economy and driving up the entry barrier via external horizontal merger and acquisition, or through optimization and integration of upstream and downstream resources via vertical merger and acquisition. Therefore, transformation is an inevitable choice for many manufacturing enterprises.

Attributable to the advantages as the No. 1 brand in the domestic lighting industry, the extensive and profound layout of sales channels, as well as the comprehensive cost reduction and efficiency improvement in internal management, the Group made satisfactory growth in results in 2017.

- Sales revenue amounted to RMB4,063,163,000, representing an increase of 6.7% as compared with the Corresponding Period;
- Gross profit amounted to RMB1,172,858,000, representing an increase of 14.9% as compared with the Corresponding Period;
- Profit attributable to owners of the parent amounted to RMB314,268,000, representing an increase of 108.2% as compared with the Corresponding Period;
- The sales revenue of LED lighting products amounted to RMB3,165,613,000, representing an increase of 17.4% as compared with the Corresponding Period.

In 2018, the Group will continue to develop business all over the world, conduct comprehensive and in-depth reforms in domestic and overseas sales channel expanding as well as internal management improvement, gradually transform itself from a manufacturing enterprise to a channel enterprise, devote itself to commercial lighting, home lighting, kitchen & bathroom and township channels, strive to become the first brand of smart lighting solution provider, and achieve the ultimate mission of using innovative technology and artistic design to bring people an infinitely beautiful living experience space.

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Domestic sales

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In the field of domestic commercial lighting, the Group will continue to be professional and dedicated, devote itself to creating a differentiated and leading integrated solutions provider that specializes in professional lighting, key clients and major projects. In terms of professional lighting, the Group will continue to strengthen and perfect the 400-project system, set up a channel engineering department to be responsible for the construction and management of exclusive regional distributors' project operation system so as to achieve the full coverage of project managers of core prefecture-level cities; establish one-on-one invisible channel design system, enhance the business reputation through the invisible channel, change from the initiative sales to users' selection; focus on spotlights, lamp panels, spot luminaries and other product lines, ensure that key products rank first in market share. In terms of key clients, the Group will focus on the top 20 clients in real estate and stores, and initially set up a dual-channel model of direct sales with key clients project system.

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In the field of domestic home lighting, the Group will continue to expand and deepen its channels. In 2018, it plans to establish 350 exclusive outlets and refurbish 230 outlets. In the meantime, the Group will initiate “500 Plan”, establish 500 exclusive outlets with respective area of more than 500 square meters and respective retail sales of more than RMB5 million, introduce four-standardization (terminal image standardization, display standardization, store operations standardization, commodity operations standardization) management system into exclusive regional distributors to help them enhance user-centered retail management skills. In terms of channel promotion, in 2018 the Group plans to conduct more than 10,000 regular promotion activities such as “Factory Buying”, “Lamp Replacement for Good” and “Plumbers”, and use online media promotion to introduce online retail clients to exclusive outlets, directly promoting the terminal sales.

The kitchen & bathroom and township channels newly developed over the past two years will also become a key part of the strategic development of the Group in 2018. With the rapid development of the real estate industry and the upgrading of residents’ consumption level in recent years, the integrated ceiling has been transformed from the ceiling of a single kitchen and bathroom to the “whole house custom-made” ceiling of the living room, dining room, hallway, balcony and bedroom. In 2018, the Group will take the opportunities in the industry and market to promote the investment of integrated houses, enter into the market through whole house ceiling and fully enter into the medium to high-end market of the ceiling industry. At the same time, the Group will strengthen its strategic cooperation with large-scale real estate developers and whole-house assembly platforms to provide customized kitchen and bathroom products, and prosper kitchen and bathroom channel. In terms of township channels, in 2018 the Group plans to set exclusive outlets in the Top 100 and Top 1000 towns, populated towns and southeastern coastal towns, provide training and policy support through standardized store management to assist exclusive outlets in the integration of plumber resources, set up E-commerce platforms in township channel to build the Group’s township channel into a service provider that provides clients with basic design and one-stop water and electricity decoration.

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Overseas sales

In terms of expanding the overseas channels, the Group will continue focusing on channel expansion and breakthrough in engineering projects, and attach importance to expanding channels in Southeast Asia, other developing countries and Gulf countries in Middle East. As for channel expansion, by virtue of the talent resources in Southeast Asia and the back support of the Middle East office, the Group will assist the distributors in Indonesia to complete the development of 200 secondary distributors, and assist the Gulf countries in Middle East to complete the layout of 100 sales outlets. Meanwhile, the Group innovates upon the marketing models, and enters the markets of Italy and surrounding countries by franchising model, in an attempt to develop 10 franchised outlets in major cities of Italy. The Group is also considering extending its sales channels into North America markets in order to increase its overseas sales. As for engineering projects, the Group will establish the key project follow-up team, so as to offer support in technology, personnel and specialized product development for seizing major overseas engineering projects such as “Yogyakarta Court in Indonesia”, “World Cup Main Stadium in Qatar”, “2020 World Expo in UAE”, “Royal Docks in London”, etc. Meanwhile, by virtue of the favorable policy of “Belt and Road Initiative”, the Group will strengthen cooperation with Tsinghua Design Institute, the “Belt and Road Initiative” Industry Alliance of the Chinese Academy of Sciences, etc., and integrate the products, R&D and back support resources within the Group to participate in the “Belt and Road Initiative” projects such as “Construction of Luang Prabang New City in Laos”, “Road Lamp Replacement in Sri Lanka”,”Coal-fired Power Plant in Dubai”, etc., in an effort to make some breakthroughs.

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existing standardized call center in 2018, thus enhancing the systematic degree of business handling process; meanwhile, the Group will present the after-sales service platform system, so as to complete the development of user management, order management, service provider management, engineer management and assistant management modules, optimize the quick response mechanism, and upgrade the customer satisfaction.

The extensive and well-arranged channel resources have always been the precious treasure of the Group. In the future, the Group will use such channel advantages to gradually transform into a channel enterprise. The Group will plan to realize the mutual integration of online and offline channels by getting through the online channels; transform the offline channels and strengthen control of the exclusive regional distributors, so as to master the initiative power for engineering projects; initiate a new era of strategic transformation by creating sub-brands or introducing other matured brands, so as to create a new era of strategic restructuring of the Group.

Acknowledgement

Our stable development for more than 10 years depends on the wholehearted contributions and persistent support from the Board and all staff members. I would like to express my heartfelt thanks to the long-term support of all shareholders, clients, suppliers and distributors. In the future, we will strive forward steadily as in the past with full responsibility to all shareholders, clients, suppliers and distributors, with an aim to make NVC a world-wide respected brand and secure satisfactory results to repay the support from various sectors.

WANG Donglei
Chairman

Hong Kong
22 March 2018

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In 2017, the global economy grew faster. The growth rate of developed economies, such as the Eurozone, the United States and Japan, was better than the expectation, while the relatively quick growth of emerging markets and developing economies became the major impetus stimulating global economic recovery. Therefore, the global economy achieved the best performance this year as compared to recent years. In spite of the highlights in global economy, the long-term low interest rate environment of developed countries, the continuous accumulation of global debt level and the three consecutive interest rate hikes by the Board of Governors of The Federal Reserve System, etc. all became the uncertainty factors inhibiting the continuous growth of global economy.

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Under the background of the overall upturn of the global economy, the 2017 Gross Domestic Product in the PRC enjoyed a growth rate of 6.9% as compared with the Corresponding Period, which realized the first upswing since the downward economic growth rate in 2011, reflecting that Chinese economy has become the bellwether of global economic growth. Meanwhile, as the Chinese government further implemented the “Belt and Road Initiative” strategy, the export volume of lighting products in China kept rising. According to the Monthly Report on Export of LED Lighting Products in China, during January to November 2017, the amount of LED lighting products exported by Chinese enterprises totaled to US$19.76 billion, representing an increase of 5.4% on a year-on-year basis; meanwhile, due to the lower power consumption level, developing countries alongside the “Belt and Road Initiative” had huge demand for LED energy-saving lighting products. “Belt and Road Initiative” has become the new blue ocean of export for the Chinese LED lighting enterprises having the cost-effective products and great overseas marketing capability (Data Source: Semiconductor Lighting Network).

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As one of the eleven emerging industries in the PRC, the pattern of LED industry tended to be clear and the industry concentration degree became increasingly high through the rapid development in the recent years. However, the continuous increase in the cost of metallic raw materials, elements and labor led to the shrinkage of profit space. Therefore, the LED manufacturers can eventually improve quality, enhance efficiency and raise core competence, and achieve sustainable development only by the internally in-depth technological upgrade or adjustment of product mix, or by the externally horizontal mergers and acquisitions to realize scale economy and enhance entry barriers, or by vertical mergers and acquisitions to realize optimization and integration of upstream and downstream resources.

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Attributable to the advantages as the No. 1 brand in the domestic lighting industry, the extensive and profound layout of sales channels, as well as the comprehensive cost reduction and efficiency improvement in internal management, the Group made satisfactory growth in results during the Reporting Period. In terms of channel expansion, the Group continued to implement resolutely the full channel development model with a focus on “commercial and home lighting” and gradually strengthened the control and expansion of the channel, such as continuously intensifying the 400 engineering system in the commercial lighting sector, effectively expanding project reserves and upgrading project conversion rate, and successfully winning or participating in winning bids for lots of large-scale national outdoor engineering projects. As for the home lighting sector, the Group continued strengthening terminal retail capability and independent design and R&D capability, thereby seizing market shares from various market segments by applying product differentiation strategies. During the Reporting Period, the kitchen and bathroom electric appliance channel performed well, which provided customers with the overall house integrated solutions by optimizing the product mix. In addition, the Group succeeded in entering the engineering fields, conducted strategic partnership with numerous famous real estate developers, and finally doubled the results. Meanwhile, the Group started to focus on the

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Sales and distribution

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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 3,634 exclusive outlets (100.0% coverage rate in the provincial capital, 93.36% coverage rate in the prefecture-level cities, 64.96% coverage rate in the county-level cities and 1.45% coverage rate in the town centers), and 3,733 counters (these counters were mainly located in township channels). During the Reporting Period, the Group adopted different marketing strategies by dividing the exclusive outlets into commercial lighting exclusive outlets, home lighting exclusive outlets, and commercial lighting & home lighting integrated outlets. As for the commercial lighting sector, the Group continued focusing on the implementation of the "400 Plan", so as to establish 400 key engineering project distributor teams nationwide to support the engineering projects. During the Reporting Period, the Group made fruitful achievements in engineering projects, and successfully won or participated in winning bids for lots of major projects including "Beijing Sub City Center", "Hong Kong-Zhuhai-Macao Bridge Zhuhai Port", "Qingdao Municipal Lighting Project", "Spring Festival Gala Zhuhai Sub-Venue" and "Chengdu Metro Line 7", and entered into a long-term strategic partnership agreement with Evergrande Real Estate Group Co., Ltd. to carry out comprehensive strategic cooperation. Moreover, the Group further reinforced the construction of invisible channels during the Reporting Period, cooperated with 892 organizations and gathered more than 2,500 designers to share their lighting design

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cases and concepts by sponsoring “Zhurong Award” National Lighting Designers Competition, which effectively activated the designer resources in different regions. As for the home lighting sector, the Group has continued to implement the product differentiation strategy and establish the stylistic exclusive outlets to deeply dig out the potential various market segments. As a result, our home lighting products have preliminarily achieved the full-channel and all-user covered network advantages. Meanwhile, the Group proactively promoted the innovation in marketing models, established the “7S” customer experience marketing system (including shop experience system, case experience system, product experience system, service experience system, visual experience system, participation experience system and evaluation experience system) covering thousands of outlets, and carried out twenty-one “7S” trainings covering 1,016 exclusive outlets, thereby remarkably enhancing the sales capabilities of shopping guides in these outlets.

In respect of the international NVC Brand market, continuous efforts have been made to implement the globalization process of NVC brand during the Reporting Period. For instance, the Group conducted further channel expansion, independently created demands and successfully carried out various engineering projects in matured channels like UK. While the Middle East office started to operate during the Reporting Period, which enhanced understanding and control of the local market and dug out product demands and market potential, thereby providing market and technical support for distributors in the Middle East region. During the Reporting Period, the Group successfully won the bid for key engineering projects such as “Beverly Hills in Qatar”, “Al Ghurai Apartment Complex in Dubai”, “University of Kuwait”, etc. Meanwhile, the Group organized various brand marketing activities, such as major client recommendation event in Middle East, product show in Qatar and Kuwait, opening ceremony of new exclusive outlets in Kuwait, which have won favorable reputation. As for Southeast Asia and other developing channels, the Group paid attention to strengthening development of new customers and advancing the progress of engineering projects. During the Reporting Period, the Group has successfully developed distributorship resources in Indonesia, Brunei and Italy, and successfully participated in the first “Belt and Road Initiative Coal-fired Power Plant” and “NVC Full Solutions for Diamond Twin Tower Project” in Vietnam and

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Cambodia respectively. Meanwhile, the Group started to make preparations for establishing the “Belt and Road Initiative” Project Team so as to occupy more project resources alongside the One Belt One Road. However, sales contributions in some regions were limited as the Group just started operation there. During the Reporting Period, some engineering projects were not delivered on schedule, leading to the decrease in the international sales turnover of the NVC Brand as compared to the Corresponding Period.

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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. During the Reporting Period, the Group specialized in serving major clients in North America and Europe, and continuously strengthened input of market resources to develop new clients. By virtue of the favorable opportunities arising from LED lighting products that gradually dominated the market, the Group gradually promoted the LED lighting products to enter the sales channels of major clients by utilizing the cost, technology and scale strengths, thus increasing the percentage of LED lighting products in sales. During the Reporting Period, the sales revenue of non-NVC brand products increased by 12.4% as compared with the Corresponding Period.

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Product research, development and design

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The Group endeavored to improve the comprehensive competitiveness of products mainly by R&D of new products and cost optimization and reduction. During the Reporting Period, the Group established a quick response mechanism, which was oriented on the market demands, and successfully developed 160 indoor products and specialized products for outdoor engineering, including key product series such as “Cezanne Hotel Spot Luminaries (æ â ³ ñ)”, “Vi-domi Spot Luminaries (j ÷ ˆ û ñ)”, “Lingke Series (ï û •)”, “Lingshi Series (ï Ð û •)”, and “Gaosi Series (÷ v û •)”. The Group improved the outdoor engineering products and successfully applied to outdoor engineering projects such as “Qingdao Municipal Lighting Project”, “Zhuhai Night Scene Lighting Project” and “Bangbu Olympic Sports Center”, and accumulated strong delivery capability of engineering products. Under the initial

I « ô } - Ü ¼ ï ¿ ´ · % Ó I G H Ù & d º * Ü] ¥) F b f õ S Ë « d I « m ž º À Ð Ú S d ø Ò ê Ë ‰ ¬ £ d Ó š ï « * Ü ¿ Ò . ˆ û Y n * Ü • 160 ° d <˜ æ â ³ ñ ™e˜ j ÷ ˆ û ñ ™e˜ ï û • ™e˜ ï Ð û • ™ ¿˜ ÷ v û • ™ Ã * Ü û • d • . ˆ û * Ü š ï (Ó Ð \ õ˜ ¡ ¥ 9 A ¥ · ˆ û ™e˜ . • { ¥ · ˆ û ™ ¿˜ µ = ó • Ð ™ Ò . ˆ û ° f d B ¿ v Þ b Y ˆ û * Ü t ù • b f ¯ Š ‹ É Y } F k ü › S û U ê V h d S Ë « I « • Ó Y - è 8 û U 1.0 Y š ï f ¯ ´ · % I Ù & d I « 5 ƒ ª * Ü Y ; (· e framework of the smart lighting control system, the Group completed the development of the new track system 1.0 during the Reporting Period. As for cost optimization, the Group continued to promote the platform orientation, standardization, modularization and series reform of the products, optimized the power configuration platform, and improved the flickering phenomenon. As a result, some products become flickering free. Meanwhile, the Group promoted the upgrade of light source platform, and obviously enhanced lighting effect of the products. In addition, the continual optimization of the LED912 spot luminaries automation project made the production capacity increase by 15% as compared with the Corresponding Period, and lead to sharp shrinkage of labor cost. In addition, the Group filed 303 new patent applications during the Reporting Period and together the Group had 233 successful patent application cases.

Brand promotion and honor

During the Reporting Period, the Group continued implementing the core brand concept of “Expert in Luminous Environment”, and devoted to creating 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 RMB20.685 billion was elected by the World Brand Lab as one of the “14th China’s 500 Most Valuable Brands” again and remained the No.1 brand in the lighting industry for 6 consecutive years, reflecting the Group’s powerful brand strength and influence. During the selection of the Twelfth China Lighting Award held in September 2017, the Group’s “G20 Hangzhou Qianjiang Century City Lighting Project” won the “First Prize of China Lighting Award” with its amazing design and prominent overall lighting solution capability. Meanwhile, the Group was also honored as “Leading Brand of the Industry” of the 2017 China lighting industry, “Top 30 Enterprises for LED Technological Innovation in China” and “2016 Top 100 Enterprises of LED Lighting Industry in China”, which fully reflected the highly social recognition of NVC brand, and further enhanced our brand reputation. In addition, the Group further promoted the globalization process of the brand by means of advertising, media reporting and sponsoring the FINA Diving World Series, and the influence of NVC brand among the public was gradually deepening by carrying out activities such as “Zhurong Award” China Lighting Application Design Competition, interview of the Group’s President by the CCTV Dialogue TV programme.

Progress of Litigation

Since December 2014, a subsidiary of the Company (the "Subsidiary") initiated a series of court proceedings in the PRC against Mr. WU Changjiang, a former director and the former chief executive officer of the Company, and other persons in relation to a number of alleged pledges and guarantees entered into by Mr. WU Changjiang purportedly on behalf of the Subsidiary, and certain counter-guarantees provided by a PRC company. During the Reporting Period, the Subsidiary was also a co-defendant in three PRC court actions commenced by two PRC banks and a finance company, respectively, in relation to several alleged pledges and guarantees purportedly entered into by Mr. WU Changjiang. Please refer to the Company's 2016 annual report and 2017 interim report for details.

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In relation to one of the aforementioned court actions commenced by a PRC bank against the Subsidiary as a co-defendant, certain funds held by the Subsidiary had been frozen by such PRC bank. In April 2016, Chongqing Fifth Intermediate People's Court issued a judgment, which, among other things, ordered that the Subsidiary was jointly liable with another PRC company for the payment of RMB60,000,000, plus interest and costs, to such PRC bank. The Company filed an appeal against such judgment with the Chongqing Higher People's Court. In early 2017, the Company received the judgment of the Chongqing Higher People's Court which rejected the Subsidiary's appeal and upheld the first instance judgment. Please refer to the Company's announcement dated 27 February 2017 for details. The Subsidiary subsequently filed an application of retrial of the relevant PRC court judgments (please refer to the Company's 2017 interim report) but its application was rejected by the Chongqing Higher People's Court. The Subsidiary has recently filed an application of protest with the Chongqing People's Procuratorate to overturn the relevant judgments and for a retrial of this matter. The outcome of the protest application, according to the official legal documents received by the Subsidiary, is pending as of the date of approval of these financial statements.

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The Group’s Main Products

The Group focuses on developing creative R&D capability, providing professional and optimized LED lighting solutions, and aim to promote the national energy-saving, emission-reduction scheme and enhance green lighting industry forward to more sustainable, healthy and well-regulated growth. The revenue from LED lighting products account for more than 78% of the Group’s total revenue.

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The Group’s product can be divided into three segments: lamp products, luminaire products and lighting electronic products. The luminaire products mainly designed for 2 applications: commercial lighting luminaire products and home lighting luminaire products. Main product of commercial lighting include: downlights, ceiling lights, spotlights, panel lights, batten lights, flood lights, wall lights, garden lights, bollard, in-ground lights, underwater lights, street lights, tunnel lights and emergency lights series, which can be widely used in the large conference halls, hotels, supermarkets, offices, landed properties, roads and airports etc. Main product of home lighting include: aluminum lights, candle lights, wrought iron lights, flat-panel low-voltage lights, brass lights, Acrylic lights, kitchen and bathroom series etc, which can be widely used in the living room, dining room, bed room, children’s room, kitchen, bathroom, balcony and many other indoor applications.

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Samples of Main Products of Commercial Lighting Luminaire:
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Downlights Series
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Ceiling Light Series
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Multiple Light Series
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Samples of Main Products of Commercial Lighting Luminaire:
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Track Light Series
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Flood Light Series
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Underwater Light Series
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Garden Light Series
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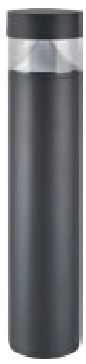

Bollard Series
£ { ñ û •

Wall Light Series
£ ñ û •

Batten Light Series
Õ V û •

Panel Light Series
ñ µ û •

Street Light Series
) ñ û •

Tunnel Light Series
† 8 ñ û •

In-ground Light Series
} ® ñ û •

Emergency Light Series 1
Ð " û • S

Emergency Light Series 2
Ð " û • Z

Samples of Main Products of Home Lighting Luminaire:
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Aluminum Light Series
Y ¿ ñ û •

Flat-panel Low-voltage Light Series
; - À ñ û •

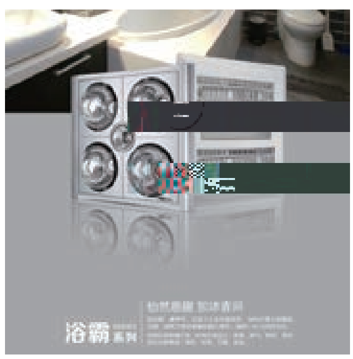
Candle Light Series
‹ ñ û •

Brass Light Series
Œ Ö ñ û •

Wrought Iron Light Series
› µ ñ û •

Acrylic Light Series
- 4 b ñ û •

Ventilator Series
I Â û •



Bath Heater Series
¡ û •

Integrated Ceiling Light Series
« Ó ž ß û •

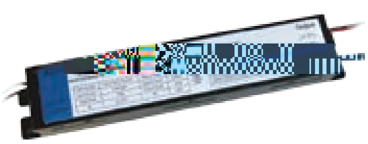
Bulb Lamp Series
" 8 ñ û •

Candle Lamp Series
‹ ñ û •

Spiral Energy-saving
Lamp Series
n Å · • ñ û •

U-shaped Energy-saving
Lamp Tube Series
U è · • ñ M û •

S-shaped Energy-saving
Lamp Tube Series
S è · • ñ M û •



American Standard
LED Drive Series
Õ zLED ¨ e U û •

European Standard
LED Drive Series
„ zLED ¨ e U û •

Electronic Ballast Series
e • D t œ û •

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 increased by 6.7% from the Corresponding Period to RMB4,063,163,000. In particular, the LED lighting products recorded revenue of RMB3,165,613,000 with an increase of 17.4% 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.

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V / ×] 8 Š / ¬ J Y ï C = d ¾ Ô ð × ¬ q ± Ô Y X f õ S Ë « d I « _ { V / ×] ‰ [O Æ 4,063,163 w © d 0 • , # 6.7% d I • LED k ü * Ü _ { V / ×] [O Æ 3,165,613 w © d 0 • , # —17.4% f

*2 * Ü ± Å Œ ± Y ×]*

h Œ 1 • 2 * Ü ± Å€ ñ H e ˆ U q k ü e œ •Œ ± Y ×] ¿ ¢ ± Å Y # — f

õ S Ë « d ñ H * Ü V / # — 9.0% d ô { B õ I « 8 k ü q • ¢ k ü P ¬ 8 8 | Ì Y Ó 7 è d 8 k ü ñ H ¿ • ¢ k ü ñ H * Ü V / ¢ É d º i ˆ U * Ü V / h % 2.6% d ô J _ õ Â U ˆ U * Ü 9 ™ Ž ¼ É 5 ƒ d V Ž ¿ ø 5 ƒ - Ô ç i k ü e œ * Ü V / # —19.8% d # — { B õ S Ë « I « } ¢ d { Ü Ð LED k ü e œ * Ü š ï ¿ 9 U ³] d ô Y 7 ç Ò Y ¢ d { Ü Ð LED k ü e œ * Ü V / ¢ É # f

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

2 ® # Ä ¿ d { Ü Ð ~ ¢ d { Ü Ð V / Œ ± Y ×]

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.

h Œ 1 • 2 ® # Ä ¿ d { Ü Ð * Ü q ¢ d { Ü Ð * Ü Œ ± Y V / ×] ¿ ¢ ° f Y # — f ¢ A Y ¢ d { Ü Ð * Ü ô _ODM * Ü \ Ó f

			Years ended 31 December Ú 12 Ü 31 Ú ß Ë	
		[redacted]	2016 2016 Ë RMB'000 w [O Æ	Growth rate # —
Sales revenue from PRC	8 • 7 Y V / ×]	[redacted]		
NVC brand	d { Ü Ð	[redacted]	2,316,747	9.8%
Non-NVC brand	¢ d { Ü Ð	[redacted]	313,080	(14.9%)
Subtotal	ƒ	[redacted]	2,629,827	6.9%
Sales revenue from international market	8 7 ç Y V / ×]	[redacted]		
NVC brand	d { Ü Ð	[redacted]	387,859	(27.6%)
Non-NVC brand	¢ d { Ü Ð	[redacted]	788,643	23.3%
Subtotal	ƒ	[redacted]	1,176,502	6.5%
Total	¥	[redacted]	3,806,329	6.7%

Revenue by LED lighting products and non-LED lighting products

*2 LED k ü * Ü q ¢ LED k ü * Ü ± Å Œ ±*

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

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			Years ended 31 December Ú 12 Ü 31 Ú ß Ë	
		[redacted]	2016 2016 Ë RMB'000 w [O Æ	Growth rate # —
LED lighting products	LED k ü * Ü	[redacted]	2,696,868	17.4%
Non-LED lighting products	¢ LED k ü * Ü	[redacted]	1,109,461	(19.1%)
Total	¥	[redacted]	3,806,329	6.7%

During the Reporting Period, the sales of LED lighting products increased by 17.4%, and the sales of non-LED lighting products decreased by 19.1%, mainly because the Group grasped the favorable opportunity in the rising consumer demands and market penetration of the LED lighting industry, and successfully seized the market share of LED lighting products by continuously strengthening the R&D of new LED lighting products, expansion of marketing channels and input of market resources; as affected by the fierce competition of LED lighting products, the sales of traditional lighting products shrank, the both of which took on a trading-off trend.

õ S Ë « d LED k ü * Ü V / # —17.4% d ¢LED k ü * Ü V / h % 19.1% d ô J I « ´ LED k ü 8 l ê Ë ¿ 9 À j º Y Þ ; Ú > d · @ 5 ƒ v LED k ü - Ü ¼ ï e ¬ 8 ß • ¿ 9 U ³] d Ó ' & LED k ü * Ü 9 … X i þ a LED k ü * Ü Y ç !) F B ¤ d Â U k ü * Ü V / B 5 d G k O $ ä ¾ — Y Ò Ð f

Cost of Sales

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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:

V / Ó I ô < a ¿ Ø Ó I e . [* Ó I e \ Ÿ q œ Ÿ ö ˆ Ó I ¿ œ Ÿ I \ f I « Y ô a ¿ Ø < › e Y ¿ ¥ – e C ˆ j e š ¨ M e e • © œ • ø ¿LED ƒ ê f . [* Ó I ô < ® … I ü ¡ ¿ [* Y e \ õ ¢ A Y * Ü [* Y Ó Ü ø ¿ Ó Ü Y Ó I f œ Ÿ I \ Ó I ô < å e e e ± q Å V ø ¿ I ü f h Œ • j V / Ó I Y \ Ó j

		Years ended 31 December Ú 12 Ü 31 Ú ß Ë		
		[redacted]	2016 2016 Ë	
			RMB'000 w [O Æ	Percentage in revenue (%) & ×] â 7(%)
Raw materials	a ¿ Ø		1,907,153	50.1%
Outsourced manufacturing costs	. [* Ó I		508,702	13.4%
Labor costs	ö ˆ Ó I		275,305	7.2%
Indirect costs	œ Ÿ I \		94,211	2.5%
Total	¥		2,785,371	73.2%

During the Reporting Period, the cost of sales as a percentage to revenue decreased from 73.2% to 71.1%, the gross profit margin increased from 26.8% to 28.9%, mainly benefited from, on the one hand, the adjustment of operating price of some products, and on the other hand, the positive effect resulting from the four cost saving measures for reducing R&D cost, purchasing cost, manufacturing cost and labor cost continuously implemented by the Group, including strengthening technological upgrade, structural optimization and improvement of process flow of the products, adopting public procurement and tendering, dealing with inactive stocks timely, implementing "Amoeba"operating model and enhancing lean production management, etc., which have significantly controlled the costs and improved the overall gross profit margin level.

õ S Ë « d V / Ó I & ×] Y õ ± â }73.2% % 71.1% d ã ; } 26.8% º 28.9% d S Ù & { B õ Å … * Ü 6 Y Æ d $ S Ù & d I « 5 ƒ ª Y ¼ ï % Ó I e ® … % Ó I e ¡ ¿ % Ó I ¿ [ˆ % Ó I , } % Ó I £ D _ { = Ó Ö d < v * Ü Y ¦ " º t e ô ´ · ¿ ˆ µ t û · e ® š ® … Ý z e ¿ Û ˆ Ä L « À e ª ˜ › ÷ Ë ™ ¾ | Ì ¿ v Z B [* M # d 4 ¢ ° Ó I { Q ü › S d d ÷ Y Æ ã ; å _ f

Gross profit and gross profit margin

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

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During the Reporting Period, gross profit from sales was RMB1,172,858,000, representing an increase of 14.9% as compared with the Corresponding Period; gross profit margin of sales increased from 26.8% to 28.9%.The gross profit and gross profit margin by segments are as follows:

õ S Ë « d V / ã ; ‰ [O Æ 1,172,858 w © d ~ • , â 0 # — 14.9% d V / ã ; 26.8% º 28.9% f ¢ ± Å Y ã ; ¿ ã ; • j ½ h j

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

(i) h Œ 1 • ¢ * Ü ± Å€ ñ H e ˆ U q k ü e œ •Y ã ; q ã ; j

		Years ended 31 December Ú 12 Ü 31 Ú ß Ë			
		[redacted]	[redacted]	2016 2016 Ë RMB’000 w [O Æ	(%) (%)
Luminaire products	ñ H * Ü	[redacted]	[redacted]	817,517	30.9%
Lamp products	ˆ U * Ü	[redacted]	[redacted]	152,193	16.2%
Lighting electronic products	k ü e œ * Ü	[redacted]	[redacted]	51,248	23.3%
Total	¥	[redacted]	[redacted]	1,020,958	26.8%

During the Reporting Period, the gross profit margin of luminaire products increased from 30.9% to 34.5%, mainly benefited from the positive effect resulting from the four cost saving measures for reducing R&D cost, purchasing cost, manufacturing cost and labor cost continuously implemented by the Group, as well as the increase in operating price of some luminaire products. The gross profit margin of lamp products decreased from 16.2% to 12.5%, mainly because on the one hand more favourable price discounts were offered to major clients in order to stabilise the order resources of the international market; and on the other hand, the traditional lamp products suffered from decline in both sales volumes

õ S Ë « d ñ H * Ü ã ; } 30.9% j º 34.5% d ô J I « 5 ƒ ª Y ¼ ï % Ó I e ® … % Ó I e ¡ ¿ % Ó I ¿ [ˆ % Ó I , } % Ó I £ D _ { = Ó Ö d ø ¿ Å ± ñ H * Ü 6 Y d ÷ i ˆ U * Ü ã ; } 16.2% h % 12.5% d ô _ õ S Ù &LED ˆ U * Ü ‰ ¢ › 7 ç 9 U þ š ô Ò » ÷ Y ø ´ I i $ S Ù & Â U ˆ U * Ü a LED ˆ U * Ü) F B ¤ O $ Ž { Y … & d ç 4 Æ and prices as affected by the competition with LED lamp products, thereby leading to the decrease in overall gross profit margin of lamp products. The gross profit margin of lighting electronic products increased from 23.3% to 24.7%, mainly attributed to the favorable effect resulting from the launch of new LED lighting electronic products with high gross profit margin into the market, the comprehensive cost saving measures adopted by the Group, and the impact from the exchange fluctuation.

ˆ U * Ü ã ; h % i þ k ü e œ * Ü ã ; } 23.3% j º 24.7% d ô J ÷ ã ; Y LED k ü e œ - Ü ³ ó 9 (_ { » Ö d ø ¿ I « ª Y Œ & % Ó I £ D ¿ Ò * Y B ¤ f

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

(ii) h Œ • j Ô j , œ Y 2 ® # Ä ¿ d { ¿ ¢ d { Ü Ð Y ã ; ¿ ã ; j

			Years ended 31 December Ú 12 Ü 31 Ú ß Ë	
		[redacted]	2016 2016 Ë RMB'000 w [O Æ	 (%) (%)
Gross profit from PRC sales:	• 7 V / * [Y ã ; j			
NVC brand	d { Ü Ð		745,727	32.2%
Non-NVC brand	¢ d { Ü Ð		58,579	18.7%
Subtotal	ƒ		804,306	30.6%
Gross profit from international sales:	7 ç V / * [Y ã ; j			
NVC brand	d { Ü Ð		78,376	20.2%
Non-NVC brand	¢ d { Ü Ð		138,276	17.5%
Subtotal	ƒ		216,652	18.4%
Total	¥		1,020,958	26.8%

During the Reporting Period, the gross profit margin from PRC sales increased from 30.6% to 34.6%, mainly benefited from the favorable results resulting from the comprehensive cost saving measures adopted by the Group, the increase in operating price of some products and the impact of changes in product mix. The gross profit margin from international sales decreased from 18.4% to 15.9%, mainly attributed to the more favourable price discounts offered in order to stabilise the order share of major clients at the international market, as well as the decline in the gross profit margin of a subsidiary of the Group that operated on the international market as affected by local exchange fluctuation.

õ S Ë « d • 7 V / * [Y ã ; } 30.6% j º Q 34.6% d ô { B õ I « Y Œ & % Ó I £ D _ { = Ö e Å ± * Ü 6 d ÷ ø ¿ * Ü ô Y B ¤ i þ 7 ç V / * [Y ã ; } 18.4% h % Q 15.9% d ô J S Ë « I « ‰ ¢ › 7 ç 9 ô Ò Y … X þ š » ÷ Y ø ´ I d ø ¿ I « S • ¯ 7 ç 9 ¾ Y • n ® ! a … ® Ò * ç 4 ã ; h % f

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

(iii) h Œ 1 LED k ü * Ü ø ¿ ¢ LED k ü * Ü Y ã ; ¿ ã ; j

		Years ended 31 December Ú 12 Ü 31 Ú ß Ë		
		[redacted]	2016 2016 Ë RMB'000 w [O Æ	 (%) (%)
LED lighting products	LED k ü * Ü		788,901	29.3%
Non-LED lighting products	¢ LED k ü * Ü		232,057	20.9%
Total gross profit	< ã ;		1,020,958	26.8%

Other income and gains

Our other income and gains mainly consist of rental income, gain on sales of scrap materials, fair value gain of derivative component of convertible bonds, gain arising from waiver of other payables, government grants and interest income (the breakdown of other income and gains is provided in note 5 to the consolidated financial statements on page 284 to 285 of this annual report). We received various types of government grants in the form of tax subsidies and incentives for research and development activities and expansion of production capacity of energy-saving lamp. Government subsidies are provided by relevant authorities at their discretion, and may not be recurring in nature. During the Reporting Period, other income and gains increased significantly to RMB127,604,000 as compared with the Corresponding Period, which was mainly due to the effect from the fair value gain of derivative component of convertible bonds and the gain arising from waiver of other payables during the Reporting Period.

Selling and distribution costs

Our selling and distribution costs mainly consist of freight costs, advertising and promotion expenses, staff costs and other

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¢ A Y I ü ×] ¿ × B ô < a – ×] e V / ; Ø e I p À N [ˆ H Å … ® ª = × B e € 5 I ü Ð ù * › * [Y × B e A ´ þ ? ¿ ; ¹ ×] € I ü ×] ¿ × B Y \ Ó k I Ë S K284 + K 285 + ˜ ¥ ; Ì Œ • W 5 • f • Û ¢ A × Q ¢ G * ‰ ü × þ h ø ¿ | ¸ † Å ¦ ¼ ï q Ò } · • ñ * • Y A ´ þ ? f µ , A ´ þ ? _ ´ ë Ú ô ä ‹ ï ó d J @ n õ ¾ I Ì f õ S Ë « d I ü ×] ¿ × B 0 • , } 7 # — [O Æ 127,604 w © d ô J S Ë « ª I p À N [ˆ H Å … ® ª = × B ¿ € 5 I ü Ð ù * › * [Y × B Y B ¤ f

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õ S Ë « d ¢ A Y V / ¿ ± V I \ 0 • , # — 11.7% d [O Æ 401,923 w © f # — ô J p ˆ Ó I ¿ 6 I 0 • , Þ Ô # f ¢ A Y V / ¿ ± V I \ & ×] Y â 7 _9.5% j º 9.9% f

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M # I \ ô < p ˆ Ó I e Å V q ± e ¼ ï I e I ® I \ ¿ I ü I \ d ô < ü ° e 2 I e I ü Y 8 I \ q I ü O ° f µ , ü ° ô < ~ ¢ A Y A Å ˜ Þ ë Y z ® 4 \ ü q ™ € ü f

During the Reporting Period, our administrative expenses were RMB356,895,000, representing a decrease of 13.5% as compared with the Corresponding Period, which was mainly due to the decrease of staff costs, other professional fees and impairment loss as compared with the Corresponding Period. Our administrative expenses as a percentage in revenue decreased from 10.8% to 8.8%.

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Other expenses

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Other expenses mainly consist of losses on disposal of property, plant and equipment and scrap, fair value change of held-for-trading investments, net exchange losses, donation and other miscellaneous expenses.

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Finance costs

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

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Share of results of associates

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

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Income tax

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During the Reporting Period, the Group's income tax expense amounted to RMB104,256,000.

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Profit for the year (including profit attributable to non-controlling interests)

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Due to the factors mentioned above, our net profit for the year (including profit attributable to non-controlling interests) was RMB331,600,000 during the Reporting Period.

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Exchange differences on translation of foreign operations

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During the Reporting Period, our exchange differences on translation of foreign operations were RMB2,136,000. 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.

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Profit attributable to owners of the parent for the year

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Due to the factors mentioned above, profit attributable to owners of the parent was RMB314,268,000 during the Reporting Period.

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Profit attributable to non-controlling interests for the year

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During the Reporting Period, profit attributable to non-controlling interests was RMB17,332,000.

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Cash Flow and Liquidity

Cash flow

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The table below sets out selected cash flow data from our consolidated statement of cash flows.

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		31 December 12 Ü31 Ú	
		[redacted]	2016 2016 Ë RMB'000 w [O Æ
Net cash flows from operating activities	¾ z Ô { $ – t Ž X	[redacted]	743,483
Net cash flows used in investing activities	³ z Ô \ $ – t Ž X	[redacted]	(782,101)
Net cash flows from financing activities	D z Ô { $ – t Ž X	[redacted]	251,968
Net increase in cash and cash equivalents	$ – ¿ $ – J # X	[redacted]	213,350
Cash and cash equivalents at beginning of year	Ë ‹ $ – ¿ $ – J	[redacted]	917,953
Effect of foreign exchange rate changes, net	Ò B ¤ X	[redacted]	28,852
Cash and cash equivalents as stated in the consolidated statement of cash flows	õ ¥ ; $ – t Ž Œ • O • Y $ – ¿ $ – J	[redacted]	1,160,155
Cash and bank balances classified as assets held for sale	Œ ± ‰ 5 Þ / * Y $ – ¿ $ – J	[redacted]	–
Cash and cash equivalents as stated in the consolidated statement of financial position	õ ¥ ; Ì K 1 Œ • O • Y $ – ¿ $ – J	[redacted]	1,160,155

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

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Liquidity

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Net current assets and working capital sufficiency

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

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		31 December 12 Ü31 Ú	
		[redacted]	2016 2016 Ë RMB'000 w [O Æ
CURRENT ASSETS	t *	[redacted]	
Inventories	À ¬		401,668
Trade and bills receivables	q ø ¿ C ½ Ð × * ›		1,218,003
Prepayments, deposits and other receivables	k ù › e - Ç – ¿ I ü Ð × * ›		343,115
Income tax recoverable	k ù Ô { ü		4,596
Other current assets	I ü t *		25,303
Held-for-trading investments	t ø Ì – D *		–
Restricted bank balances and short-term deposits	a " S Y Õ q ¿ õ , À ›		445,424
Cash and cash equivalents	$ – ¿ $ – J		

As at 31 December 2017 and 31 December 2016, net current assets of the Group amounted to RMB1,593,434,000 and RMB1,962,635,000, respectively, and the current ratio was 1.78 and 2.20, 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.

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Capital management

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

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		31 December 12 Ü31 Ú	
		[redacted]	2016 2016 Ë RMB'000 w [O Æ
Interest-bearing loans and borrowings and convertible bonds – liability component	¹ r › ¿ > › ¿ I p À N Ñ À Å …	[redacted]	488,683
Total debt	À ¥	[redacted]	488,683
Less: cash and cash equivalents and short-term deposits (excluding restricted bank balance)	¯ j $ – ¿ $ – J ¿ õ , À › € Ô ð a " S Õ À › •	[redacted]	(1,550,183)
Net debt	À	[redacted]	N/A " G \
Total equity attributable to owners of the parent	N ® ! ¹ Þ [Ð & < Æ B	[redacted]	2,703,481
Gearing ratio	I À â	[redacted]	N/A " G \

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

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Inventories

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The balance of inventories represents our balance of stock of raw materials, work in progress and finished goods as at the end of the Reporting Period. We monitor our inventories on a regular basis. For the year ended 31 December 2017, turnover of average inventories (in days) (average inventories equal to the inventories at the beginning of the year plus inventories at the end of the year (after provision), divided by two. Turnover of average inventories (in days) equals to the average inventories divided by the cost of sales and then multiplied by 365) was 52.2 days, while it was 58.8 days in 2016.

À ¬ q 8 I « ¯ I S Ë K Y a ¿ Ø e ¯ ¡ Ü ¿ * Ó Ü « À q X f I « Á À ¬ † › , 9 › f Ú 2017 Ë12 Ü31 Ú ß Ë d ; i À ¬ „ 7 Â p€ ; i À ¬ õ Ë ‹ À ¬ j Ë K À ¬€ ¯ À ¬ { _ ê •ð ø Z f ; i À ¬ „ 7 Â p õ ; i À ¬ ð ø V / Ó I d Í 1 ø 365 •‰ 52.2 Â d þ2016 Ë ‰ 58.8 Â f

More details about the inventories are provided in note 20 to the consolidated financial statements on page 322 of this annual report.

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Trade and bills receivables

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 major 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%.

For the year ended 31 December 2017, turnover of average trade and bills receivables (in days) (average trade and bills receivables equal to the trade and bills receivables at the beginning of the year plus trade and bills receivables at the end of the year (before provision), divided by two. Turnover of average trade and bills receivables (in days) equals to the average trade and bills receivables divided by revenue and then multiplied by 365) was 118.4 days, while it was 129.4 days in 2016.

More details about the trade and bills receivables are provided in note 21 to the consolidated financial statements on pages 323 to 326 of this annual report.

Trade and bills payables

During the year ended 31 December 2017, turnover of average trade and bills payables (in days) (average trade and bills payables equal to trade and bills payables at the beginning of the year plus trade and bills payables at the end of the year, divided by two. Turnover of average trade and bills payables (in days) equals to average trade and bills payables divided by cost of sales and then multiplied by 365) was 99.2 days, while it was 89.2 days in 2016.

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I « Y q ø Ð × * › 8 8 ¬ J V / Y Ð × Ô { › ° f I « ~ Ò ˜ œ ô · @ ¦ \ t ø d (- Ò S › ê d Ã Õ ù f ô Ò Y ¦ \ , " S › § õ 30 Â 180 Â " f Ê ô Ò i £ Ä ð ÷ ¦ \ " X f I « 0 Ë Á I J ö Ð × › ° j 5 ø 9 › d (Š m S H ¦ \ 9 › Å ˜ ø Z ¦ \ , ˆ % ð - f ÷ t M # [p › , è C , q f á õ j ‹ 1 ¿ I « q ø Ð × * › ~ } Ž ± s Ò Þ ë d ¦ \ , ˆ Y « • (" ÷ f I « (Ì 1 I q ø Ð × * › 5 Þ , ê å Ü Ð ® _ I ü ¦ \ # t f ð • q ø Ð × * › Y C , ; ¹ 2 Ë ; 12% Q f

Ú 2017 Ë12 Ü31 Ú ß Ë d ; i q ø ¿ C ½ Ð × * › „ 7 Â p€ ; i q ø ¿ C ½ Ð × * › õ Ë ‹ q ø ¿ C ½ Ð × * › j Ë K q ø ¿ C ½ Ð × * › € Ô ð a ê Ã •ð ø Z f ; i q ø ¿ C ½ Ð × * › „ 7 Â p õ ; i q ø ¿ C ½ Ð × * › ð ø ×] d Í 1 ø 365•‰ 118.4 Â d þ2016 Ë ‰129.4 Â f

Þ ë q ø ¿ C ½ Ð × * › Y Z ‹ 1 k I Ë S K 323 + K 326 + Y ¥ ; Ì Œ • W21 f

*q ø ¿ C ½ Ð ù * ›*

Ú 2017 Ë12 Ü31 Ú ß Ë d ; i q ø ¿ C ½ Ð ù * › „ 7 Â p€ ; i q ø ¿ C ½ Ð ù * › õ Ë ‹ q ø ¿ C ½ Ð ù * › j Ë K q ø ¿ C ½ Ð ù * › ð ø Z f ; i q ø ¿ C ½ Ð ù * › „ 7 Â p õ ; i q ø ¿ C ½ Ð ù * › ð ø V / Ó I d Í 1 ø 365•‰ 99.2 Â d þ 2016 Ë ‰89.2 Â f

More details about the trade and bills payables are provided in note 26 to the consolidated financial statements on pages 334 to 335 of this annual report.

Þ ë q ø ¿ C ½ Ð ù * › Y Z ‹ 1 k I Ë S K 334 + K 335 + Y ¥ ; Ì Œ • W26 f

Interest-bearing loans and borrowings

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More details about the interest-bearing loans and borrowings are provided in note 28 to the consolidated financial statements on page 337 of this annual report.

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Convertible bonds

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More details about the convertible bonds are provided in note 45 to the consolidated financial statements on page 393 to page 396 of this annual report.

Þ ë I p À N Y Z ‹ 1 k I Ë S K 393 + K 396 + Y ¥ ; Ì Œ • W45 f

Capital expenditure

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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, and other intangible assets. During the Reporting Period, the Group's capital expenditure amounted to RMB75,713,000, mainly attributable to the increase in machinery equipment, moulds, non-productive equipment and intangible assets.

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Off-balance Sheet Arrangement

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Except for the derivative component of Convertible Bonds mentioned in note 45 to the consolidated financial statements on page 393 to 396 of this annual report, 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.

ð Y I Ë S K 393 + K 396 + ˜ ¥ ; Ì Œ • W 45 d Q Y I p À N Y [ˆ H Å … . d ¢ A ? Ì , Š ï Y [– D ˆ H ¿ J ” r › Y Œ . Ä - f ¢ A ? J } + ¿ ¢ t ø Ô o - ¥ Ò Y t ø z f

Capital Commitments

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The details of capital commitments are referred to in note 37 to the consolidated financial statements on page 357 of this annual report.

Þ ë I Õ U ‹ ý I Ë S K 357 + ˜ ¥ ; Ì Œ • W37 f

Merger, Acquisition and Investment

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

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

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

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

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ETIC is an important business partner of the Company in its industrial chain. The strategic investment in ETIC will enhance the Company's strategic cooperation relationship with ETIC. ETIC is focusing on the production and sale of small household appliances and LED products in the PRC. With a positive outlook on the LED products market and the future performance of ETIC, the Company believes that such share acquisition presents a valuable investment opportunity for the Group to capture the potential growth of ETIC, which will bring benefits to the Group. The Company also considers that the current stock price of ETIC is also at a reasonable standard and of investment value. For more details, please refer to the announcement of the Company dated 12 June 2017.

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On 14 December 2017, Huizhou NVC, the Company's wholly-owned subsidiary, contributed RMB9,000,000 to establish a subsidiary, Zhuhai NVC Youpin Industrial Co., Ltd* (. d { ´ Ü ¼ 8 Þ " ® !) ("NVC Youpin"), 90% equity interest of which is held by Huizhou NVC. NVC Youpin is principally engaged in the production and sale of lamp products, luminaire products and lighting electronic products etc.

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

Other Significant Investment and Performance

Huizhou NVC, the Company's wholly-owned subsidiary, signed a partnership agreement with the general partner to establish a limited partnership. Through the establishment of the limited partnership, the Company will be able to benefit from a wealth of attractive investment opportunities in the lighting industry and achieving economies of scale and synergies. For more details, please refer to the announcement of the Company dated 4 May 2016. During the Reporting Period, the limited partnership has not yet commenced its external investment.

As mentioned in the announcement of the Company dated 23 May 2016, the Board has approved the Company to establish an investment fund in form of a limited partnership to engage in investment in the distributors of the Company. The expected source of fund for the investment will be the fund generated from the daily operations and financing of the Company. During the Reporting Period, the investment has not yet been carried out.

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Contingent Liabilities

(a) As at 31 December 2017, contingent liabilities not provided for in the consolidated financial statements were as follows:

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		31 December 12 Ü31 Ú	
		[redacted]	2016 2016 Ë RMB'000 w [O Æ
Alleged guarantees given to banks and a finance company in connection with facilities granted to:	J H 1 ¬ š h • ® ! J [{ ¦ r þ š Õ ¿ S • Ì ® ! Y Ä - j	[redacted]	
Two PRC companies and Ms. WU Lian, an individual	G œ • 7 ® ! ¿ N ø ~ {€ H 9 [{ •		131,497

(b) The Group acted as defendant in lawsuits brought by two PRC banks and a PRC finance company alleging that the Group should assume guarantee liabilities and interests according to alleged guarantee agreements entered into by Mr. WU Changjiang (the Company's former CEO) purportedly on behalf of a subsidiary of the Group. 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 2016 and 2017, 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 approximately RMB34,000,000 at four times of six-month borrowing rate of the People's Bank of China since 8 October 2015; and (iii) principal amount of approximately RMB35,497,000 at 0.05% per day since 4 January 2015.

(b) I « ‰ _ G • • 7 Õ ¿ S œ • 7 Ì ® ! ì ½ _ I ® ! Ã , / © B œ N — ê ‹ [Ô W þ Œ I « S • • n ® ! m Y J H Ä - X D Î a I « ² Õ Ä Ä - ª , ¿ ; ¹ Y a ¤ Y — S f è + © ‰ I « ² Õ a Ä - Y † S É & 0 Y • Ì ” } d ª ä d ð Þ ë , ¿ I ü Ó I I \ . d õ 2016 Ë12 Ü31 Ú ¿2017 Ë12 Ü31 Ú á ² 1 U a ¤ Y , p µ d a ê f ì ½ ´ ë , ë : Ô d ½ j (a) Ô Þ £ d I – › ° Ô D × Y ; ¹ 6 ø(i)I – › ° Ò [O Æ 62,000 w © ø Ê Ë9% $ 2014 Ë 10 Ü21 Ú Î J Õ ù ; ¹ ø Ê Ë 9.9% Y ¥ ; i (ii)I – › ° Ò [O Æ34,000 w © 2015 Ë 10 Ü 8 Ú Î ø • 7 [O Õ ¬ H Ü › › ; Y , 4 i ¿ (iii)I – › ° Ò [O Æ35,497 w © 2015 Ë 1 Ü4 Ú Î ø Ê Ú0.05% Q f

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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.

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Foreign currency risk

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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.

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Commodity price risk

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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.

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Liquidity risk

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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.

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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 cashles.

Mr. WANG Donglei (î d), aged 54, is an Executive Director, the Chairman and the Chief Executive Officer of the Company. Mr. WANG joined the Group in January 2013. He has many years of experience in product research and development, manufacturing and business management. In 1996, Mr. WANG participated in the founding of Zhuhai China Resources Electric Co., Ltd.* (. 6 — e œ Þ " ® !) (which was subsequently renamed as Elec-Tech International Co., Ltd. (? C ´ — : e p … Þ " ® !) and the shares of which were listed on the Shenzhen Stock Exchange in China in 2004) and served as the chairman and the general manager. Since 2001, he has been serving as the chairman and a director of ETIC. At present, Mr. WANG also holds positions in various subsidiaries of Elec-Tech International Group which include: the chairman of Zhuhai Hansheng Precision Machinery Co., Ltd.* (. • 8 Z W Ú Û Þ " ® !), the chairman of Appliance Co. of America (Zhuhai) Co., Ltd.* (Õ e œ€ . •Þ " ® !), the chairman of Elec-Tech (Hong Kong) Optoelectronic Technology Co., Ltd.* (C ´€ 0 ¥ •ˆ e Å ¦ Þ " ® !), executive director of 3E Semiconductor (Wuhu) Co., Ltd.* (g š€ > ³ • ¬ Þ " ® !), executive director of Elec-Tech (Dalian) Investment Co., Ltd.* (C ´€} ¹ • ³ Þ " ® !), director of Zhuhai Elec-Tech International Co., Ltd.* (. C ´ — : e œ Þ " ® !), director of ETI-LED Solutions Japan Co. Ltd, director of Elec-Tech US Inc., director of ETI Solid State Lighting Inc. and director of ETI LED Solutions Inc.. Mr. WANG graduated from China Dalian Institute of Technology (subsequently renamed as Dalian University of Technology) with a bachelor's degree in engineering. Mr. WANG Donglei is the elder brother of Mr. WANG Dongming and Mr. WANG Sheng, and the father of Mr. WANG Keven Dun.

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Mr. WANG holds 90% equity interest in Wuhu Elec-Tech Investment Co., Ltd.* (> ³ C ´ ³ Þ " ® !); Wuhu Elec-Tech Investment Co., Ltd.* (> ³ C ´ ³ Þ " ® !) in turn holds 16.57% of the shares of ETIC. ETIC held 24.30% of the total issued shares of the Company as of 31 December 2017.

î ‹ [5 Þ > ³ C ´ ³ Þ " ® ! 90% Y p Æ i > ³ C ´ ³ Þ " ® ! 5 Þ C ´ — 16.57% Y p … f 2017 Ë12 Ü31 Ú d C ´ — : 5 Þ I ® ! Š ï p … Y 24.30% f

Mr. WANG Dongming (î ü), aged 47, is an Executive Director of the Company. Mr. WANG joined the Group in June 2013. Mr. WANG has more than 19 years' of experience in electrical and finance industry, and has many years of experience in manufacturing, finance and business management. He was the vice finance manager of China Infrastructure Materials Corporation* (• 7 ? J < ® !) and the general manager of its Shenzhen subsidiary, respectively, from 1992 to 2000. From 2000 to 2013, Mr. WANG acted as an executive director, a vice general manager, the chief financial officer of ETIC, the shares of which are listed on the Shenzhen Stock Exchange in China, and the general manager of lighting division of ETIC. Mr. WANG is currently a director of NVC Lighting & Electrical Technology Singapore Pte. Ltd. Mr. WANG graduated from Shaanxi Institute of Finance and Economics (ï Ì ¾ ª ë) with a bachelor degree in finance and accounting in 1992. Mr. WANG Dongming is the younger brother of Mr. WANG Donglei and Mr. WANG Sheng, and the uncle of Mr. WANG Keven Dun.

î ü ‹ [d $ Ë 47 K d J I ® ! B è + f î ‹ [õ 2013 Ë6 Ü] I « f î ‹ [¯ e e Ì 8 ¹ Þ C 19 Ë Y ¾ d (H Þ µ Ë Y [* ¡ ¿ e Ì e ¾ M # ¾ f ü € õ 1992 Ë 2000 Ë œ ± 9 Ä , • 7 ? J < ® ! Ì ¾ # ¿ - ® ! < ¾ # f î ‹ [u € õ 2000 Ë 2013 Ë œ Ä , C ´ — :€ S œ p … õ • 7 - Ç N t ø Ô j 9 ˜ ® ! •˜ B è + e < ¾ # e Ì < 9 ¿ k ü + 8 Å < ¾ # f î ‹ [f Ã Ä ,NVC Lighting & Electrical Technology Singapore Pte. Ltd è + f î ‹ [õ 1992 Ë - 8 õ ï Ì ¾ ª ë d (_ { Y Ì 6 Y 8 ª { ª f î ü ‹ [J î d ‹ [¿ î Å ‹ [Y " " d ø ¿ J î m ‹ [Y ` ` f

Mr. XIAO Yu (ý Á), aged 58, is an Executive Director of the Company. Mr. XIAO joined the Group in May 2014 as a Non-executive Director and re-designated as an Executive Director in August 2014. Mr. XIAO graduated from Dalian Institute of Technology (later renamed as Dalian University of Technology) with a bachelor's degree in 1985 and also graduated with an EMBA's degree from School of Economics and Management of Tsinghua University in 2008. He holds the engineer's qualification certificate. From July 1986 to June 1996, Mr. XIAO worked in Beijing Beinei Group* (/ « «) as the deputy chief coordinator and the party secretary of the Communist Party of China of the Central Coordination Office, during which he was awarded the titles of Beijing Model Worker and Beijing Excellent Young Intellectual. He was the chairman and general manager of Westar (Zhongshan) Electrical Appliance Manufacturing Co., Ltd.* (þ v : e œ € • † • ¡ ¿ Þ " ® !), a subsidiary of Elec-Tech International Group Intera subsid60ry of d

ý Á ‹ [d $ Ë 58 K d J I ® ! B è + f ý ‹ [õ 2014 Ë5 Ü] I « d Ä , ¢ B è + d I õ 2014 Ë8 Ü , ‰ B è + f ý ‹ [õ 1985 Ë - 8 õ } ¹ ˆ ª ë€ » ¤ ‰ } ¹ # ˆ } ª • (_ { ª { ª ¿ õ 2008 Ë - 8 õ ö 6 } ª ¾ ö M # ª ë ÷ t ˆ M # Y 8 d B { ª f ü H Þ • 7 ˆ û ª ø Ç ã f ý ‹ [€ õ 1986 Ë7 Ü 1996 Ë6 Ü , œ ¯ / « « < ® ! ˆ * d Ä , < — R < c ‰ ã ¾ d , œ € — Y ‰ / 9 ö | Í e / 9 ´ ø ¡ Ë] Æ … • f ü u € õ 1996 Ë7 Ü 2004 Ë8 Ü , œ Ä , C ´ — : « h n ® ! þ v : e œ € • † • ¡ ¿ Þ " ® ! Y è + — R < ¾ # e õ 2004 Ë 9 Ü 2008 Ë2 Ü , œ Ä , C ´ — : « I < ¾ # R þ v : e œ € • † • ¡ ¿ Þ " ® ! Y è + — ¿ õ 2012 Ë3 Ü 2014 Ë12 Ü , œ Ä , C ´ — : ÷ t < R f ü 2008 Ë5 Ü ¦ Ý , C ´ — : « Y < R ¥ * e } ¹ C ´ ˆ e Å ¦ Þ " ® ! Y è + — R < ¾ # ¿ > ³ C ´ — : ˆ e Å ¦

(> ³ C ´ — : ˆ e Å ¦ Þ " ® !). Currently, Mr. XIAO works in different subsidiaries of Elec-Tech International Group as: a director of Zhuhai East Yingcheng Precision Die-casting Co., Ltd.* (. 9 Å Õ Z W À ß Þ " ®)!, a director of Appliance of America (Zhuhai) Limited* (Õ e œ € . • Þ " ® !), an executive director of Elec-Tech Photoelectric Technology (Dalian) Co., Ltd.* (¹ C ´ ˆ e Å ¦ Þ " ® !) and an executive director of Leitong Photoelectric Device (Huizhou) Co., Ltd.* (I È d · ˆ e œ • Þ " ® !). Mr. XIAO has extensive experience in production management. He once served as a senior officer in companies listed in Mainland China for several years and therefore has in-depth knowledge and understanding on corporate governance and corporate management.

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Mr. WANG Keven Dun (î m), aged 25, is an Executive Director of the Company. Mr. WANG joined the Group in December 2016. Mr. WANG has been the analyst in Compass Lexecon LLC. from August 2014 to December 2016. Mr. WANG obtained a bachelor degree in Economics and Molecular and Cell Biology from University of California, Berkeley in 2014. Mr. WANG Keven Dun is the son of Mr. WANG Donglei, the chairman and chief executive officer of the Company, and the nephew of Mr. WANG Sheng, vice president of procurement logistics system of the Company, and Mr. WANG Dongming, the Executive Director of the Company.

î m ‹ [d $ Ë 25 K d J I ® ! B è + f î ‹ [õ 2016 Ë12 Ü] I « f î ‹ [2014 Ë8 Ü 2016 Ë12 Ü õ Compass Lexecon LLC.Ä , ± ª f î ‹ [õ 2014 Ë õ È } ª , 4 ; ± ç _ { ¾ ö ª q ± • ~ Z ä [J ª ª { ª f î m ‹ [J I ® ! è + — R / © B œ î d ‹ [Y E • d (ò J I ® ! ® … J t û U < R î Å ‹ [¿ I ® ! B è + î ü ‹ [Y þ • f

Non-executive Directors

Mr. LI Huating (½ 6 ¤), aged 55, is a Non-executive Director of the Company. Mr. LI joined the Group in December 2016. From September 1985 to May 1996, Mr. LI worked in China Resources National Corporation; from June 1996 to August 2001, he successively served as the director and the general manager of Zhuhai China Resources Electric Co., Ltd., and concurrently served as the general manager of Zhuhai Hansheng Precision Machinery Co., Ltd.; from August 2001 to now, he has served as the director of ETIC (the shares of which are listed on the Shenzhen Stock Exchange, stock code:

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Independent Non-executive Directors

Mr. LEE Kong Wai, Conway (½ ¥), aged 63, is an Independent Non-executive Director of the Company. Mr. LEE joined the Company in November 2012. He received a bachelor of arts degree from Kingston University (formerly known as Kingston Polytechnic) in London and further obtained his postgraduate diploma in business from Curtin University of Technology in Australia. Mr. LEE served as a partner of Ernst & Young (“EY”) for over 29 years, until 2009, during which he held key leadership positions in the development of EY in China. Mr. LEE is a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants, Australia and New Zealand, Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Certified Practising Accountants. Mr. LEE currently also serves as an independent non-executive director of the following companies: Chaowei Power Holdings Limited, West China Cement Limited, China Modern Dairy Holdings Ltd., GOME Retail Holdings Limited, Tibet Water Resources Ltd., Yashili International Holdings Ltd., GCL New Energy Holdings Limited, WH Group Limited, China Rundong Auto Group Limited (all shares of which are listed on the main board of the Stock Exchange) and Guotai Junan Securities Co., Ltd. (the shares of which are listed on the main board of the Stock Exchange and the Shanghai Stock Exchange). He acted as an independent non-executive director of China Taiping Insurance Holdings Company

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Limited (the shares of which are listed on main board of the Stock Exchange) from October 2009 to August 2013 and also acted as a non-executive director and vice chairman of Merry Garden Holdings Limited (now known as China Environmental Technology and Bioenergy Holdings Limited) (the shares of which are listed on the main board of Stock Exchange) from July 2014 to September 2015. He was an independent non-executive director of CITIC Securities Company Limited (the shares of which are listed on main board of the Stock Exchange and the Shanghai Stock Exchange) from November 2011 to May 2016. Mr. LEE was a member of the Chinese People's Political Consultative Conference of Hunan Province (• 7 ³ Ì ² A X ‰ p) in China from 2008 to 2017.

õ 2014 Ë7 Ü 2015 Ë9 Ü , œ Ä , Õ • ä › p Þ " ® !€ $ ‰ • Å [J › p Þ " ® ! € S œ p … õ L t Ô ô j 9 ˜ ® ! • ˜ ¢ B è + ¿ ô © f ü u € õ 2011 Ë11 Ü 2016 Ë5 Ü , œ Ä , • ¦ Ç N p … Þ " ® !€ S œ õ L t Ô ô ¿ j t ø Ô j 9 ˜ ® ! • ˜ ù m ¢ B è + f ½ ‹ [õ 2008 Ë 2017 Ë , œ € , • 7 A X ³ Ì ² ‰ p 6 ‰ p f

Mr. WANG Xuexian (î ª ‹), aged 54, is an Independent Non-executive Director of the Company. Mr. WANG joined the Company in May 2014. Mr. WANG graduated from Renmin University of China with a Master's degree in Civil Laws in January 1990. He is a lawyer in China, and his qualification for serving as an independent director has been approved by the Shanghai Stock Exchange. From January 1990 to the present, he has worked as an assistant professor and lecturer in Dalian University of Technology. He currently serves as a

î ª ‹ ‹ [d $ Ë 54 K d J I ® ! ù m ¢ B è + f î ‹ [õ 2014 Ë5 Ü] I ® ! f î ‹ [õ 1990 Ë1 Ü - 8 õ • 7 [O } ª d ({ O , ª B { ª f ü H Þ • 7 ª ø d (Š _ { j Ç N t ø Ô ù m è + ø f î ‹ [1990 Ë1 Ü ¦ ¯ } ¹ # ˆ } ª ˆ * d Ý , ? º e z ª f f Ã d î ‹ [Ä , } ¹ # ˆ } ª º ¬ e q ¹6ì ¦ ª + Ô ª e C ´ — :€ S œ p … õ • 7 - Ç N t ø Ô j 9 ˜ ® ! d p … þ î j 002005 • ˜ ù m è + ¿ g } Ý – ¸ E n – n p … Þ " ® ! ˜ ù m è + f of the Dalian Arbitration Commission. Mr. WANG has extensive experience in law studies, teaching and the work of lawyers, once served as an independent director of several listed or unlisted companies in the Mainland China, and has in-depth knowledge and understanding on domestic and overseas laws, corporate management and corporate governance.

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Mr. WEI Hongxiong (g ƒ ª), aged 44, is an Independent Non-executive Director of the Company. Mr. WEI joined the Company in May 2014. Mr. WEI graduated from Xi'an Polytechnic University with a bachelor's degree in engineering. Mr. WEI is currently a full-time lawyer of China Commercial Law Firm in Guangdong* (? 6 ª + Ô) and a law expert of the Expert Pool of the Shenzhen Nanshan Science and Technology Commission. He is a statistician and patent agent in China. Mr. Wei also obtained the qualification of an independent director of a listed company of the China Securities Regulatory Commission on February 23, 2017. In 1998, he started to work in the Shantou Haojiang Development and Reform Bureau, mainly engaging in the planning and studies of economic and social development, and the feasibility studies and approval of major projects. From 2006 to the present, he has worked as a full-time lawyer. Mr. WEI once served as a deputy director of the Legal Services Commission of the Cultural Industry of the Shenzhen Lawyers Association. Mr. WEI is mainly engaged in corporate establishment and regulatory governance, restructuring and reorganization, issuance and listing of shares, acquisitions and mergers, private equity, intellectual property rights

g ƒ ª ‹ [d $ Ë 44 K d J I ® ! ù m ¢ B è + f g ‹ [õ 2014 Ë5 Ü] I ® ! f g ‹ [- 8 õ Ä ˆ û } ª d ({ ˆ ª ª { ª f g ‹ [$ ‰ ? 6 ª + Ô Y ª ¿ - 9 Ì † Å ¦ Y • « , Y • f ü 5 Þ • 7 U ª ¿ • 7 Y ; þ # [ø f g ‹ [u õ 2017 Ë2 Ü23 Ú { • 7 Ç N 9 – M # ‰ p 6 j 9 ® ! ù m è + ø f ü 1998 Ë š • ¯ í ˜ 9 ÷ ê ï • q · ' … ˆ * d ô } + ¾ ö q _ 6 ï • Y • Œ q ¼ ú e } ° f Ì ¼ ú q m ° 2 - ˆ * f 2006 Ë Î ¦ } + Y ª ˆ * f g ‹ [€ Ä , - 9 ª X 6 Ö · * 8 , 8 ‰ p 6 ô , f g ‹ [Y ô Y 8 ï 9 ‰ ® ! £ m ¿ • Í 7 # e · S \ e p C ï j 9 e × … R ; e ÷ Í ? – e } F Ì * Æ , and other law services. He once served as a long-term legal advisor of many enterprises, had/has been dealing with and participating in the restructuring and listing of many enterprises (A shares, red chips) and special law services such as those for the construction of major projects. He has many years' of experience in the provision of law services such as those for corporate governance, securities and capital market and intellectual property rights.

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Mr. SU Ling (= Ê), aged 53, is an Independent Non-executive Director of the Company. Mr. SU joined the Company in December 2016. From 1986 to 1990, he worked as an officer in the former Bureau of Drugs of the Ministry of Health; from 1992 to 1993, he served as a visiting scientist in the Center for Drug Evaluation and Research of the U.S. Food and Drug Administration; from 1996 to 1999, he served as a researcher in epidemiology of the Merck Research Laboratories of Merck & Co Inc.; from 2000 to 2002, he served as the medical director of the Merck China; from January 2003 to November 2003, he served as the senior director of global regulatory strategy of the Merck Research Laboratories of Merck & Co Inc.; from 2004 to 2007, he served as the director of the medical and drug development department in Shanghai Roche Pharmaceuticals Co., Ltd.; from 2007 to 2010, he served as the vice president and the head of the Asia-Pacific clinical research and development department in Wyeth Pharmaceutical Co., Ltd.; from 2010 to 2012, he served as the senior vice president and head of the Pharma Development Department in Greater China in Beijing Novartis Pharmaceuticals Co.,

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Ltd.; from 2012 to 2016, he served as the life science strategic advisor in Sidley Austin LLP; from 2016 to present, he has been a venture partner of Lily Asia Ventures, the professor and the director of Institute of the Drug Regulatory Science in Shenyang Pharmaceutical University. Mr. SU graduated from School of Pharmacy, Shanghai Medical University (currently known as School of Pharmacy, Fudan University) majoring in pharmacology in 1986, obtained a master's degree in drug clinical research and development from University of North Carolina in 1992 and obtained a doctoral degree in epidemiology from University of North Carolina in 1996.

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Senior Management

÷ t M # 4

Mr. WANG Donglei (î d), aged 54, is the chief executive officer of the Company. His biographical details are set out above under the paragraph headed "Executive Directors".

î d ‹ [d $ Ë 54 K d J I ® ! / © B œ f ü Y H [§ Š ¯ j Ö˜ B è + ™ S I • ü f

Mr. XIAO Yu (ý Á), aged 58, is the vice-president in charge of the components system of the Company. His biographical details are set out above under the paragraph headed "Executive Directors".

ý Á ‹ [d $ Ë 58 K d J I ® ! Å • û U Y < R f ü Y H [§ Š ¯ j Ö˜ B è + ™ S I • ü f

Mr. ZHANG Peng (u), aged 45, is the president of the Company. Mr. ZHANG joined the Group in June 2016. Mr. ZHANG has about 20 years experience of sales, brand operations and management. Mr. ZHANG served as General Manager of Beijing Industry and Trade in Haier Group from 2003 to 2004. From 2004 to 2008, he was the Director of Global Brand Operations of Haier Group. From 2008 to 2016, he was the General Manager of RRS (Ú Ú ±) of Haier Group. Mr. ZHANG graduated from Qingdao University in 1996 with a bachelor's degree in electrical engineering and obtained a master's degree in business administration from the Graduate School of Shanghai Jiaotong University in 2014.

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Mr. WANG Sheng (î Å), aged 51, is a vice president of procurement logistics system of the Company. Mr. WANG has over 20 years' of experience in procurement management. Before joining the Group in 2014, Mr. WANG has taken up the posts of deputy general manager, vice president and vice chairman at ETIC from 1996 to 2014. In 2004, Mr. WANG obtained a master's degree in Business Management from Zhongshan University. Mr. WANG Sheng is Mr. WANG Donglei's younger brother and Mr. WANG Dongming's elder brother, and Mr. WANG Keven Dun's uncle.

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Mr. TAN Ying (;), aged 51, is the chief financial officer and vice-president of overseas marketing company of the Company. Before joining the Group in 2006, Mr. TAN was the financial accountant in Goodman Fielder Ingredients Limited from 1999 to 2000 and the financial director in Shenzhen New World Sunlong Tech Co., Ltd.* (- - ð ¢ ² c ¦ " Þ " ®) !and Shenzhen Sun Long Communication Co., Ltd.* (- 9 ² · Ã Þ " ® !) from 2000 to 2006. Mr. TAN received an MBA degree from University of Manchester in 2007. He is a fellow member of the Financial Service Institute of Australia.

; ‹ [d $ Ë 51 K d J I ® ! Y / © Ì œ R . V ® ! Y < R f ¯ 2006 Ë] I « Ã d ‹ [€ õ 1999 Ë 2000 Ë , œ Ä Goodman Fielder Ingredients LimitedY Ì 6 ª d (õ 2000 Ë 2006 Ë , œ Ä , - - ð ¢ ² c ¦ " Þ " ® ! ¿ - 9 ² · Ã Þ " ® ! Y Ì < 9 f ‹ [õ 2007 Ë { Y Ï v $ } ª Y ˆ M # B { ª f ü $ ‰ æ } ; - – D 8 X 6 Y 6 p f

Mr. HONG Xiaosong (s È), aged 50, is a vice-president of Research and Development Department of the Company. Mr. HONG served as the manager of Shenzhen Golden Decorative Lighting Corp. Ltd.* (- » – ñ t «) from 1995 to 2000. He was the deputy general manager of Shenzhen Golden Lighting Engineering Corp. Ltd.* (- – k ü ˆ û ® !) from 2000 to 2004 and Shenzhen Jinyueliang Lighting Technology Co., Ltd.* (- 9 – À ¥ ˆ U ¦ " Þ " ®) from 2004 to 2007, respectively. After joining the Group in 2007, Mr. HONG successfully developed various kinds of lightings specifically designed for the Olympic Games, which paved the way for our products to be used in the Olympic Games. Mr. HONG is a qualified national registered senior lighting designer and a senior member of China Illuminating Engineering Society. He has been committed to the development and promotion of new type energy-saving lamp products since 2004. He is one of

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the pioneers engaged in the promotion of LED engineering application in China and has obtained various patents for product technologies. Mr. HONG obtained a bachelor's degree in mechanical manufacturing from Chongqing University in 1989 and also received an EMBA degree from China Europe International Business School in 2015.

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Mr. XU Jin, aged 46, is the vice president of the Household Product Business Department of the Company. Mr. XU joined the Group in May 2015. He has about 22 years of experience in marketing and management. He acted as the channel manager and the division general manager of AVON Products (China) from 1996 to 2004. He served as the national marketing director of Danone Group from 2004 to 2011. He acted as the general manager of OPPLE Lighting in East China from 2011 to 2015. He has successively acted as the general manager of household product sales, the general manager of the Home Lighting Business Department and the vice president of the Group since 2015. Mr. XU graduated from Western Sydney University and holds a bachelor degree in law and a MBA degree.

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Mr. WANG Qingbo, aged 42, is the vice president of the Commercial Lighting Business Department of the Company. Mr. WANG joined the Group in June 2015. Mr. WANG has 18 years of experience in finance and management. Mr. WANG acted as chief financial officer of household electric appliance in Midea Group Co., Ltd. from 2002 to 2012. He worked as chief financial officer of the Logistics Business Department of Midea Group Co., Ltd. from 2013 to 2014. He acted as the vice

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Mr. LIU Qijiang, aged 42, is the deputy general manager of the Strategic Center of the Company. He joined the Company in July 2017. Before joining the Group in 2017, Mr. LIU successively served as a human resource specialist and manager in Huawei Technologies Co., Ltd. from 1997 to 2005. He acted as the vice president of human resources in China Hasan International Holdings Co., Ltd.* (• 7 † 7 ç ³ › p Þ " ® !) from 2008 to 2012. He acted as the assistant to chairman and the director of human resources in Huafu Industrial Co., Ltd.* (6 E ¼ 8 p … Þ " ® !) from 2012 to 2015. He worked as the vice president of human resources and operation in Hebei Jichi Investment Group Co., Ltd. after 2015. Mr. LIU obtained a master's degree from Tongji University in 2008. He has many years of experience in enterprise operation and human resource management.

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Joint Company Secretaries

Ms. LO Yee Har, Susan (e ³), aged 59, was appointed as a joint company secretary on 24 March 2010. Ms. LO is an Executive Director of Tricor Services Limited and a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She has over 30 years' of experience in corporate advisory services. Prior to joining Tricor Services Limited, Ms. LO served as a director of the company secretarial department of Tengis Limited (now known as "Tricor Tengis Limited"). Ms. LO has provided various secretarial and corporate services to many listed companies.

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Miss LEUNG Ching Ching (Ñ z z), aged 37, was appointed as a joint company secretary on 1 April 2014. Miss LEUNG is a manager of corporate services of Tricor Services Limited. Miss LEUNG has over 10 years' of experience in company secretarial industry, and provided services to clients ranging from private companies to public companies listed on the main board of the Stock Exchange. Other than the Company, Miss LEUNG is currently also named company secretary to three other listed companies of which the shares are listed on the main board of the Stock Exchange. Miss LEUNG is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Miss LEUNG graduated from The Chinese University of Hong Kong and admitted to the bachelor's degree of Social Science. She also received a master of arts degree in Professional Accounting and Information System from City University of Hong Kong.

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The Directors present their report together with the audited financial statements for the year ended 31 December 2017 (“Financial Statements”).

Principal Activities

The Company was redomiciled from the British Virgin Islands to the Cayman Islands on 30 March 2010 and incorporated as an exempted company with limited liability. The Group’s operations are conducted mainly through the direct and indirect subsidiaries of the Company. The Group is principally engaged in the design, development, production, marketing and sale of a variety of lighting products including three principal product categories, namely, luminaire products, lamp products and lighting electronics products. During the Reporting Period, there is no significant change in the Group’s principal activities. The analysis of the principal activities of the Group during the year ended 31 December 2017 is set out in the consolidated statement of profit or loss of the consolidated financial statements on page 199.

Results and Dividends

The Group’s profit for the Reporting Period and the state of affairs of the Group as at 31 December 2017 are set out in the consolidated financial statements on pages 199 to 404 of this annual report.

The Board proposed to declare final dividend of HK1 cent (equivalent to approximately RMB0.8 cent) per share payable to the shareholders whose names appear on the register of members of the Company on Monday, 11 June 2018, 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 3,581,805,000 shares in issue as at 31 December 2017, it is expected that the final dividend payable will amount to approximately HK$35,818,000 (equivalent to approximately RMB29,940,000) (tax inclusive). 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 2018.

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The Annual General Meeting of the Company is scheduled to be held on 4 June 2018. A notice convening the Annual General Meeting will be published and dispatched to Shareholders in due course.

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Closure of Register of Members

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The Register of Members will be closed from Wednesday, 30 May 2018 to Monday, 4 June 2018 (both days inclusive) and from Friday, 8 June 2018 to Monday, 11 June 2018 (both days inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the 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 for registration before 4:30 p.m. on Tuesday, 29 May 2018. In order to qualify for the proposed final dividend (subject to the approval by Shareholders at the 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 for registration before 4:30 p.m. on Thursday, 7 June 2018.

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Business Review

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The discussion for the business review of the Reporting Period of the Group as well as the major risks and uncertainty factors facing the Group are set forth in the "Management Discussion and Analysis" on pages 16 to 51 of this annual report. The future business development of the Group are set forth in the "Chairman's Statement" on pages 10 to 15 of this annual report. The critical indices adopted in the financial statements for the analysis of the performance of the Group during the Reporting Period are set forth in the "Financial Highlights" on pages 6 to 7 of this annual report.

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The Group has complied with relevant laws and regulations affecting the operation of the Group significantly.

Relationship with Stakeholders

As confirmed by the Group, our employees, clients and business cooperative partners are the key to our sustainable development. The Group is committed to the establishment of close relationship with our employees and the provision of application solutions for our clients' premium lighting, and strengthens the cooperation with our business cooperative partners so as to attain the win-win outcome for various parties, and push ahead with the healthy and rapid development of the lighting industry.

Environmental Protection and Social Responsibility

The Group is committed to the support for the sustainable environmental protection. As the leading supplier for lighting products, the Group shall comply with various environmental protection laws and regulations formulated by the relevant government department. The Group is the advocate pioneer for green lighting and committed to the promotion of "Lighting Environment": to beautify the commercial and living space with artificial lighting, protect the healthy living environment for mankind with energy-saving lighting for environmental protection, and support the energy-saving environmental protection business for the PRC and even the whole world with action taken. Meanwhile, the Group has proactively performed its social responsibilities such as having advocated and pushed forward with the public welfare project of "luminosity charity walk" for a decade since 2007 with the footprints of charity covering over ten provincial cities to take lighting and warmth to the local children by means of improving the lighting environment, supporting education with love, fulfilling their wishes and so on. The Group will go further to continue to carry out the enterprise social responsibilities as a means of feedback to our society.

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

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The Directors have considered various ways of raising additional funds for future use and they consider that the issue of the subscription shares is an appropriate means of raising additional capital for the Company since the shareholder base of the Company will be enlarged, the capital base of the Company can be broadened at a relatively low cost compared to bank borrowings or the issue of debt securities, and the financial position of the Group will be improved for establishing and strengthening the existing and future business of the Group. The Board considers that the terms of the subscription agreements mentioned above are on normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders as a whole. As at the date of this annual report, all the net proceeds had been used for general corporate (including purchasing office, supporting facilities and exhibition hall).

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

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

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On 20 May 2016, for the purpose of raising additional capital for general corporate and business development and working capital requirements, 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"), i.e. June 2018, at an initial conversion price of HK$0.925 per share (subject to anti-dilutive adjustments); and

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

Based on the initial conversion price of HK$0.925, a maximum number of 540,540,540 conversion shares will be allotted and issued upon exercise of the Conversion Rights attached to the Convertible Bonds in full.

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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.

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

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During the Reporting Period, no convertible bonds have been converted into shares of the Company.

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

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		[redacted]
Issued Convertible Bonds	Šï IpÀN	[redacted]
Effective interest expenses recognised to profit or loss	õ&BŒ½©Y¼ç;¹Õ	
Interest paid	Šù;¹	
Fair value change	®ª =	
Exchange realignment	.Ò Æ	
31 December 2016 and 1 January 2017	2016Ë12Ü31Ú¿2017Ë1Ü1Ú	[redacted]
Effective interest expenses recognised to profit or loss	õ&BŒ½©Y¼ç;¹Õ	
Interest paid	Šù;¹	
Fair value change	®ª =	
Exchange realignment	.Ò Æ	
At 31 December 2017	2017Ë12Ü31Ú	[redacted]

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

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		31 December 12 Ü31 Ú	
		[redacted]	2016 2016 Ë
Share price	p	[redacted]	HK$0.990 0.990 ¥ ©
Conversion price	I p		HK$0.925 0.925 ¥ ©
Risk-free rate	Ì , ˆ ;		1.002%
Volatility	* 7		28.00%

Equity-linked Agreement

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Apart from the Share Option Scheme of the Group set forth on pages 86 to 91 and the Convertible Bonds of the Group set forth on pages 73 to 76 of this annual report, the Group neither entered into nor had any equity-linked agreement during the Reporting Period.

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Permitted Indemnity Provision

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According to the Company's Articles of Association, each director is entitled to the compensation out of the assets and profits of the Company for all actions, costs, charges, losses, damages, expenses or liabilities incurred due to the execution of his/her duties or taken place related to such execution. The Company has taken out the appropriate directors' and officers' liability insurance policy for the directors and officers of the Group as a means of security.

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On 20 May 2010, net proceeds received from the initial public offering, including the exercise of Over-allotment Option, after deducting related expenses, were approximately HK$1.467 billion. Out of which, as at 31 December 2017, approximately HK$367 million was used for capital expenditure, approximately HK$367 million was used for the continual implementation of our branding strategies and enhancement of our sales network, approximately HK$147 million was used for enhancing our research and development efforts, approximately HK$439 million was used for our expansion plans, both in the PRC and the international markets and approximately HK$147 million was used for working capital and other general corporate purposes.

Financial Highlights

A summary of the published results and of the assets and liabilities of the Group for the last five reporting periods is set out on pages 6 to 7 of this annual report.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings and the Convertible Bonds are set out in note 28 to the consolidated financial statements on pages 337 and note 45 to the consolidated financial statements on pages 393 to 396 of this annual report.

Save as disclosed in the section headed "Connected Transactions, Potential Connected Transactions and Continuing Connected Transactions" below, the Group did not grant any loans to any entities, nor did it offer any financial assistance to its associates or make any guarantee for the facilities granted to its associates.

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Details of movements in the property, plant and equipment for the Reporting Period are set out in note 14 to the consolidated financial statements on pages 300 to 302 of this annual report.

Share Capital

Details of movements in the share capital for the Reporting Period are set out in note 30 to the consolidated financial statements on page 339 of this annual report.

Reserves

Details of movements in the reserves of the Company and the Group for the Reporting Period are set out in note 32 to the consolidated financial statements on pages 343 to 345 and the consolidated statement of changes in equity on pages 203 to 204 of this annual report.

Distributable Reserves

As at 31 December 2017, the Company's reserves available for distribution amounted to RMB1,703,229,000, of which RMB29,940,000 has been proposed as a final dividend for the Reporting Period.

Public Float

As of the date of this annual report, based on the information publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules for the Reporting Period and at any time prior to the date of this annual report.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or applicable laws of the Cayman Islands where the Company was incorporated.

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The Company is not aware of any particular tax allowances granted to the Company's shareholders due to their interests in its securities.

Directors

The directors of the Company during the Reporting Period and up to the date of this annual report are as follows:

Executive Directors

WANG Donglei	appointed on 11 January 2013 and re-designated as an Executive Director on 2 February 2015
WANG Dongming	appointed on 21 June 2013
XIAO Yu	appointed on 29 May 2014 and re-designated as an Executive Director on 8 August 2014
WANG Keven Dun	appointed on 12 December 2016

Non-executive Directors

LI Wei	appointed on 29 May 2014
LI Huating	appointed on 12 December 2016
YANG Jianwen	appointed on 15 June 2016 and resigned on 22 March 2018

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Independent Non-executive Directors

LEE Kong Wai, Conway	appointed on 28 November 2012
WANG Xuexian	appointed on 29 May 2014
WEI Hongxiong	appointed on 29 May 2014
SU Ling	appointed on 19 December 2016

Ms. YANG Jianwen resigned as a Non-executive Director, a member of the Audit Committee and a member of Independent Investigations Committee in order to devote more time to pursue her other business commitments with effect from 22 March 2018. Ms. YANG Jianwen has confirmed that she has no disagreement with the Board and there is no other matter in relation to her resignation that needs to be brought to the attention of the Shareholders.

Directors' and Senior Management's Biographies

Directors' and senior management's biographies are set out in the section headed "Directors and Senior Management" on pages 52 to 67 of this annual report.

Directors' Service Contracts

The relevant information on Directors' service contracts is set out in the section headed "Appointment and Re-election of Directors" in the "Corporate Governance Report" on pages 115 to 116 of this annual report.

Directors' Interests in Transactions, Arrangements or Contracts

Save for the Acquisition, the Renewed Trademark Licensing Agreement, the Renewed Framework Finished Products and Raw Materials Purchase Agreement, the New ETIC Sales Agreement, the Transportation and Warehousing Services Framework Agreement and the Sales Framework Agreement as disclosed below, no Director nor an entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company's holding company, or any of its subsidiaries or fellow subsidiaries was a party during or at the end of the Reporting Period.

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The Company has received from each of the Independent Non-executive Directors, namely Mr. LEE Kong Wai, Conway, Mr. WANG Xuexian, Mr. WEI Hongxiong and Mr. SU Ling, the annual confirmation letter of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that the Independent Non-executive Directors were independent from their respective date of appointment to 31 December 2017 and remain independent as of the date of this annual report.

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Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures

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As at 31 December 2017, none of the Directors or chief executives of the Company have or are deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notifiable to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or recorded in the register required to be maintained by the Company pursuant to Section 352 of Part XV of the SFO, or which were notifiable to the Company and the Stock Exchange pursuant to the provisions of the Model Code.

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Interests and short positions of substantial shareholders in the shares and underlying shares

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As at 31 December 2017, to the best knowledge of the Directors and chief executives of the Company, the following shareholders (other than Directors or chief executives of the Company) had 5% or more interests or short positions in the issued shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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Name of shareholder p ¤H	Nature of Interests Æ B Ì /	Class of shares p … ó 9	Number of shares or underlying shares p … Ð ´ ë p … p f	Percentage of the total issued shares & Š ï p … < p Y õ ± â
Elec-Tech International (H.K.) Company Limited C ´ — : 7 ç€ 0 ¥ •Þ " ® !	Beneficial owner ¼ B ¹ Þ [	Ordinary shares w · p	870,346,000 (L) (Note 1) *€ • W1 •*	24.30%
ETIC C ´ — :	Interest of corporation controlled by the substantial shareholders ô p Ô › S Y , Y Æ B	Ordinary shares w · p	870,346,000 (L) (Note 2) *€ • W2 •*	24.30%
Haitong Securities Co., Ltd.	Interest of corporation controlled by the substantial shareholders ô p Ô › S Y , Y Æ B	Ordinary shares w · p	845,746,000 (L) (Note 3) *€ • W3 •*	23.61%
Haitong International Securities Group Limited	Interest of corporation controlled by the substantial shareholders ô p Ô › S Y , Y Æ B	Ordinary shares w · p	845,746,000 (L) (Note 3) *€ • W3 •*	23.61%
Andrew Y. YAN …!ô	Beneficial owner ¼ B ¹ Þ [	Ordinary shares w · p	22,274,000 (L)	0.62%
	Interest of corporation controlled by the substantial shareholders ô p Ô › S Y , Y Æ B	Ordinary shares w · p	599,123,000 (L) (Note 4) *€ • W4 •*	16.73%
Cisco System, Inc.	Interest of corporation controlled by the substantial shareholders ô p Ô › S Y , Y Æ B	Ordinary shares w · p	588,223,000 (L) (Note 5) *€ • W5 •*	16.42%
SB Asia Investment Fund II L.P.	Beneficial owner ¼ B ¹ Þ [	Ordinary shares w · p	588,223,000 (L)	16.42%
SAIF II GP, L.P.	Interest of corporation controlled by the substantial shareholders ô p Ô › S Y , Y Æ B	Ordinary shares w · p	588,223,000 (L) (Note 6) *€ • W6 •*	16.42%

Name of shareholder p ¤ H	Nature of Interests Æ B Ì /	Class of shares p … ó 9	Number of shares or underlying shares p … Ð ´ ë p … p f	Percentage of the total issued shares & Š ï p … < p Y õ ± â
SAIF Partners II LP	Interest of corporation controlled by the substantial shareholders ô p Ô › S Y , Y Æ B	Ordinary shares w · p	588,223,000 (L) (Note 6) *€ • W6 •*	16.42%
SAIF II GP Capital Ltd	Interest of corporation controlled by the substantial shareholders ô p Ô › S Y , Y Æ B	Ordinary shares w · p	588,223,000 (L) (Note 6) *€ • W6 •*	16.42%
Guoyuan Investment Fund Series SPC (Acting on behalf of Guoyuan Global Income Fund Segregated Portfolio) Guoyuan Investment Fund Series SPC€ þ ŒGuoyuan Global Income Fund Segregated Portfolio + •	Investment manager ³ ¾ #	Ordinary shares w · p	540,540,540 (L) (Note 7) *€ • W7 •*	15.09%
Schneider Electric Asia Pacific Limited	Beneficial owner ¼ B ¹ Þ [	Ordinary shares w · p	288,371,000 (L)	8.05%
Schneider Electric Industries SAS	Interest of corporation controlled by the substantial shareholders ô p Ô › S Y , Y Æ B	Ordinary shares w · p	288,371,000 (L) (Note 8) *€ • W8 •*	8.05%
Schneider Electric SE	Interest of corporation controlled by the substantial shareholders ô p Ô › S Y , Y Æ B	Ordinary shares w · p	288,371,000 (L) (Note 8) *€ • W8 •*	8.05%
YE Yong â Ç	Beneficial owner ¼ B ¹ Þ [	Ordinary shares w · p	270,227,000 (L)	7.54%
	Spouse's interest ã Y Æ B	Ordinary shares w · p	7,433,000 (L) (Note 9) *€ • W9 •*	0.21%

Notes:

1. (L) represents long position.

2. These shares were held by Elec-Tech International (H.K.) Company Limited. As Elec-Tech International (H.K.) Company Limited is a wholly-owned subsidiary of ETIC, ETIC is deemed to be interested in all these shares.

3. These shares are held by Haitong International Securities Company Limited. As Haitong International Securities Company Limited is a wholly-owned subsidiary of Haitong International Finance Company Limited, which in turn is a wholly-owned subsidiary of Haitong International (BVI) Limited, which is a wholly-owned subsidiary of Haitong International Securities Group Limited, 61.77% interest of Haitong International Securities Group Limited is held by Haitong International Holdings Limited, and which is a wholly-owned subsidiary of Haitong Securities Co., Ltd., Haitong Securities Co., Ltd. and Haitong International Securities Group Limited are deemed to be interested in these shares.

4. These shares were held by SB Asia Investment Fund II L.P. (588,223,000 shares) and SAIF Partners IV L.P. (10,900,000 shares), respectively. As all these companies are held by Mr. Andrew Y. YAN indirectly, Mr. Andrew Y. YAN is deemed to be interested in the shares of the Company held by the aforesaid companies.

5. These shares were held by SB Asia Investment Fund II L.P.. As Cisco Systems, Inc. (as limited partner) held 38.9% interests in SB Asia Investment Fund II L.P., Cisco Systems, Inc. is deemed to be interested in these shares.

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3. p … Haitong International Securities Company Limited 5 Þ f Haitong International Securities Company Limited J Haitong International Finance Company Limited Y Œ • n ® ! d Haitong International Finance Company Limited J Haitong International (BVI) Limited Y Œ • n ® ! d Haitong International (BVI) Limited J Haitong International Securities Group Limited Y Œ • n ® ! d Haitong International Holdings Limited 5 Þ Haitong International Securities Group Limited 61.77% Y Æ B d þ Haitong International Holdings Limited f J Haitong Securities Co., Ltd. Y Œ • n ® ! d ª ä Haitong Securities Co., Ltd. ¿ Haitong International Securities Group Limited — V ‰ õ p … • ¹ Þ Æ B f

4. p … ± 9 _ SB Asia Investment Fund II L.P. 5 Þ 588,223,000 p ¿ SAIF Partners IV L.P. 5 Þ 10,900,000 p f _ õ ® ! Œ Å ‰ …!ô ‹ [œ Ÿ 5 Þ d ª ä …!ô ‹ [— V * ¹ Þ ® ! õ I ® ! Ô 5 Þ p … p f • ˜ Œ Å Æ B f

5. p … _ SB Asia Investment Fund II L.P. 5 Þ f _ õ Cisco Systems, Inc. ø Þ " ¥ « [Y … 5 Þ SB Asia Investment Fund II L.P. 38.9% Y Æ B d ª ä Cisco Systems, Inc. — V ‰ õ p … • ¹ Þ Æ B f

6. These shares were held by SB Asia Investment Fund II L.P.. As the interests of SB Asia Investment Fund II L.P. is held by SAIF II GP, L.P., SAIF Partners II LP and SAIF II GP Capital Ltd directly or indirectly, SAIF II GP, L.P., SAIF Partners II LP and SAIF II GP Capital Ltd are deemed to be interested in these shares.

7. These shares represent the maximum number of shares to be issued and allotted upon exercise in full of the conversion rights attaching to the Convertible Bonds issued by the Company pursuant to the subscription agreement dated 20 May 2016 entered into between the Company and Guoyuan Investment Fund Series SPC (acting on behalf of Guoyuan Global Income Fund Segregated Portfolio).

8. These shares were held by Schneider Electric Asia Pacific Limited. As Schneider Electric Asia Pacific Limited is a wholly-owned subsidiary of Schneider Electric Industries SAS, which in turn is a wholly-owned subsidiary of Schneider Electric SE, Schneider Electric Industries SAS and Schneider Electric SE are deemed to be interested in these shares.

9. As these shares are held by Ms. GAO Xia, the spouse of Mr. YE Yong, Mr. YE Yong is deemed to be interested in these shares.

Save as disclosed above, as at 31 December 2017, so far as the Directors are aware, no other person (except the Directors and chief executive) or corporation had 5% or more interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be maintained by the Company pursuant to Section 336 of the SFO.

6. p … SB_ Asia Investment Fund II L.P. 5 Þ f _ SB Asia Investment Fund II L.P. ˜ Æ B ‰ SAIF II GP, L.P. e SAIF Partners II LP ¿ SAIF II GP Capital Ltd \ Ÿ Ð œ Ÿ 5 Þ d ª ä SAIF II GP, L.P. e SAIF Partners II LP ¿ SAIF II GP Capital Ltd — V ‰ õ p … • ¹ Þ Æ B f

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8. p … _ Schneider Electric Asia Pacific Limited 5 Þ f Schneider Electric Asia Pacific Limited J Schneider Electric Industries SAS Y Œ • n ® ! d þ Schneider Electric Industries SAS f Schneider Electric SE Y Œ • n ® ! d ª ä Schneider Electric Industries SAS ¿ Schneider Electric SE — V ‰ õ p … • ¹ Þ Æ B f

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(a) Share Option Scheme

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

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

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The subscription price for the Shares under the Option Scheme shall be no less than the highest of (a) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; and (c) the nominal value of a share upon its issue. The amount payable by a grantee on acceptance of a grant of options is US$1.00. Life of the Share Option Scheme is ten years and ends on the date of the tenth anniversary of the adoption of the Share Option Scheme. Further details of the Share Option Scheme are set out in the prospectus of the Company dated 7 May 2010.

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During the Reporting Period, no option was granted under the Share Option Scheme.

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(b) Pre-IPO Share Option Scheme

The Company adopted the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") as approved by the Board on 15 October 2006 and amended on 23 December 2009 and 24 March 2010. The purpose of the Pre-IPO Share Option Scheme is to assist the Company in attracting, retaining and motivating key employees, Directors, consultants and strategic suppliers. The Pre-IPO Share Option Scheme was valid and effective for the period of time commencing on 15 October 2006 and expired on the day immediately prior to the date on which dealings commence in the ordinary shares on the Stock Exchange. The Company may at any time amend or terminate the Pre-IPO Share Option Scheme as advised by the Board at its discretion. The termination of the Pre-IPO Share Option Scheme has no effect on the outstanding share options granted under the Pre-IPO Share Option Scheme. Any such outstanding share options shall continue in effect in accordance with their terms and conditions and the terms and conditions of the Pre-IPO Share Option Scheme. The extent to which any eligible person is entitled to be granted options pursuant to the Pre-IPO Share Option Scheme is to be determined in the sole discretion of the Board, provided, however, that the number of shares issued to or reserved for issuance to any one person pursuant to the options and other stock option plans or share compensation arrangements shall not exceed 3% of the number of shares in issue (on a fully-diluted basis), including those shares of the Company which are issuable upon the exercise or conversion of outstanding securities of the Company, including the options previously granted under the Pre-IPO Share Option Scheme and any options granted under other stock options, stock option plans or other share compensation arrangements which the Company may issue or establish in addition to the Pre-IPO Share Option Scheme. The aggregate number of shares subject to the Pre-IPO Share Option Scheme is 240,429,000 shares, representing 8.11% of the issued share capital of the Company following the IPO.

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

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

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As at 31 December 2017, details of outstanding options granted under the Pre-IPO Share Option Scheme are as follows:

Name of the grantee Õ ¬ [' ¤	Class of shares p ... ó 9	Relationship with the Group ~ I « Y ë ·	Number of Shares outstanding as at 1 January 2017 õ 2017 Ë1 Ü1 Ú J 4 Y p ... p f	Number of Shares outstanding as at 31 December 2017 õ 2017 Ë 12 Ü31 Ú J 4 Y p ... p f	Exercise price (HK$ per share) Æ ø € ¥ © J p •	Date of grant ¬ š Ú	Expiry date Q , Ú	Percentage of the number of Shares outstanding as at 31 December 2017 to the total issued shares õ 2017 Ë 12 Ü31 Ú J 4 Y p ... p f & Š ï p ... < p Y õ ± â
Others (including senior management)								

During the Reporting Period, out of the share options granted under the Pre-IPO Share Option Scheme, 1,000,000 share options lapsed due to the expiration of the share option. The lapsed share options are as follows:

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Number of share options lapsed 0 Ö … p Æ p f	Exercise price (HK$ per share) Æ ø€ ¥ © J p •	Date of grant ¬ š Ú	Expiry date Q , Ú
1,000,000	2.1	24 March 2010 2010 Ë3 Ü24 Ú	8 February 2017 2017 Ë2 Ü8 Ú

As at 31 December 2017, these was no outstanding share options granted under the Pre-IPO Share Option Scheme.

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Purchase, Sale or Redemption of Shares

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

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Interests of Directors in Competing Business

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Save for those disclosed in the following paragraphs by the Company, during the Reporting Period, none of the Directors or their respective associates (as defined under the Listing Rules) of the Company was interested in any business which competes or is likely to compete with the businesses of the Group.

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Mr. WANG Donglei, an Executive Director, the Chairman and the Chief Executive Officer of the Company, holds 90% equity interest in Wuhu Elec-Tech Investment Co., Ltd.€ > ³ C ´ ³ Þ " ® ! • , Wuhu Elec-Tech Investment Co., Ltd.€ > ³ C ´ ³ Þ " ® ! • in turn holds 16.57% of the shares of ETIC, and ETIC in turn holds 24.30% of the shares (870,346,000 shares as at 31 December 2017) of the Company. Mr. WANG Donglei is also a director and chairman of ETIC and holds directorships in a number of subsidiaries of ETIC Group. Apart from this, Mr. XIAO Yu holds directorships in a number of subsidiaries of ETIC Group and Mr. LI Huating is a deputy chairman and general manager of ETIC. To the best knowledge of the Company, ETIC was established on 14 May 1996 with issued capital of RMB1,764,720,000 as at 31 December 2017, the shares of which were listed on the Shenzhen Stock Exchange in June 2004. Based on the preliminary annual result of ETIC dated 13 February 2018 (unaudited and subject to further adjustment), its operating revenue for the year of 2017 is approximately RMB4,203,131,000, its net loss is approximately RMB896,495,000 and its total assets is approximately RMB14,209,926,000. The principal business of ETIC is production and sale of small household appliances and LED products, while the Group's subsidiaries are principally engaged in the production and sale of lamp products, luminaire products and lighting electronic products, including a variety of LED lamps, luminaires and electrical products. As a result, Mr. WANG Donglei, Mr. XiAO Yu and Mr. LI Huating are deemed to be interested, directly or indirectly, in the business that competes or may compete with that of the Company and/or its subsidiaries.

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During the Reporting Period, the Company did not have any controlling shareholders.

Connected Transactions, Potential Connected Transactions and Continuing Connected Transactions

The Acquisition

On 12 June 2017, the Board announced that it has resolved to acquire shares of ETIC to the amount of no more than RMB110,000,000 on market before 31 December 2017 with the acquisition price of no more than RMB5.45 per share of ETIC. Assuming a purchase price of RMB5.45 per share of ETIC, it was estimated that the total number of shares of ETIC to be acquired by the Company would be approximately 20,183,486 shares, representing 1.45% of the total issued shares of ETIC on 12 June 2017. (please refer to the Company's announcement dated 12 June 2017 for more information).

On 31 December 2017, the total number of shares of ETIC held by a subsidiary of the Company was 20,363,832 shares, representing 1.154% of the total issued shares of ETIC on 31 December 2017.

Immediately prior to the Acquisition, Mr. WANG Donglei indirectly held 20.94% of total issued shares of ETIC and was a substantial shareholder of ETIC. Mr. WANG Donglei is also the Chairman, Chief Executive Officer and executive Director of the Company. Although the Company will acquire shares of ETIC on market from the public, the Acquisition will be regarded as a connected transaction of the Company under Rule 14A.28 of the Listing Rules. ETIC is an important business partner of the Company in its industrial chain. The strategic investment in ETIC will enhance the Company's strategic cooperation relationship with ETIC. ETIC is focusing on the production and sale of small household appliances and LED products in the PRC. With a positive outlook on the LED products market and the future performance of ETIC, the Company believes that the Acquisition presents a valuable investment opportunity for the Group to capture the potential growth of ETIC, which will bring benefits to the Group. The Company also considers that the current stock price of ETIC is also at a reasonable level and of investment value. The Directors (including the independent non-executive Directors) consider that the Acquisition is on normal commercial terms, fair and reasonable, and is in the interests of the Company and its Shareholders as a whole.

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Potential Connected Transactions

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Purported Pledge and Guarantee Agreements

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Please refer to the relevant section in the 2016 annual report of the Company for details of the Purported Pledge and Guarantee Agreements. The Company repeats its earlier statement that it is still seeking legal advice in relation to the legal validity of the Purported Pledge and Guarantee Agreements.

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The Board would like to reiterate that the entering into of the Relevant Purported Pledge and Guarantee Agreements was not carried out with the knowledge of the current Board. Accordingly, the Board is not presently aware of a fair and reasonable justification for the entering into of the Relevant Purported Pledge and Guarantee Agreements, nor has the Board been provided with a proper explanation which indicates that the Relevant Purported Pledge and Guarantee Agreements are in the interests of the Company or its shareholders as a whole. NVC

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China has commenced several proceedings in the PRC against Mr. WU Changjiang and other defendants in connection with certain Purported Pledge and Guarantee Agreements. In those proceedings, NVC China's position is that the Purported Pledge and Guarantee Agreements are not legally valid or enforceable. Please refer to the Company's announcement dated 14 April 2015 for more information.

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Please refer to the section headed "Progress of Litigation" in pages 22 to 23 in this annual report for more information about the progress of the relevant litigation.

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Counter Guarantees from Wu Ji

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Please refer to the relevant section in the 2016 annual report of the Company for details of the Counter Guarantees from Wu Ji.

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The Company repeats its earlier statement that the Letters of Counter Guarantee are currently referred to in ongoing litigation in the PRC involving NVC China, and the Board notes that the court has not yet made a determination in relation to their legal validity and enforceability.

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The Board would like to reiterate that the Board only became aware of the executed Letters of Counter Guarantees in 2015. The Letters of Counter Guarantee relate to a number of pledge and guarantee agreements, entered into by Mr. WU Changjiang, purportedly on behalf of the Company. The Board was not previously aware of NVC China's purported entering into of the pledge and guarantee agreements. The Board is also not presently aware of a fair and reasonable justification for the Letters of Counter Guarantee and/or the pledge and guarantee agreements, nor has Mr. WU Changjiang provided the Board with a proper explanation which indicates that these letters and agreements are in the interests of the Company or its shareholders as a whole. Nonetheless, the Board notes that the Letters of Counter Guarantees have apparently been granted in return for the purported pledge and guarantee agreements entered into by the Company in relation to the various loans mentioned above. Please refer to the Company's announcement dated 2 September 2015 for more information.

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Renewed Framework Raw Material Purchase Agreement

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We entered into a renewed framework raw material purchase agreement dated 22 January 2016 with World Bright and Quzhou Aushite. As World Bright and Quzhou Aushite are associates (as defined under the Listing Rules) of Mr. WU Jiannong, a director and a substantial shareholder (as defined under the Listing Rules) of Zhejiang NVC, a subsidiary of the Company, World Bright and Quzhou Aushite are connected persons of the Company (as defined under the Listing Rules), and the transactions between which and the Company constitute connected transactions of the Company under Chapter 14A of Listing Rules. Pursuant to such agreement, we agreed to purchase raw materials (on a non-exclusive basis) including glass tubes from World Bright, phosphor powder from Quzhou Aushite. The quality, quantity and technical standards of the raw materials delivered by these suppliers must meet the Company's standards as set out in the sub-contract for each purchase and the prices charged by these suppliers will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates. The term of the renewed framework raw material purchase agreement is three years commencing from 1 January 2016.

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The maximum aggregate annual amounts payable by us to World Bright and Quzhou Aushite under the renewed framework raw material purchase agreement for the years ended 31 December 2016, 2017 and 2018 are RMB18,760,000, RMB18,760,000 and RMB18,760,000, respectively.

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During the Reporting Period, the actual amount paid by us under the renewed framework raw material purchase agreement was RMB8,096,000, which did not exceed the annual cap.

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Renewed Framework Equipment Purchase Agreement

We entered into a renewed framework equipment purchase agreement dated 22 January 2016 with Jiangshan Youhe during our usual course of business. As Jiangshan Youhe is an associate (as defined under the Listing Rules) of Mr. WU Jiannong, a director and a substantial shareholder (as defined under the Listing Rules) of Zhejiang NVC, a subsidiary of the Company, Jiangshan Youhe is a connected person of the Company (as defined under the Listing Rules), and the transactions between which and the Company constitute connected transactions of the Company under Chapter 14A of Listing Rules. Pursuant to such agreement, we purchase manufacturing equipment and software from Jiangshan Youhe. The fees charged by Jiangshan Youhe will be agreed based on arm's length negotiations with reference to the prevailing market rates. The term of this renewed framework equipment purchase agreement is three years commencing on 1 January 2016.

The maximum aggregate annual amounts payable by us under the renewed framework equipment purchase agreement for the years ended 31 December 2016, 2017 and 2018 are RMB4,500,000, RMB3,500,000 and RMB3,500,000, respectively.

During the Reporting Period, we did not have any transaction with Jianshan Youhe arising from the renewed framework equipment purchase agreement.

Renewed Trademark Licensing Agreement

Huizhou NVC, a wholly owned subsidiary of the Company entered into a renewed trademark licensing agreement on 22 January 2016 with ETIC, which is a substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which, Huizhou NVC grants ETIC, a non-transferrable right to use certain registered trademarks of the Company, including "NVC" and " d {", as well as granting ETIC the right to use the Company's registered trademark in combination with ETIC's own brand as "NVCETI" and "d { C ´ " on ETIC's LED lamp products.

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The licensing is worldwide but is exclusive only on certain ETIC's LED lamp products. As ETIC is a substantial shareholder of the Company, it is a connected person of the Company (as defined under the Listing Rules), and the transactions between which and the Company constitute connected transactions of the Company under Chapter 14A of Listing Rules. The trademark licensing fee is agreed based on arm's length negotiations and is on normal commercial terms. The term of the renewed trademark licensing agreement is three years commencing on 1 January 2016. To further promote the Company's brand name and to implement the Company's strategic development plan for LED products, the Company decided to enter into such licensing agreement for the production of certain LED lamp products using the Company's registered trademarks. ETIC has a well-established sales channel for LED lamp products which is complementary to our existing product sales channel. ETIC is a vertically well-integrated LED lamp producer and its product quality and price are very competitive in the market. The Board believes that through cooperation with ETIC, the Company's sales and distribution network coverage of LED lamp products will be further extended, which is expected to further improve the Company's operation

Renewed Framework Finished Products and Raw Materials Purchase Agreement

We entered into a renewed framework finished products and raw materials purchase agreement on 22 January 2016 with ETIC, which is a substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which, the Company agreed to purchase finished products and raw materials including but not limited to LED chips and LED lamp products from ETIC and its subsidiaries on a non-exclusive basis. As ETIC is a substantial shareholder of the Company, it is a connected person of the Company (as defined under the Listing Rules), and the transactions between which and the Company constitute connected transactions of the Company under Chapter 14A of Listing Rules. The quality, quantity and technical standards of the products delivered by ETIC and its subsidiaries must meet the Company's standards as set out in the sub-contract for each purchase order. The prices charged by ETIC and its subsidiaries will be agreed following arm's length negotiations between the parties with reference to the prevailing market rates. The term of the framework agreement is three years commencing on 1 January 2016. The Company entered into such purchase agreement given the Group has a continuous demand for the relevant finished products and raw materials in the next three years and the fees charged by ETIC and its affiliates are competitive (please refer to the Company's announcement dated 22 January 2016 for more information).

In view of the better-than-expected demand of ETIC's products, the Company expects the original annual caps will not be sufficient to meet the Company's requirements. On 29 November 2016, the Board approved to revise upward the original annual caps (Please refer to the announcement of the Company dated 29 November 2016 for details). The maximum aggregate annual amounts payable to ETIC and its subsidiaries under the renewed framework finished products and raw materials purchase agreement for the years ended 31 December 2016, 2017 and 2018 are RMB120,000,000, RMB130,000,000 and RMB140,000,000, respectively.

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During the Reporting Period, the actual amount paid by us to ETIC and its subsidiaries under the renewed framework finished products and raw materials purchase agreement was RMB124,248,000 which did not exceed the annual cap.

New ETIC Sales Agreement

We entered into a framework sales agreement (the "New ETIC Sales Agreement") on 14 March 2016 with ETIC, which is a substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which, the Company agreed to sell finished products including but not limited to LED luminaire products to ETIC on a non-exclusive basis. As ETIC is a substantial shareholder of the Company, it is a connected person of the Company (as defined under the Listing Rules), and the transactions between which and the Company constitute connected transactions of the Company under Chapter 14A of Listing Rules. The quality, quantity and technical standards of the products delivered by the Group must meet ETIC and its subsidiaries' standards as set out in the sub-contract for each sales order. The prices paid by ETIC will be agreed following arm's length negotiations between the parties with reference to the prevailing market rates. The term of the framework agreement is three years commencing on 1 January 2016. The Company entered into such sales agreement given the continued demand for such finished products by ETIC and its affiliates in the next three years and the fees paid/payable by ETIC and its affiliates are competitive (please refer to the Company's announcement dated 14 March 2016 for more information).

The maximum aggregate annual amounts receivable by us from ETIC and its subsidiaries under the New ETIC Sales Agreement for the years ended 31 December 2016, 2017 and 2018 are RMB100,000,000, RMB100,000,000 and RMB100,000,000, respectively.

During the Reporting Period, the actual amount received by us from ETIC and its subsidiaries under the New ETIC Sales Agreement was RMB2,934,000 which did not exceed the annual cap.

The Lease Agreement I

We entered into a lease agreement on 22 January 2016 with ETIC, which is a substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which the Group agrees to lease certain properties from ETIC and its affiliates (the "Lease Agreement I"). As ETIC is a substantial shareholder of the Company, it is a connected person of the Company (as defined under the Listing Rules), and the transactions between which and the Company constitute connected transactions of the Company under Chapter 14A of Listing Rules. Details of each properties to be leased will be set out in the sub-contract for each lease. The rent charged by ETIC and its Affiliates will be agreed following arm's length negotiations between the parties with reference to the prevailing market price. The term of the Lease Agreement I is three years commencing on 1 January 2016. The Company entered into the Lease Agreement I given the Group has a continuous demand for the relevant properties in the next three years and the rent charged by ETIC and its affiliates are competitive (please refer to the Company's announcement dated 22 January 2016 for more information).

The maximum aggregate annual amounts paid by us to ETIC under the Lease Agreement I for the years ended 31 December 2016, 2017 and 2018 are RMB2,000,000, RMB2,000,000 and RMB2,000,000, respectively.

During the Reporting Period, the actual amount paid by us to ETIC and its subsidiaries under the Lease Agreement I was RMB183,000 which did not exceed the annual cap.

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The Lease Agreement II

We entered into a lease agreement on 22 January 2016 with ETIC, which is a substantial shareholder (as defined under the Listing Rules) of the Company, pursuant to which the Group agrees to lease certain properties to ETIC and its affiliates (the "Lease Agreement II"). As ETIC is a substantial shareholder of the Company, it is a connected person of the Company (as defined under the Listing Rules), and the transactions between which and the Company constitute connected transactions of the Company under Chapter 14A of Listing Rules. Details of each properties to be leased will be set out in the sub-contract for each lease. The rent charged by the Group will be agreed following arm's length negotiations between the parties with reference to the prevailing market price. The term of the Lease Agreement II is three years commencing on 1 January 2016. The Company entered into the Lease Agreement II given ETIC and its affiliates have a continuous demand for such properties in the next three years and the rent paid/payable by ETIC and its affiliates are competitive (please refer to the Company's announcement dated 22 January 2016 for more information).

The maximum aggregate annual amounts received by us from ETIC under the Lease Agreement II for the years ended 31 December 2016, 2017 and 2018 are RMB5,000,000, RMB5,000,000 and RMB5,000,000, respectively.

During the Reporting Period, the actual amount received by us from ETIC and its subsidiaries under the Lease Agreement II was RMB1,143,000 which did not exceed the annual cap.

Please refer to the section headed "Directors and Senior Management" of this annual report for information of the Directors' positions and interests in ETIC group.

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Services Agreement

NVC HK, a wholly-owned subsidiary of the Company, entered into the Services Agreement on 18 May 2017 with NVC Lighting & Electrical Technology Singapore Pte. Ltd. ("NVC Singapore"), pursuant to which NVC Singapore has agreed to provide services in relation to lighting solutions and management of the distributors and dealers in the Asia Pacific and East Europe region for NVC HK. NVC HK is a wholly-owned subsidiary of the Company. NVC Singapore is a subsidiary of Mr. WANG Dongming, an executive Director of the Company. Mr. WANG Dongming holds 60% equity interest of NVC Singapore. Therefore, NVC Singapore is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Services Agreement constitute the connected transactions of the Company under the Listing Rules. Pursuant to the Services Agreement, NVC Singapore will charge consultant fee from NVC HK based on monthly expenses of human resources incurred by the Service Provider. The annual actual expenses depend on actual business developments and the related budget. The term of the Services Agreement is three years commencing on 1 January 2017. NVC Singapore can provide the Group with desirable profession services based on its personnel with professional knowledge and experience, and it is more cost-efficient than operating and managing such activities overseas by the Group itself. (please refer to the Company's announcement dated 18 May 2017 for more information).

The maximum aggregate annual amounts paid by us to NVC Singapore under the Services Agreement for the years ended 31 December 2017, 2018 and 2019 are RMB5,000,000, RMB6,500,000 and RMB8,500,000, respectively.

During the Reporting Period, the actual amount paid by us to NVC Singapore under the Services Agreement was RMB3,430,000 which did not exceed the annual cap.

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Transportation and Warehousing Services Framework Agreement

The Company entered into a transportation and warehousing services framework agreement (the "Transportation and Warehousing Services Framework") on 22 December 2017 with ETIC, which is a substantial shareholder (as defined under the Listing Rules) of the company, pursuant to which the Group agrees to provide transportation and warehousing services to ETIC and its associates; As ETIC is a substantial shareholder of the Company, it is a connected person of the Company (as defined under the Listing Rules), and the transactions between which and the Company constitute connected transactions of the Company under the Chapter 14A of Listing Rules. Individual agreements will be entered into between the parties with respect to the specific services pursuant to the terms of the Transportation and Warehousing Services Framework Agreement. Such individual agreements will be entered in the ordinary and usual course of business and on normal commercial terms. The payment arrangement should be provided in the individual agreements. The prices charged by the Group will be agreed upon arm's length negotiations between the parties with reference to the prevailing market price. The term of the Transportation and Warehousing Services Framework is three

Sales Framework Agreement

We entered into a sales framework agreement (the "Sales Framework Agreement") on 22 December 2017 with NVC Singapore, pursuant to which the Group agrees to sell finished products to NVC Singapore and its associates. NVC Singapore is a subsidiary of Mr. Wang Dongming, an executive director of the company, who holds 60% equity interest of NVC Singapore. Therefore NVC Singapore is a connected person of the Company under Chapter 14A of the Listing Rules, the proposed transactions under the Sales Framework Agreement constitute connected transactions of the Company under the Listing Rules. Individual agreements will be entered into between the parties with respect to the specific finished products pursuant to the terms of the Sales Framework Agreement. Such individual agreements will be entered in the ordinary and usual course of business and on normal commercial terms. The payment arrangement should be provided in the individual agreements. The prices charged by the Group for the finished products will be agreed upon arm's length negotiations between the parties with reference to the market price for the same or similar type of products provided in the same or surrounding regions. The entering of the Sales Framework Agreement will facilitate the penetration of the Company's products into Singapore and ASEAN market and enhance the Company's brand awareness. The term of the Sales Framework Agreement is three years commencing from 1 January 2018. (Please refer to the Company's announcement dated 22 December 2017 for more information)

The maximum aggregate annual amounts receivable to NVC Singapore under the Sales Framework Agreement for the years ended 31 December 2018, 2019 and 2020 are RMB20,000,000, RMB30,000,000 and RMB40,000,000, respectively.

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Confirmation on Continuing Connected Transaction

Pursuant to rule 14A.55 of the Listing Rules, the above Continuing Connected Transactions have been reviewed by the Independent Non-executive Directors, who confirmed that these Continuing Connected Transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's the connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing a conclusion that the continuing connected transactions disclosed by the Group above have no non-compliance with Rule 14A.56 of Listing Rule. The auditor's letter has confirmed that nothing has come to their attention that causes them to believe that the continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group as stated in this annual report;

(iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the continuing connected transactions; and

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(iv) have exceeded their respective annual caps for the financial year ended 31 December 2017 set out in the previous announcements of the Company.

A copy of the auditor's letter has been submitted by the Company to the Stock Exchange.

During the year ended 31 December 2017, the Group entered into certain transactions with "related parties" as defined under the applicable accounting standards, which include (1) transactions that could constitute connected transactions in the event that the Relevant Purported Pledge and Guarantee Agreements are determined to be legally valid, and (2) transactions that constitute continuing connected transactions for which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with. Details of the material related party transactions are disclosed in note 40 to the consolidated financial statements of this annual report.

Disclosures pursuant to Rules 13.21 and 13.22 of the Listing Rules

The Board is not aware of any circumstances resulting in the responsibility of disclosure under Rules 13.21 and 13.22 of the Listing Rules.

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The Group's remuneration policy is to compensate our employees based on their performance, qualifications and our results of operations.

The emoluments of our Directors and senior management are determined by our Remuneration Committee with reference to our results of operations, their individual performance and the comparable market statistics.

The Company was not aware of any arrangement under which a Director has waived or agreed to waive any emoluments. Details of the remuneration of the Directors and the Group's five highest-paid individuals are set out in note 9 and note 10 to the consolidated financial statements on pages 288 to 293 of this annual report, respectively.

Housing Fund and Pension Scheme

According to the relevant PRC laws and regulations, the Group's subsidiaries operating in the PRC are required to participate in the housing fund and the defined contribution pension scheme operated by local governments. Under these schemes, the Group is required to pay to the defined contribution schemes based on a certain percentage of the remuneration of its employees. The only obligation of the Group with respect to the housing fund and pension scheme is to make the required contributions under the scheme. Contributions made under the housing fund and pension scheme are charged in the statements of profit or loss as incurred.

The Company may not utilize any forfeited contributions in order to make fewer contributions than the current amounts.

During the Reporting Period, the Group's contributions to the housing fund and pension scheme were RMB65,855,000. Details of the Group's contributions to the housing fund and pension scheme are set out in note 7 on pages 286 to 287 and note 9 on pages 288 to 292 to the consolidated financial statements of this annual report, respectively.

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No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

Charitable Contributions

During the Reporting Period, the Group made donations of approximately RMB190,000.

Major Customers and Suppliers

During the Reporting Period, the revenue from the sales to our top five customers accounted for less than 30% of the Group's total revenue and the purchases of goods and services from our top five suppliers accounted for less than 30% of the Group's total purchases.

Compliance with the Code on Corporate Governance Practices and the Code on Corporate Governance

During the Reporting Period, the Company had complied with the principles and codes provisions set out in the Corporate Governance Code, except for code provision A.2.1. Please refer to Corporate Governance Report on pages 112 to 134 of this annual report for further details.

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 of them have confirmed that they have complied with all relevant requirements as set out in the Model Code during the Reporting Period, the details are set out in the "Corporate Governance Report" on page 112 to 113 of this annual report.

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On 14 March 2018, the Company entered into a non-binding co-operation framework agreement (the "Co-operation Framework Agreement") with ETIC and Mr. WANG Donglei (each a "Party",together the "Parties"), pursuant to which, subject to entering into definitive agreements, the Company intends to sell, and ETIC and Mr. WANG Donglei intend to acquire, directly and indirectly, the Company's domestic lighting products manufacturing business (the "Target Assets") which includes but not limited to the entire share capital of Huizhou NVC (the "Potential Disposal"). The definitive scope of the Target Assets will be subject to further discussions between the Parties.

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In the past two years, the profitability of lighting product manufacturers shrunk due to sustained increase in costs of certain metal raw material, components and labour. In 2018, in order to strengthen its core competitiveness and achieve sustainable development, the Group formulated a strategy of gradually transforming from a manufacturing enterprise to a channel enterprise. The Potential Disposal contemplated under the Co-operation Framework Agreement can reduce the proportion of manufacturing business in the Group, and is therefore in line with the development strategy and long-term interests of the Group. For more details, please refer to the announcement of the Company dated 14 March 2018.

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On 16 March 2018, the Company entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Roman International (HK) Co., Limited€0 ¥ ¯ 7 ç Þ " ® ! • ("the Seller"), pursuant to which, the Company agrees to acquire, and the Seller agrees to sell, a 40% equity interest in Blue Light (HK) Trading Co., Limited€ 0 ¥ ò ƒ ˆ q ø Þ " ® ! • ("the Target Company") at a consideration of RMB315,000,000. The Target Company controls a business engaged in the sale and distribution of lighting products through e-commerce platforms and distribution channels. As at the date of execution of the Sale and Purchase Agreement, the Target Company indirectly holds 85% equity interest in Wuhu NVC Electronic Business Co., Ltd. ("Wuhu Electronic") and the Company indirectly holds 10% equity interest in Wuhu Electronic. Upon Completion, the Company will hold 40% equity interest in the Target Company, and indirectly hold, in aggregate, 44% equity interest in Wuhu Electronic.

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Such acquisition will strengthen the Company's ability to develop and/or cooperate with online-to-offline sales and distribution channels. The source of funds for such acquisition is mainly self-owned funds and bank loans. Following such acquisition, the Company will continue to expand the variety of its sales and distribution channels and benefit from the collection, analysis and application of big data in respect of consumer behaviour. For more details, please refer to the announcement of the Company dated 19 March 2018.

Audit Committee

The Audit Committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2017.

Auditor

On 16 December 2015, the Board passed, by a majority, resolutions to terminate the contract with Messrs Ernst & Young ("EY") as the auditor of the Company and appoint BDO Limited ("BDO") as the new auditor of the Company (together, the "Change of Auditor"). The above-mentioned Change of Auditor has been passed by the Shareholders in the Extraordinary General Meeting which was held on 17 March 2016.

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 2017 as set out in this annual report have been audited by the Group's auditor, BDO, to the amounts set out in the Group's audited consolidated financial statements for the year.

A resolution to re-appoint BDO as our auditor will be submitted for shareholders' approval at forthcoming annual general meeting.

By order of the Board
Chairman
WANG Donglei

Hong Kong
22 March 2018

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The Board presents this Corporate Governance Report in the Group's annual report for the year ended 31 December 2017.

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Corporate Governance Practices

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The Board is committed to achieving high corporate governance standards.

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The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code.

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The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

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The Board are of the opinion that, during the Reporting Period, the Company had fully complied with the principles and code provisions as set out in the CG 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. The details of deviation are set out in section headed "Chairman and Chief Executive Officer" below in this Corporate Governance Report.

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Model Code for Securities Transactions

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The Company has adopted the Model Code which was set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions.

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Specific enquiry has been made to all the Directors and all of them have confirmed that they have complied with the Model Code throughout the year ended 31 December 2017.

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The Company has also established written guidelines no less exacting than the Model Code for securities transactions by the relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company (the "Employees Written Guidelines").

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The Company is not aware any incident of non-compliance of the Employees Written Guidelines by the relevant employees.

Board of Directors

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibiliti ovem 4objec028 T4F, 0.6

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

During the Reporting Period, 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,

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Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election, while code provision A.4.2 of the CG Code states that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors.

Each of the Executive Directors has entered into a service contract with the Company for a term of three years with effect from their respective date of appointment unless terminated by not less than three months' written notice served by either the Executive Directors or the Company. Each of the Non-executive Directors and Independent Non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from their respective date of appointment unless terminated by not less than three months' written notice served by either the Non-executive Directors of the Company. The above appointments are subject to the provisions of retirement and rotation of Directors under the Company's Articles of Association.

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In accordance with Article 83(3) of the Company's Articles of Association, any new director appointed to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment, any new director appointed as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following annual general meeting after appointment. And in accordance with Article 84(1) and (2) of the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any director who wishes to retire and not to offer himself/herself for re-election. Any further directors so to retire shall be those of the Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Accordingly, Mr. WANG Donglei, Mr. WANG Dongming, Mr. XIAO Yu and Mr. LI Wei will be subject to re-election on the forthcoming annual general meeting. None of the Directors who is proposed for re-election or any other Directors has a service contract with us that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Responsibilities of the Directors and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

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The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

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All Directors have full and timely access to all the information of the Company and may request the joint company secretaries and senior management to provide services and advice. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

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The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

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The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company.

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Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

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Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

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The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the year ended 31 December 2017 are summarized as follows:

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Name of Directors è + ' ¤		Type of Training[Notes] C Å ó 9 • W
Executive Directors	B è +	
WANG Donglei	î d	B
WANG Dongming	î ü	B
XIAO Yu	ý Á	B
WANG Keven Dun	î m	B
Non-Executive Directors	¢ B è +	
LI Huating	½ 6 ¤	B
LI Wei	½	B
YANG Jianwen (Note 1)	@ Ö€ • W1 •	B
Independent Non-Executive Directors	ù m ¢ B è +	
LEE Kong Wai, Conway	½ ¥	A/B
WANG Xuexian	î ª ‹	B
WEI Hongxiong	g ƒ ª	B
SU Ling	= Ê	B

Notes:

1. Ms. YANG Jianwen resigned on 22 March 2018.

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

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Board Committees

The Board has established five committees, namely the Audit Committee, Remuneration Committee, Nomination Committee, Strategy and Planning Committee and Independent Investigations Committee, for overseeing particular aspects of the Company's affairs. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

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The majority of the members of Audit Committee, Remuneration Committee and Nomination Committee are Independent Non-executive Directors.

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Audit Committee

2 è ‰ p 6

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. 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.

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During the Reporting Period, the Audit Committee held three meetings to review, in respect of annual financial results for the year ended 31 December 2016, the interim results and reports for the period ended 30 June 2017, and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

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The Audit Committee also met the external auditors twice.

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Rule 3.21 of the Listing Rules requires the Audit Committee to comprise a minimum of three members with Independent Non-executive Directors in majority and at least one member with appropriate professional qualifications or accounting or related financial management expertise.

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Ms. YANG Jianwen has resigned as a Non-executive Director with effect from 22 March 2018, therefore, she ceased to be the member of Audit Committee. As of the date of this annual report, the Audit Committee consists of two members, namely, 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.

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Following Ms. YANG Jianwen's resignation, the Audit Committee would have two members only, which falls below the minimum requirements provided in the terms of reference of the Audit Committee. The Company is in the process of identifying and shall appoint suitable candidates to fill up the vacancy of the Audit Committee as soon as practicable.

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Remuneration Committee

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The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the re4(r)18.2(efer)182(efeo9 crr)18.1(d)4.2(ono9 crr)18.1(d)4.2(ono9 ûn) 4Stu theno9 t,

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Z G ‰ p 6 ® _ Y † 8 M 7 Â Æ â Ö K B.1.2(c) â ° h K(ii) › • Ô • | Ì d C £ è + 6 D H 9 B è + ¿ ÷ t M # [p Y Z G > f

During the Reporting Period, the Remuneration Committee met twice to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the performance and the remuneration packages of the Executive Directors and senior management, and review the terms of Executive Directors' service contracts and other related matters.

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Rule 3.25 of the Listing Rules requires an issuer to establish a Remuneration Committee chaired by Independent Non-executive Director and comprising a majority of Independent Non-executive Directors.

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As of the date of this annual report, 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 is the chairman of the Remuneration Committee.

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In addition to the information about remuneration disclosed in note 9 and note 10 to the consolidated financial statements on pages 288 to 293 of this annual report, the remuneration of the senior management of the Company falls in the following bands:

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		Number of Members of Senior Management ÷ t M # 4 [p
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HK$1,000,001 to HK$1,500,000	1,000,001 ¥ © 1,500,000 ¥ ©	2
HK$1,500,001 to HK$2,000,000	1,500,001 ¥ © 2,000,000 ¥ ©	–
HK$2,000,001 to HK$2,500,000	2,000,001 ¥ © 2,500,000 ¥ ©	–
HK$2,500,001 to HK$3,000,000	2,500,001 ¥ © 3,000,000 ¥ ©	–

Nomination Committee

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal 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.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Board has set measurable objectives (in terms of gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services) to implement the Board diversity policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board diversity policy, as appropriate, to ensure its continued effectiveness from time to time.

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d ¤ ‰ p 6 Y Æ Í Y í û ? ” Å õ † 8 M 7 Â Æ Ô 1 • Y z _ f d ¤ ‰ p 6 Y ô ª < è À è + 6 Y V ô d ï • ¿ S › d ¤ ¿ ‰ , è + Y ´ ë û • d 1 è + ‰ , ¿ 1 , Œ £ è + 6 d 6 d ø ¿ Y ù m ¢ B è + Y ù m Ì f

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During the Reporting Period, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

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Code Provision A.5.1 of the CG Code requires an issuer to establish a Nomination Committee chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

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As of the date of this annual report, 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 is the chairman of the Nomination Committee.

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Strategy and Planning Committee

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The primary function of the Strategy and Planning Committee is to propose and formulate the strategic development plan of the Company for the Board's consideration.

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As of the date of this annual report, 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 is the chairman of the Strategy and Planning Committee. During the Reporting Period, no meeting was convened by the Strategy and Planning Committee.

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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 the Independent Investigations Committee under the Board. The Independent Investigations Committee has been authorized 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 authorized 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 the internal controls assessment has been completed. Please refer to the announcements of the Company dated 17 July 2015 and 17 September 2015 for details.

Ms. YANG Jianwen has resigned as a Non-executive Director with effect from 22 March 2018, therefore, she ceased to be the member of Independent Investigations Committee. As of the date of this annual report, the Independent Investigations Committee consists of three members, namely, Independent Non-executive Director Mr. LEE Kong Wai, Conway, Independent Non-executive Director Mr. WANG Xuexian and Independent Non-executive Director Mr. WEI Hongxiong, respectively. During the Reporting Period, no meeting was convened by the Independent Investigations Committee.

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Appointment and Resignation of Directors and Change in Directors' Information

From 1 January 2017 to the date of this annual report, the appointment and resignation of Directors and changes in the Directors' information of the Company are as follows:

Mr. WEI Hongxiong, the Independent Non-executive Director

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Risk Management and Internal Controls

The Board shall confirm its responsibilities for the risk management and internal control of the Group and examine its effectiveness through the audit committee to safeguard the assets and investment of the Group as well as the interests of shareholders. The risk management and internal control system aims at the management but not the elimination of risks of failure to attain the business target, and only provides reasonable but not absolute guarantee for not having material misstatements or losses.

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Characteristics of the risk management and internal control system of the Company, and the program for reviewing the effectiveness of the risk management and internal control system:

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The Board shall be responsible for the risk management and internal control system, continue to inspect its effectiveness and warrant that the Group shall establish and maintain the effective risk management and internal control system; inspect the risk management and internal control of the Group at least once a year; supervise the management in respect of the design, implementation and supervision of the risk management and internal control system;

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The audit committee shall be responsible for the inspection of the risk management and internal control system of the Company; the assessment for the outcome of the evaluating and auditing the risk management and internal control system; the supervision and promotion of rectifying the defects of the risk management and internal control; the discussion with the management over the risk management and internal control system in order to ensure that the management has performed its duties to set up the effective system; at the same time, proactively or upon the appointment by the Board, the research in respect Tc 0.2 0.0.0.0T3ee shall be[dnhall be[dnhall igiminatthe outc in

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The management shall undertake the duties of risk management and internal control; formulate the appropriate strategy in response to the risk; conduct the risk alert in advance and promptly issue the risk management report; at the same time, be responsible for evaluating the internal control; identify the defects of the internal control and formulate the rectification scheme; inform the Board and the audit committee of the relevant information.

Programs for Identifying, Assessing and Managing the Material Risk:

Risk identification: to determine the standards for measuring the risk; identify the potential risk which may affect the Group.

Risk assessment: to assess the identified risk and classify the level of the risk.

Risk response: to select the strategy in response to the level of the risk for the risk control department to follow up whether the strategy in response is effective; at the same time, formulate the relevant policy in response to avoid the recurrence of the risk or minimize the relevant risk.

Risk supervision: to continue the regular inspection of the relevant risk; promptly revise the risk management and internal control procedure; ensure that the relevant controlling procedure is appropriate and effective; provide the management and the Board with the regular report on the outcome of risk supervision.

The Company shall set up the internal audit department and the risk control department to regularly monitor and assess the internal risk and control system of each department in order to determine the risk which may affect the business and other aspects of the Group (including key operational and financial processes, regulatory compliance and information safety).

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The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditors' Report on pages 187 to 198 of this annual report. Shareholders are advised to read the paragraph of qualified option in the independent auditor's report.

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Auditors' Remuneration

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The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the Reporting Period amounted to RMB3,000,000 and RMB1,000,000 respectively.

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An analysis of the remuneration paid to the external auditors of the Company, BDO Limited, in respect of audit services and non-audit services for the Reporting Period is set out below:

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Service Category ° f		Fees Paid/Payable Š ù J Ð ù I \ RMB'000 w [O Æ
Audit Services	2 è	3,000
Non-audit Services:	¢ 2 è j	
– Review of interim results	Ñ 2 a • , 8 6	1,000
		4,000

Company Secretary

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Ms. LO Yee Har Susan and Miss LEUNG Ching Ching of Tricor Services Limited, external service provider, have been engaged by the Company as its joint company secretaries. Its primary contact person at the Company is Mr. TAN Ying, the chief financial officer and vice-president of overseas marketing company of the Company. During the Reporting Period, Ms. LO and Miss LEUNG have complied with Rule 3.29 of the Listing Rules of taking no less than 15 hours of relevant professional training.

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Shareholders' Rights

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Director. Pursuant to the Listing Rules, all resolutions put forward at general meetings will be voted on by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to article 58 of the Company's Articles of Association, an extraordinary general meeting (the "EGM") may be convened by the Board upon requisition of one or more Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of the deposit of the requisition, the Board fails to proceed to convene such EGM, the requisitionist(s) himself (themselves) may do so in the same manner, while all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The requisitionist(s) must state the objects clearly in the requisition, sign the requisition and deposit the same to the Board or the company secretaries or the primary contact person of the Company.

Putting Forward Proposals at General Meetings

There are no provisions allowing shareholders to put forward new resolutions at the general meetings under the Cayman Islands Companies Law (2013 Revision) or the Articles of Association of the Company. However, shareholders who wish to put forward proposal at general meetings may convene an EGM following the procedures set out above.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Primary Contact Person

Shareholders may send their requisitions, proposed resolutions for the general meeting or enquiries to the Board as mentioned above to the primary contact person of the Company as set out below:

Name:	The Chairman of NVC Lighting Holding Limited
Address:	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Fax:	(852) 2956 2192

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During the Reporting Period, the Company did not make any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

To promote effective communication, the Company maintains a website at www.nvc-lighting.com.cn, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

Going Concern

There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern.

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About the Report

Reporting Guideline

This Report is the second Environment, Social and Governance ("ESG") Report published by NVC Lighting Holding Limited. It has been prepared in compliance with the "Environmental, Social, and Governance Reporting Reporting Guide" set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of Hong Kong Exchanges and Clearing Limited, as well as based on actual situation of the Company. The Report aims at improving stakeholders' awareness of environment, social and the sustainability strategy of the Company. The Board of Directors of the Company has approved the Report and confirmed that it is accurate, factual and complete.

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Reporting Scope

The Report discloses the environmental and social performance of the Group from 1 January 2017 to 31 December 2017. In addition to the headquarters of NVC Lighting Holding Limited and Huizhou base, the scope of this Report was expanded as compared to 2016, including data from Chongqing Wanzhou base, Zhejiang Jiangshan base and Shanghai Qingpu base. The disclosure of all indicators in the Report can be seen in the ESG content index at the end of the Report.

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Feedback

We will continue to improve the content and format of the ESG Report in the future. For any inquiries or recommendations, please do not hesitate to contact us. Contact information is as follows:

NVC Lighting Holding Limited
Address: NVC Industrial Park, Huicheng District, Huizhou City, Guangdong Province
Email address: ir@nvc-lighting.com
Tel: +86-752-2786600
Fax: +86-752-2786689

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Chairman’s Message

Dear stakeholders,

In 2017, we were making steady progress on implementing the new meaning of NVC, i.e. open and connected, continuous growth, and leading the transformation. We fully leveraged the advantages of our entire corporate value chain, striving for the transition towards green and environment-friendly LED lighting products, and providing energy-efficient, healthy and comfortable lighting solutions for our customers. We adhered to the attitude of independent innovation and participated in research

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In 2017, the priority of our environmental management was the control of resources consumption and emissions of the four major production bases. Each production base's environmental management process is completed through cooperation and coordination between departments through a mode of corporate autonomy and supervision of the Group, satisfying the bottom line of compliant emissions. Building on compliance, we paid attention to the consumption of energy, water, raw materials and many other resources, studied on and carried out related energy-saving, water-saving measures to lower the consumption of the natural resources of the company. We were committed to reducing the impact on the environment during the production process. We also made our employees aware of the idea of green office and green living through advocation and education, guiding them to take practical actions to participate in environmental protection.

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Employees are NVC's core resources. We have been looking deep into creating and optimizing human resources and transforming them into a drive for sustainable development of the Group. We offer all-rounded protection on the rights and interests of our employees. We require the entire Group to fully achieve compliance in all aspects related closely with the employees such as employment benefits, work safety and occupational disease prevention. On the basis of providing safe and harmonious work environment, we put emphasis on the development of individual employees so that they can develop themselves while utilizing their own talents at NVC. We provide different development channels for different employees through professional training curriculum system including NVC university so that they can grow together with NVC.

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On the operational front, we aim at providing excellent products and services for our customers. Independent research and development have always been our top priority. With a strict quality management process and detailed supplier management process in place, our teams are committed to making excellent products from the cradle of research and development in a reliable and environment-friendly way. We have set up complete quality management standards regarding the inspector's qualification management to selection of verification standards, and from the inspection of raw materials of suppliers to the quality inspection of the finished products. We also regularly analyzed and reported the product quality within the Group. Our professional, comprehensive and caring services have helped us to be able to provide excellent solutions for customers in all fields such as construction, transportation, office, housing and industry.

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We advocate continuous improvement and sustainable growth. My team and I believe that sustainable development can supplement with the Company's operation and management. In 2017, we strengthened our communications with the stakeholders regarding the topic of sustainable development. Through a wide variety of communications channels including questionnaire and phone interview, we learnt the feedback and perspectives from our employees, suppliers, customers, etc, regarding NVC's management approach on environmental and social issues. We also responded to their demands and accepted their suggestions. Looking forward, we will continue to uphold our attitude of open interconnection and listen to the opinions of all parties in an open manner. We will also continue to launch green lighting solutions compatible with the national development strategies to further improve the Group's work on environmental and social aspects. We hope you continue to support us on the journey of our development!

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By Order of the Board
Wang Donglei
Chairman
March, 2018

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NVC's Value Creation Model

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Human and Intellectual Capital

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5,895 employees

5,895 5 ‡ p

Researchers, engineers and technicians

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Cooperation with Tsinghua University, etc, to achieve integration of industry, academic and research

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Social and Relationship Capital

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36 exclusive regional distributions, 3,634 NVC outlets

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In 2017, the Group continued to conduct materiality assessment on environmental and social topics. By commissioning a third-party consultant to conduct phone interviews and questionnaires with different stakeholder groups, the Group aims to understand the outcome of its socially responsible initiatives and get the grips with the improvement direction on sustainability. Based on the assessment, we identified two major material topics, i.e. employees and products. On the employee front, the material topics are employees' rights and interests, as well as occupational safety and health. On the product front, the material topics are green products and product health and safety. This

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Material Topics ¼ / Ì D Z	Descriptions of Topics D Z \	Response from the Group I « « Ð
Green product	Researching, developing and producing green energy-saving lighting products to protect the environment	• Establishment of NVC (Beijing) Lighting Environment Innovation Institute • The key national special project – Research on High-Efficiency and Long-Life LED Driven Power Supply Technologies – has been approved
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Product health and safety	Provision of high quality and safe lighting products for customers	• Establishment of product monitoring, measurement and control procedures • Obtaining ISO 9001:2008 certification for quality control system
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Cohesion of Employees

In the knowledge-based economy era, the Group regards its human resources as a major impetus for its continuous business development. We attach great importance to the management of human resources, dedicating to improve employees' welfare, providing training and opportunities of development for employees, putting occupational safety and health as top priority, and creating harmonious and friendly working environment for employees. Looking ahead, we will continue to recruit, nurture and retain excellent talents to ensure long-term success of the

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Diversity and Harmony; Respect for Human Rights

We strictly comply with relevant national labor laws and regulations, including the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and provisions for prohibition of use of child labor, making sure equal opportunities for work and avoiding any form of discrimination, including age, sex, marriage, sexual orientation, race, religion, disability or political background. We strictly prohibit the use of child labor and forced labor in our business operation process. In 2017, the Group were not aware of any reports regarding violation of employee's basic rights, or the use of child labor or forced labor.

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The Group is engaged in design, manufacturing and sale of lighting electrical products. We comply with the code of ethics of Electronic Industry Corporate Citizenship, making sure the work environment of the electronic industry's supply chain is safe and the employees are treated with respect and dignity. To this end, in addition to compliance with national laws, the Group also adopts several international accepted standards, including ILO Declaration on Fundamental Principles and Rights at Work, and UN Universal Declaration of Human Rights, to ensure our labor standards are in line with international levels.

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Employee Composition

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Diversity of employees helps the Group to flexibly respond to changes in business environment and improve innovative capability. As of 31 December 2017, there were 5,895 employees in the headquarters of the Group and its four major bases, 26% of which were management staff and the remaining 74% were frontline employees. Among the above-said employees, the ratio of male to female is 43:57. Most of our employees were 30 years old or under, accounting for 53%; those between 31 to 50 accounted for 46%; and those above 50 accounted for 1%. In terms of education background, 21% were associate degree or above, among which, 34 were postgraduates.

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Functional Distribution

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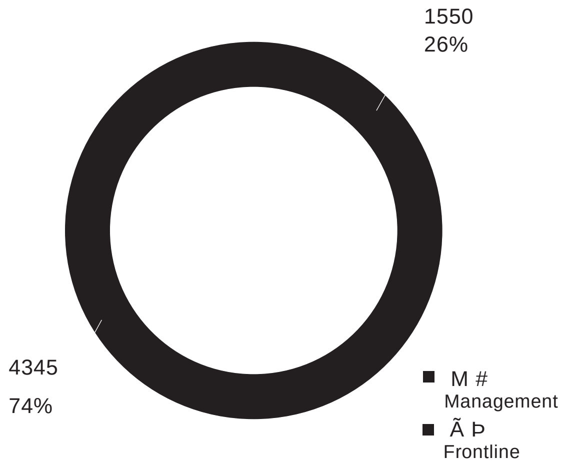

Gender Distribution

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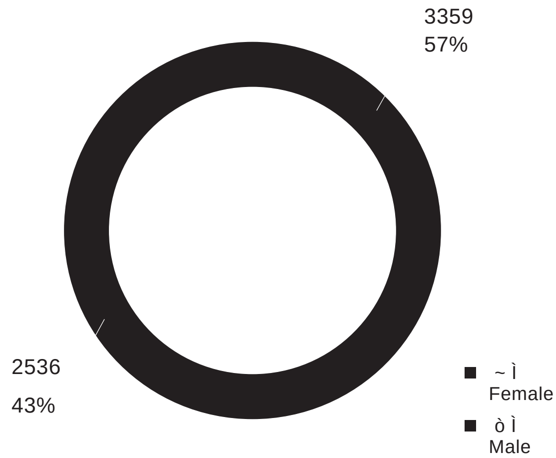

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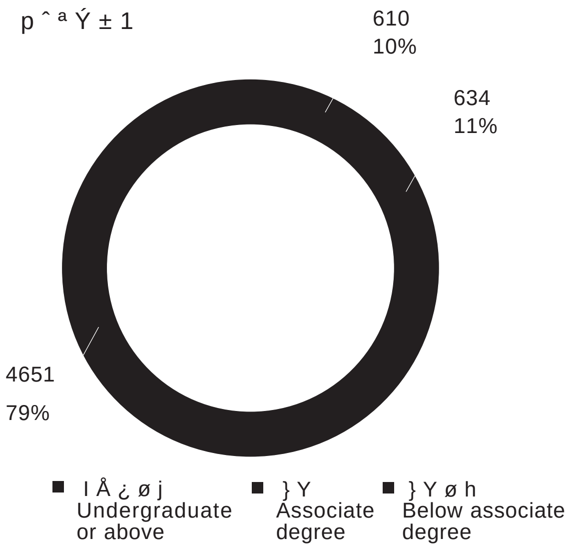

Age Distribution

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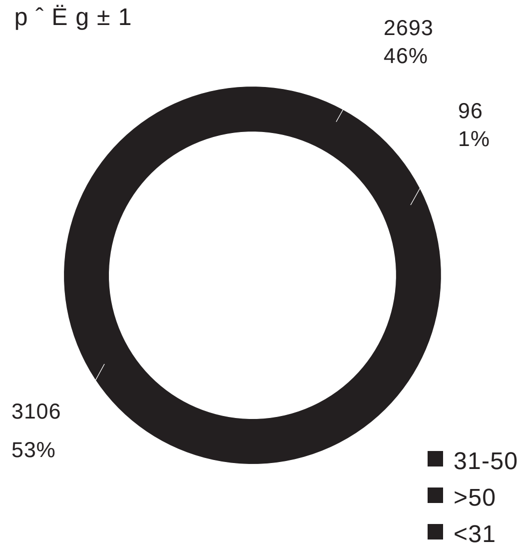

The Group actively improves its remuneration, benefit, training and development system to retain and attract excellent talents. In 2017, the Group's quarterly average new hire rate and turnover rate of employees were 6% and 11% respectively, as shown by gender and age in the figure below.

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Quarterly Average Turnover Rate and New Hire Rate of Employees by Age
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Quarterly Average Turnover Rate and New Hire Rate of Employees by Gender
2 Ì 9 Œ ± Y p ˆ ™ ; i t 0 ¿]

Talent Management

The Group has set up well-rounded human resources management policy and system, including employee manual, recruitment and dismissal management system, remuneration management system, performance management measures, social liability procedural documents, and measures for human resources information management. This has laid a good foundation for personnel management.

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Recruitment and Promotion

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The Group upholds a fair, impartial and open recruitment principle, and recruits talents by external recruitment, internal promotion, recommendation from employees, etc. In addition, the Group's management model offers an open work environment for employees, mechanisms for fair treatment of employees and employee complaints, such that employees are able to give full play to their functions. The Group has systematic promotion systems which encourage excellent employees and promote them to actively make contributions to the Company's operation and management.

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Team Cohesion

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To strengthen the employees' sense of belonging, the Group organizes various types of employee activities irregularly to enrich the employee's life and relieve their work stress. In 2017, our regional bases organized several team building activities. For example, Shanghai Base held a sport contest. Enriched employee activities can effectively enhance communication and exchange between employees and enhance cohesion of teams while showing good team style and features.

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Training and Development

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As a leading company of China's lighting source product industry, the Group attaches great importance to talent nurturing and development. The career development model features dual channels. One is the channel towards management, i.e. one can be promoted to higher level of management by leading teams and enhancing their own management skills; the other is the channel towards professionals, i.e. one can be promoted to higher level of professionals through sustained and in-depth development in certain specific field. The Group has invested enormously to establish NVC University and appointed international and domestic renowned lecturers to provide systematic professional training to professional managers of all business modules, frontline employees and dealers. We implement complete training plans to help our employees to make progress in career. This will promote the Group to grow and develop in turn.

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We are dedicated to designing and implementing diversified training programs in order to provide trainings for employees of different levels and professional background. We target to deliver effective training to cope with the diversified demand of our employees. The employees' training and career development commences as of the first day they joined in the Group. We implement pre-job training for newly-employed employees. Human Resources Department will organize training for new employees, so that they can understand the Company's basic system and related safety policy. This will help them integrate into the working environment of the Group. Then, further training will be ar602d a aer602d(e)5.n(b)0.5 beir60ye(b)0.5 bll b b b a

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Total Training Person-time by Function
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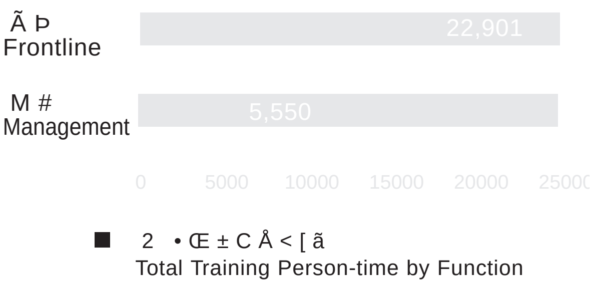

Total Training Person-time by Gender
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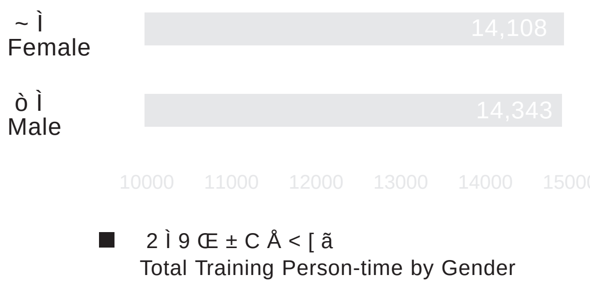

Average Training Hours by Gender
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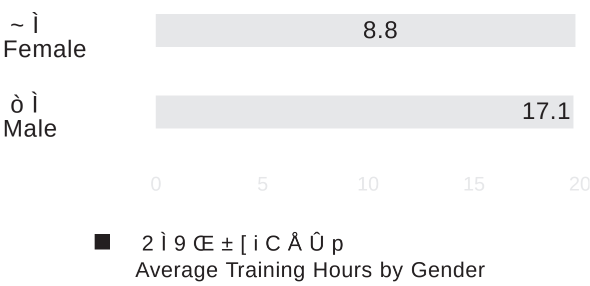

Average Training Hours by Function
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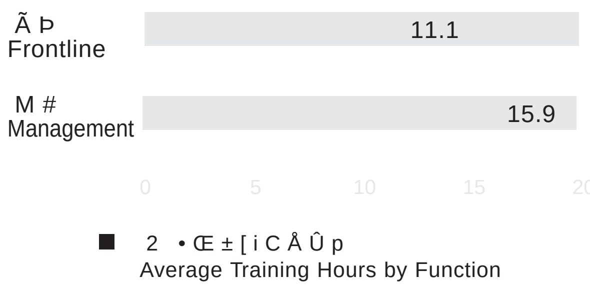

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The Group developed a series of codes of conduct regarding occupational health and safety, and professional ethics according to EICC, including hiring safety and health professionals to arrange regular safety inspection and assess the safety and health status of the Company's activities, in order to reduce potential risk factors and prevent accidents. Meanwhile, the Group developed emergency response procedures, regularly arranged first-aid treatment, outfire, evacuation and escape drills. The Group also established accident report and investigation systems to encourage its employees to report any accident and unsafe factor.

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As for the prevention of occupational disease, the Group established a comprehensive set of rules on managing occupational safety and health, with the Human Resources Department being the core coordinator. Such rules are clear in functions and responsibility. The functions and responsibility of each department have all been clearly included into the Details about Management of Occupational Health and Safety of the Group and shall be reviewed on a regular basis. In addition, as required by regulations, we regularly organize employees for health examination, and provide employees with personal protective equipment which are replaced regularly.

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In order to improve the employees' awareness of occupational safety, the Group promotes the education related to occupational health and safety, delegating the Human Resources Department the responsibility to organize relevant trainings, including pre-job training on professional health and on-the-job training, such as provision of employees training on prevention of cross-infection of disease. Apart from regular trainings, we required that all departments shall place obvious labels or marks at production and construction sites and declare rules, procedures and emergency rescue measures in relation to the prevention and control of occupational diseases and release the test results about dangerous factors that might lead to occupational diseases in workplace. In 2017, the person-time of occupational safety and health education training reached 2,575. There were 7,432 hours of safety training in total.

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Occupational Safety and Health Performance 8 Ä Œ p 6 Ö	[redacted]	2016 2016 Ë
Rate of work-related injuries ˆ Æ + B		0.43%
Lost days due to work-related injuries ª ˆ Æ & 0 Ú p		140
Work-related fatalities ª ˆ å s [p		0
Total training person-time C Å < [ã		1,686
Total training hours C Å < Û p		2,565

Remarks: The data boundary of 2016 only covered Guangdong Huizhou Base. The data boundary of 2017 covered Chongqing Wanzhou Base, Zhejiang Jiangshan Base and Shanghai Qingpu Base, in addition to Guangdong Huizhou Base.

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Create Greener Environment

As an expert in luminous environment, the Group is devoted to pushing forward green lighting through innovation and R&D, providing efficient and energy-saving lighting solutions to customers of all fields, such as, building, transportation, city lighting, supermarket, hotel, office, housing, industry. We strictly follow laws related to environment, continue to improve management systems, improve the efficiency of energy use, and control discharge of waste water, waste gas and solid wastes to gradually alleviate the impact over environment by operation.

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Environmental Compliance

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The Group strictly complies with national laws and regulations related to the environment, including Environmental Protection Law of the People's Republic of China, Guangdong Standards about Limitations on Discharge of Air Pollutants, Prevention and Control of Water Pollution Law, Marine Environmental Protection Law and Limit on Discharge of Water Pollutants of Guangdong. In 2017, the Group had not been imposed any fines or non-monetary sanctions due to non-compliance of environmental laws and regulations.

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Environmental Management

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The Group is dedicated to achieving harmonious coexistence between its operation and the natural environment. It developed Environmental Operation Control Procedures,with an aim to realize efficient management of the environmental problems related to its operation through cooperation between departments. First, all departments shall identify the environment-related problems in sections where they are responsible for. And the General Affairs Department and Human Resources Department shall be responsible for setting goals for environmental protection and the management of equipment requirements and coordinating with System Management Department to evaluate the actual environmental factors before taking corresponding measures for correction and prevention. Finally, the System Management Department shall be responsible for the verification of the results of correction and prevention.

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¤ ª o Æ 9 Environmental Aspects Identification → £ ê ¿ f z M # Facilities and Objectives Management → ¤ ª o Y Environmental Factors Evaluation → g M ¿ k # Correction and Prevention

In 2017, the Group completed the renewal of ISO 14001 environmental management system certification (2015 version).

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The bases of the Group also developed corresponding Environmental Protection Management System, strictly managed the Company's environmental protection facilities and production devices, implemented construction project Three-Simultaneities system, conducted environmental impact assessment, developed emergency response plans for environment pollution accidents, conducted education and training on environmental protection for employees, etc. Some production bases set up environmental protection management committee according to the actual conditions who is responsible for organization, coordination and assessment of the Company's environmental protection work, requiring all members of such management agency to strictly perform their duties.

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Environmental Protection Management Committee

- ô ,
Environmental Protection Director

- ô ,
Environmental Protection Deputy Director

¡ ¿ • Ð - ª , [
Responsible Person for Environmental Protection of Processing Center

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Responsible Person for Environmental Protection of Processing Center

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Responsible Person for Environmental Protection of Assembly Center

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Responsible Person for Environmental Protection of Each Department

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Responsible Person for Environmental Protection of Each Department

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Responsible Person for Environmental Protection of Each Department

Environmental Protection Management Structure of Shanghai Qingpu Base
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Resources Consumption

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The Group strictly follows the Rules about Management of Energy and Resources, advocates and educates its employees to save water and electricity, etc., in order to reduce consumption of resources.

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Energy

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The main types of energy consumed by the Group's four major bases included electricity, natural gas, diesel oil, gasoline and liquefied petroleum gas, of which, the electricity accounted for a largest percentage, up to 78%, followed by the natural gas, accounting for 19%. In 2017, the Group's four major bases consumed a total of 58,943,989 kWh of electricity, equivalent to 212,198 gigajoules (GJ), a total of 1,361,813 m³ of natural gas, equivalent to 53,017 GJ, a total of 1,132 liters and 82,089 liters of diesel oil and gasoline respectively, equivalent to 2,657 GJ, and a total of 100,387 kg of liquefied petroleum gas, equivalent to 5,037 GJ. The total energy intensity of the Group's four major bases was 0.067 GJ/one thousand of revenue in RMB. The Group's vehicle decreased in quantity, thus leading to significant drop in oil consumption of cars.

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Consumption Distribution of Main Types of Energy (GJ)

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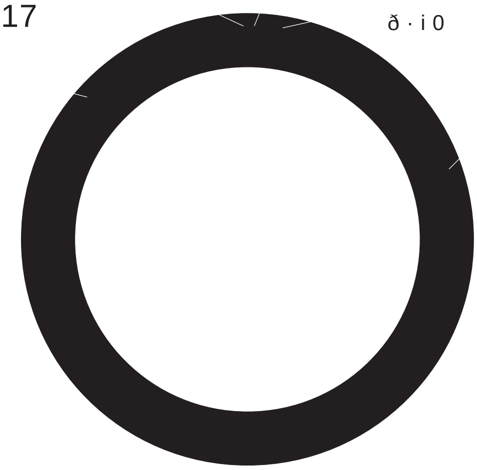

Followed by the project to replace Huizhou Base's public lighting with LED lamps that save energy last year, in 2017, Shanghai Base replaced its fluorescent lamps in its plant and office lighting system with energy-saving LED tubes, greatly reducing its electricity consumption. In addition, the Company also set up Equipment Department responsible for unified management of central air conditioning and office air conditioning and timely maintenance of all blown switches and valves to reduce energy consumption.

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Water Resources

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The Group's four major bases mainly use tap water as water resources and there is no problem in sourcing fitable water. It consumed a total of 488,925 tons of water in 2017 and the water intensity was 0.120 ton/a thousand of revenue in RMB. The Group is continuously exploring feasible water-conservation methods. In respect of domestic water consumption, we installed water-conservation facilities in staff bathrooms and toilets. In respect of production and building equipment water consumption, we used water-conservation cooling towers. In Guangdong Huizhou plants, the Group implemented techniques combining cooling towers and cooling pool, which allow the reuse of cooling water when it get cooled after flowing through underground reflow cooling pool.

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Types of Resources U ó è	Unit	[redacted]	2016 2016 Ë
Electricity e	kWh J w Y Û		18,624,000
Natural Gas Â Í	m³ m Ù ÷		278,443
Diesel oil õ 0	Liter º		–
Gasoline Û 0	Liter º		1,611,076
LPG ð ·	Kg ® Ø		–
Tap Water 8 å	Ton š		272,983

Remarks: The data boundary of 2016 only covered Guangdong Huizhou Base; and the data boundary of 2017 covered Chongqing Wanzhou Base, Zhejiang Jiangshan Base and Shanghai Qingpu Base, in addition to Guangdong Huizhou Base.

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Emissions Management

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The Group has developed Management of Emission of Waste Gas, Waste Water and Solid wastes as to such emissions during the process of manufacturing and marketing of luminaires, with an aim to ensure its such emissions meet related requirements. In 2017, the Group delegated a third party to conduct tests and no excessive emissions were found. These tests included waste water, waste gas and noise test.

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Greenhouse Gas

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The Group's greenhouse gas emissions are mainly direct emissions from natural gas, gasoline and diesel oil burning, and indirect emissions from electricity consumption. In 2017, the Group's four major bases discharged a total of 39,943 tons of greenhouse gas.

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Greenhouse Gas]	Unit	[redacted]	2016 Emissions 2016 Ë ° ó Ž
Total emissions < ° ó Ž	Ton carbon dioxide equivalent š Z · A … Ž	[redacted]	16,215
Direct emissions (Scope 1) \ Ÿ ° ó€ Í S •	Ton carbon dioxide equivalent š Z · A … Ž	[redacted]	4,335
Indirect emissions (Scope 2) œ Ÿ ° ó€ Í Z •	Ton carbon dioxide equivalent š Z · A … Ž	[redacted]	11,800

Remarks: The data boundary of 2016 only covered Guangdong Huizhou Base; and the data boundary of 2017 covered Chongqing Wanzhou Base, Zhejiang Jiangshan Base and Shanghai Qingpu Base, in addition to Guangdong Huizhou Base.

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Waste Gas

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The Group strictly controls the emissions of industrial waste gas according to the requirements of the local environmental protection departments of the places where it operates. Some plants even set up online pollution source monitoring system. During the year, third party test reports showed that emissions of all bases complied with related laws, regulations and standards, including Prevention and Control of Air Pollutants Law, Standards about Comprehensive Discharge of Air Pollutants, Limit on Discharge of Air Pollutants of Guangdong, and etc.

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The waste gas pollutants discharged from the Group mainly included nitrogen oxide, sulfur dioxide and smoke released from fuel combustion by plant and vehicle. The Group actively takes measures to deal with such wastes and pollutants. For example, on plant VOCs emissions, Shanghai Qingpu Base delegated an accepted environmental protection equipment company to design waste gas governance engineering and adopted advance and mature processes, including activated carbon adsorption device, in order to reduce the impact of the pollutant emissions on the environment. In 2017, the nitrogen oxide, sulfur dioxide and particulate matter (PM) released from the Group's vehicle exhausts were respectively 0.177 tons, 0.001 tons and 0.016 tons, while the nitrogen oxide, sulfur dioxide and smoke released from the waste gas pollutants generated by the plant equipment were respectively 3.459 tons, 1.601 tons and 6.560 tons.

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Types of Pollutants î Q J ° ó ó è	Unit	[redacted]
Nitrogen oxide ¢ · J	Ton š	[redacted]
Sulfur dioxide Z · ?	Ton š	
PM ¶ P	Ton š	

Remark: The sources of waste gas pollutant emissions included emissions from plant equipment and vehicle exhausts

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Waste Water

In 2017, the waste water generated in the Group's operation process was mainly the sanitary sewage. Its chemical oxygen demand, and ammonia – nitrogen pollutant emissions were respectively 18.2 tons and 1.4 tons. The third party test reports showed that such emissions of all production bases were in line with Integrated Sewage Discharge Standard and the discharge standards set up by the local people's governments. As to sewage treatment, we have developed strict rules about treatment of sewage and carried out separate treatment for industrial waste water and sanitary sewage. The General Affairs Department was responsible for the management of equipment in the sewage treatment station, and also for the training and management of the equipment operators.

Types of Pollutants	Unit

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As for the non-hazardous wastes, we, according to the guidelines of the Provisions for Management of Wastes, categorize and collect the recyclable wastes, such as, waste paper, plastic, metal, wood and powder, and then transport them to qualified recycling agents for treatment. Wastes with no recycling and utilization value are passed to local municipal environmental sanitation department for central collection and treatment. During the year, the Group processed a total of 2,875 tons of non-hazardous wastes for external recycling.

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Types of Discharged Pollutants î Q J ° ó ó è	Unit	[redacted]
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Remark: The disposal tonnage of general wastes (for external recycling) excluded Guangdong Huizhou Base

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Green R&D and Production

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As a national brand in lighting field, the Group strives to research and develop energy-efficient lighting system and internally promote environmental protection culture to ensure the Group compliant with environmental protection spirits in design, R&D, production and sales and to drive the industry to achieve the goal of "Make the World More Healthy and Sustainable".

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Green and Innovative

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The Group supports lighting research innovation and sets up NVC (Beijing) Lighting Environment Innovation Institute. It is a technology innovation entity. It promotes the LED era luminaires to develop and provides more environment-friendly and clean solutions for solving professional lighting problems.

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NVC (Beijing) Lighting Environment Innovation Institute

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In 2017, led by Institute of Engineering Thermophysics, Chinese Academy of Sciences, the proposal of the key national special project – Research on Key Technologies of High-Efficiency and High-Reliability LED Luminaires – applied for by 23 units, including the Group's Guangdong Huizhou Base and Shanghai Qingpu Base, has been approved. And it has formally began the start-up procedures. This Project will significantly increase the lighting efficiency and reliability of high power luminaires. The innovative technologies based on this Project will significantly increase the industrial level of China's high power LED luminaires.

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Promotion of Green Culture

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The Group is dedicated to promoting the green culture and strives to reduce unnecessary wastes in the production process. We advocate and education employees to save water and electricity, including turn off lights, water and air-conditioner, save paper and separate wastes into different dustbins depending on whether they are “recyclable” or “non-recyclable”. We are also dedicated to reducing consumption of resources, cutting use of unnecessary packaging materials and adopting renewable materials.

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Pursuit of Excellent Quality

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As a leading company of lighting industry, NVC sets up strict requirements on product safety, stability and reliability and implements various quality management measures on product design, R&D, manufacturing and sales. It is dedicated to improving its product quality and meeting the needs of its customers.

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Compliant Operation

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NVC strictly complies with laws and regulations of electronic products in order to safeguard consumer safety. The sales of the Group’s products complies with Product Quality Law of the People’s Republic of China as well as industrial and regional regulations. We, by strictly following the procedure of inspection, ensure that all our products to be sold are in ceeting (s) Twringnd se fo$ stdictAuctm eleD ai Æ 4 s aafetnder to safef

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R&D and Innovation

NVC is dedicated to research and development of new technologies and new products. We combine the market demands with our product professionalization standards to produce intelligent and healthy products. We have set up improved R&D systems and achieved integration of the industry, schools and research institutions through our rich experiences and continuous inputs. At present, NVC has 4 major manufacturing bases in China, 2 internationalized R&D centers and nationally qualified labs. We also have set up overseas product development centers in line with EU standards. During the year, the Group had more than 94 new inventions and patents applications, including 34 utility model applications and 56 design patent applications, of which, 65 were granted patents, including 22 utility models and 43 design patents.

The approved key national R&D plan and special project – Research on High-Efficiency and Long-Life LED Driven Power Supply Technologies

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As to daily quality examination work, we monitor and survey our products in procurement stage, intermediate stage and final stage. In procurement stage, we test the materials from suppliers in terms of its appearance, size and texture based on Inspection Flow of Supplied Materials and Raw Material Inspection, Feedback and Treatment Process to ensure that all purchased materials complying with the Group's designed quality requirements. As for those unqualified products, the Purchase Department shall return the products, accept after screening or accept by concession in accordance with Control Procedures for Unqualified Products.

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In the intermediate stage, we, in the production process, set up several inspection points for product inspection and test by stationed inspectors of Quality Department based onQuality Control Procedures for Process Products and the quality characteristics of semi-products of different stages of the production process. After being confirmed qualified, the products will be labeled with inspection mark, and then recorded in Product Flow Sheet. Qualified semi-products will be transferred to next process and related inspection and test data will be put into the Company's computer LAN ERP system by designated personnel.

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In the final stage, we control the quality of the finished products, including conducting quality inspection on multiple items, e.g. air leak, cleanliness, and appearance inspection. Unqualified finished products will be disposed of according to Flow of Processing Quality Abnormality Feedback and Control Procedures for Unqualified Products, so as to ensure they will not be used. For unqualified products that can be reworked, we also make second input and carry out second test.

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Finally, the Quality Department will regularly analyze the monitoring and surveying data about the purchased products, semi-products in the production process, and finished products. If any data is found abnormal, it will, according to the Control Procedures for Correction and Prevention Measures, require related departments to carry out correction and prevention measures and track such measures for verification.

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Furthermore, the Group has also developed its Management System for Recall of Defective Consumer Products. We have formed a product recall group and developed recall plans. If any consumer product is found defective, we will safely and quickly recall it. In this case, we will, within 5 working days, take initiative to file our recall plan with the quality inspection department of the province where we operate. Then, the Group will publicly release in a timely manner the recall information through press conferences, posters, traditional media, network media and many other channels. We will notify the sellers and reach a consensus with them about the responsibilities and actions of recall measures, and take initiative to contact the consumers. Upon recall, we will immediately process such recalled products, analyze the defection reasons and develop feasible prevention and correction measures. Finally, we will summarize our recall work and submit to the information system of the provincial quality supervision bureau the Phased Report of Recall of Defective Consumer Products and Summarized Report of Recall of Defective Consumer Products. In daily operation, we will collect teaching materials and cases about product recall to provide training to related department so as to avoid the occurrence of similar quality related events.

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Improved Product Certification

Product certification is an important part to ensure product quality. The Group actively push forward product test and certification work. In order to ensure the products to fully meet related safety requirements, the Group conduct routine inspection and confirmation inspection of the products to be certificated. The Company establishes Certification Management Department to undertake application for certification, rectification, renewal of certification and etc. And as for the renewal of certificates due to modification of relevant certification standards, the Department of Standardized R&D System shall provide unified scheme.

At present, the Group headquarters and its production bases have certificates such as China Compulsory Certificate (CCC), China Quality Certificate (CQC) and CQC Energy-saving Certification. For the products to be sold overseas, the Group also follows the local requirements to obtain American UL certificate, America DLC certificate and European ENEC certificate and many other international certificates.

Customer-oriented

Customer Satisfaction

In order to fully understand the customers' comments on our products and services, thus, to improve the customer satisfaction, the Group developed Evaluation Procedure for Customer Satisfaction and carried out investigation on customer satisfaction in each quarter. When a product quality problem is found, we will organize such investigation for specific customers in order to understand their satisfaction. In 2017, based on the customer survey, the Group proposed appropriate correction measures as to the delivery period, product quality, service, price, etc. to keep improving our services. Furthermore, NVC provided to employees "7S" customer experience-oriented systematic marketing training. "7S" is a system including participation, vision, store, service, product, case and evaluation experiences. It gives a comprehensive diagnosis of any existing problems of the store, helps propose practical solutions and facilitates to improve the quality of our customer service.

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Brand Value

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The Group has also received various corporate honors over the yeas. In 2017, we again were awarded as “China’s 500 Most Valuable Brands”. As an international lighting corporate, NVC’s brand values in the amount of RMB20.685 billion, ranking first in the lighting industry for 6 consecutive years. Furthermore, the Group’s Shanghai Qingpu Base was also awarded as “High-tech Corporate” and “Shanghai Municipal Patent Pilot Corporate”, selected as a “Professional, Refine, Characteristic and Novel” small and medium-size corporate, and identified as “Qingpu District Corporate Technology Center”.

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Management of Supply Chains

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Suppliers are especially important to the quality of the Group’s products. Therefore, NVC handles affairs related to suppliers from two aspects, including the screening standards and management of suppliers, as well as procurement procedures, in order to create high quality supply chain platform. As of December 31, 2017, the Group has had a total of 400 material suppliers, most of which are located in mainland China.

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The Group screens and manages suppliers based on the Procedure for Management and Control of Suppliersit has developed. Every month, we collect data from suppliers, and conduct a statistic analysis on aspects such as quality, delivery, service and cost for grading. For low-grade suppliers, we implement Quality Improvement Plan and other measurements, such as lowering supply ratio, or even terminating cooperation. Those suppliers with serious quality issues shall be examined on site by personnel from the Group with immediate arrangement.

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In addition, the Group has stipulated annual evaluation plan for suppliers, ensuring that each supplier is examined for at least once per year. The Group also updates Qualified Supplier Catalog to timely end the business relationships with unqualified and uncooperative suppliers. The Group shall convene at least one conference for all suppliers to convey the new guidelines and requirements about production quality of the Group and to share cases of improvement, thus, promoting all suppliers to improve the quality of the supplied products, therefore, meeting the needs for the development of both the Group and suppliers.

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The Group will enter into Supply and Demand Cooperation Agreement with new suppliers. In addition to requiring suppliers to ensure the quality of products and services, we also examine the suppliers' performance in environmental protection and occupational safety. We will add in such agreement terms as to environmental protection and occupational safety and health management. The suppliers shall guarantee that their products and services comply with laws and regulations as to environmental protection and workers' occupational health at national, local and industrial level. While maintaining production quality, the Group gives priority to production craft or equipment without contamination or with less contamination. In addition, we also add in such agreement terms on confidentiality and intellectual property rights, in order to protect each party's intellectual property rights.

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Anti-Corruption Policy

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The Group has established anti-corruption systems, especially standards about professional practice of the board directors and medium and senior level management, in order to build up a clean working attitude, to avoid wrong doings that harm interests of the Company, shareholders and employees and to prevent illegal behaviours of commercial bribery, extortion, fraud and money laundering.

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We have established Department for Internal Audit as our standing organ directing reporting to the Company's Board and conducting anti-corruption work together with internally and externally related institutions such as management at all levels and suppliers. In addition, we internally conduct anti-corruption trainings through many means, in order to ensure that the employees understand relevant laws and the Company's anti-corruption policy, handling procedures and relevant measures.

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We carry out risk evaluation on anti-fraud annually, including its importance and potential, and implement in various forms of necessary measures for internal control of fraud in areas with high risks, thus containing corruption from the very beginning. The Group also encourages real-name whistleblowing. Employees and parties who have a business relationship directly or indirectly with the Group can report any illegal actions such as fraud, through reporting telephone, e-mail, mail or by other means. If what is reported is found true upon investigation, the informant will be commended and rewarded by the Company. Meanwhile, we require that we must keep confidential the informant's identity to ensure that his/her personal interests are not infringed. Besides, we have worked out commitment of honest operation and categorized the commitment separately for our suppliers, customers and internal employees, encouraging both internal and external actions to prevent fraud. In 2017, the Group received no report of any illegal actions, such as, commercial bribery, extortion, fraud and money laundering.

Fulfillment of Social Welfare Projects

For many years, NVC has insisted on fulfilling its corporate social responsibility in practical action. It provides fund, material and other supports to poverty relief, environmental protection, education and many other aspects by carrying out branded public welfare activities such as "NVC Guangming School", "NVC Public Welfare Forest".

In addition, the Group actively assumes its social responsibility by applying market-based means. NVC implements "30,000+Township Franchised Stores", in which, a certain ratio of such stores must assume social responsibility for poverty relief. NVC promises that within 3 years, it will select from poor areas not less than 3,000 children from poor families, training them to work in its plants or sale systems. Meanwhile, it will also provide fund, goods credit, commercial skill training and store establishment support to 500 to 1,000 excellent individuals selected from such employees, in order to lead them to a commercial road to gaining wealth on their own.

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In July 2017, NVC's chairman Wang Donglei was invited to attend the Forum "Hong Fund 7.27 – Chinese Community Thinking Date" and delivered "Responsibility Creates Future" themed speech. She said, corporations shall put emphasis on taking up social responsibility to help poor areas to get rid of poverty. NVC supports "Hong Fund (¿ ? –)", which cares for the life and study of the left-behind children, joins hands with Chinese poverty alleviation net and participates in the creation of the Chinese entrepreneurs' alliance for poverty alleviation, to contribute to the cause of China's poverty alleviation. In addition, the Group also provides fund support to secondary schools and primary schools in the place where it operates. In 2017, we provided a total of RMB40,000 to several secondary schools and primary schools in Huizhou area. We make efforts to create a society with harmonious-development together through persistent social public welfare practice.

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p ½ Œ $ Ü

	Unit		2017^ 2017 Ë^	2016* 2016 Ë*
Environment ¤	Resources Consumption U ƒ			
	Electricity e b	kWh J w Y Û	58,943,989	18,624,000
	Gasoline Û 0	Liter º	82,089	1,611,076
	Diesel Oil õ 0	Liter º	1,132	–
	Natural Gas Â Í	m^3 m Ù ÷	1,361,813	278,443
	LPG ð ·	Kg ® Ø	100,387	–
	Total Energy Intensity < • U W	GJ/a thousand of revenue in RMB w Š Ê J w © [O Æ 8 X	0.067	–
	Tap Water 8 å	Ton š	488,925	272,983
	Water intensity \ å W	Ton/a thousand of revenue in RMB š J w © [O Æ 8 X	0.120	–
	Greenhouse Gas]			
	Total Emission of Greenhouse Gas] < ° ó Ž	Ton carbon dioxide equivalence š Z · A … Ž	39,943	16,215
	Direct Emission (Scope 1) \ Ÿ ° ó€ Í S •	Ton carbon dioxide equivalence š Z · A … Ž	3,469	4,335
	Indirect Emission (Scope 2) œ Ÿ ° ó€ Í Z •	Ton carbon dioxide equivalence š Z · A … Ž	36,474	11,800
	Waste Gas Pollutants ; î Q J			
	Nitrogen Oxide ¢ · J	Ton š	3.636	–

Unit	2017^	2016*
	2017 Ë^	2016 Ë*

Unit	2017^ 2017 Ë^	2016* 2016 Ë*
Female ~ Ì	3,359	751
Functional Distribution • ± 1		
Management M #	1,550	758
Frontline Ã Þ	4,345	1,136
Age Distribution Ë g ± 1		
<31	3,106	891
31-50	2,693	946
> 50	96	57
Regional Distribution ® ± 1		
Mainland China « ®	5,895	1,690
Hong Kong and Other Regions 0 ¥ ¿ I ü	0	204
Turnover Rate of Employees (by ages) t 0 ‹ 1 Ñ 2 Ë g		
Number of Turnover Employees t 0 [p		
<31	1,445	1,676
31-50	1,053	
> 50	57	
Average Quarterly Turnover Rate ™ ; i t 0 â		
<31	14%	18%
31-50	8%	
> 50	10%	
Turnover Rate of Employees (by gender) t 0 ‹ 1 Ñ 2 Ì 9		
Number of Turnover Employees t 0 [p		
Male ò Ì	1,602	1,676

Unit	2017^ 2017 Ë^	2016* 2016 Ë*
Female	953	
~ Ì		
Average Quarterly Turnover Rate		
™ ; i t 0 â		
Male	15%	18%
ò Ì		
Female	7%	
~ Ì		
New Hire (by ages)		
- Ý Ì ‹ 1 Ñ 2 Ë g		
Number of Employees New Hired		
-] [p		
<31	933	1,076
31-50	565	
> 50	16	
Average Quarterly New Hire Rate		
™ ; i -]		
<31	9%	12%
31-50	4%	
> 50	3%	
New Hire (by gender)		
- Ý Ì ‹ 1 Ñ 2 Ì 9		
Number of Employees New Hired		
-] [p		
Male	975	1,076
ò Ì		
Female	539	
~ Ì		
Average Quarterly New Hire Rate		
™ ; i -]		
Male	9%	12%
ò Ì		
Female	4%	
~ Ì		
Training Performance (by gender)		
C Å 6 Ö Ñ 2 Ì 9		
Total Person-time Training		
C Å < [ã		
Male	14,343	–
ò Ì		

Unit	2017^ 2017 Ë^	2016* 2016 Ë*
Female ~ Ì	14,108	–
Total Training Hours C Å < Û p		
Male ò Ì	43,390	–
Female ~ Ì	29,480	–
Training Performance (by functions) p ˆ C Å 6 Ö Ñ 2 •		
Total Person-time Training C Å < [ã		
Management M #	5,550	–
Employee Ã Þ	22,901	–
Total Training Hours C Å < Û p		
Management M #	24,675	–
Frontline Employee Ã Þ	48,195	–
Occupational Safety and Health Training 8 Ä Œ ~ p C Å		
Total Person-time Training C Å < [ã	2,575	1,686
Total Training Hours C Å < Û p	7,432	2,565
Occupational Safety and Health Performance 8 Ä Œ p 6 Ö		
Number of work-related Injuries ˆ Æ + B p	30	10
Rate of work-related Injuries ˆ Æ	0.51%	0.43%
Lost days due to work-related Injuries ª ˆ Æ & 0 ˆ * Ú p	310	140

		Unit		2016* 2016 Ë*
	Work-related fatalities ª ˆ å s [p		[redacted]	0
Community –	Participation and Public Welfare Investment ~ q ® B ³]			
	Public Welfare Donation ® B Ï ›	10,000 RMB ¬ © [O Æ		22

^ Unless otherwise specified, 2017 data collection boundary included the Group's headquarters, Guangdong Huizhou Base, Chongqing Wanzhou Base, Zhejiang Jiangshan Base and Shanghai Qingpu Base.

^ ½ Ì $ 9 - ü d 2017 Ë p ½ × « Ù ¢ ‰ l « < Å e ? l È ? ® e E ¬ È ? ® e ê ê † ? ® ¿ j ¡ ? ®

* Unless otherwise specified, 2016 data collection boundary only included the Group's headquarters and Guangdong Huizhou Base

* ½ Ì $ 9 - ü d 2016 Ë p ½ × « Ù ¢ ‰ l « < Å ¿ ? l È ? ®

ESG Content Index « ™ p Ï

KPIs ë Ÿ 6 Ö 8 z	HKEX ESG Reporting Guide Requirements ¥ t ÔESG S 8 Ì Ë	Report Chapters/Remarks S Ý · J ê W
A. Environmental A. ¤		
Aspect A1 4 &A1	Emissions ° ó J	
General Disclosure S › Þ £	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Þ ë ; ¿] ° ó e £ å ¿ z ® Y ° î e Þ ” ¿ Ì ” ; Ý J Y * [Y j (a) A i ¿ (b) m Â Á ï [Þ } B ¤ Y ´ ë , ¿ • 7 Y Ø f	Creation of Green Environment – Environmental Compliance and Management of Emission ô ¿ ` ¤ Ñ ¤ ¥ • e ° ó M #

KPIs ë Ÿ 6 Ö 8 z	HKEX ESG Reporting Guide Requirements ¥ t ÔESG S 8 Ì Ë	Report Chapters/Remarks S Ý · J ê W
KPI A1.1	The types of emissions and respective emissions data. ° ó J G ó ¿ ´ ë ° ó Ø f	Creation of Green Environment – Management of Emission ô ¿ ` ¤ Ñ ° ó M #
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).] < ° ó Ž€ ø š Q •¿€ ½ G \ •W € ½ ø Ê * Ž e Ê ° £ D Q •	Creation of Green Environment – Management of Emission ô ¿ ` ¤ Ñ ° ó M #
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). Ô * [Þ " ; Ý J < Ž€ ø š Q •¿€ ½ G \ •W € ½ ø Ê * Ž e Ê ° £ D Q •	Creation of Green Environment – Management of Emission ô ¿ ` ¤ Ñ ° ó M #
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). Ô * [Ì " ; Ý J < Ž€ ø š Q •¿€ ½ G \ •W € ½ ø Ê * Ž e Ê ° £ D Q •	Creation of Green Environment – Management of Emission ô ¿ ` ¤ Ñ ° ó M #
KPI A1.5	Description of measures to mitigate emissions and results achieved. \ ¯ - ° ó Ž Y £ D ¿ Ô { Ó f	Creation of Green Environment – Management of Emission ô ¿ ` ¤ Ñ ° ó M #
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. \ ˆ # Þ " ¿ Ì " ; Ý J Y Ù , e ¯ - * [Ž Y £ D ¿ Ô { Ó f	Creation of Green Environment – Management of Emission ô ¿ ` ¤ Ñ ° ó M #
Aspect A2 4 &A2	Use of Resources U 4 \	
General Disclosure S › Þ £	Policies on the efficient use of resources, including energy, water and other raw materials. Þ Ö 4 \ U€ < • U e å ¿ I ü a ¿ Ø •Y A f	Creation of Green Environment – Consumption of Resources ô ¿ ` ¤ Ñ U ƒ \
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity (e.g.per unit of production volume, per facility). 2 ó è Œ ± Y \ Ÿ ¿ J Ð œ Ÿ • U€ ½ e e Ð 0 •< ƒ Ž € ø w H w Y Û Q •¿ W € ½ ø Ê * Ž e Ê ° £ D Q•	Creation of Green Environment – Consumption of Resources ô ¿ ` ¤ Ñ U ƒ \

KPIs ë Ÿ 6 Ö 8 z	HKEX ESG Reporting Guide Requirements ¥ t ÔESG S 8 Ì Ë	Report Chapters/Remarks S Ý · J ê W
KPI A2.2	Water consumption in total and intensity (e.g.per unit of production volume, per facility). < ƒ å Ž ¿ W € ½ ø Ê * Ž e Ê ° £ D Q ˀ	Creation of Green Environment – Consumption of Resources ô ¿ ` ¤ Ñ U ƒ \
KPI A2.3	Description of energy use efficiency initiatives and results achieved. \ • U 4 \ Ö B Œ ¿ Ô { Ó f	Creation of Green Environment – Consumption of Resources ô ¿ ` ¤ Ñ U ƒ \
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. \ Ë _ G \ å U j Þ , * Z d ø ¿ d º \ å Ö B Œ ¿ Ô { Ó f	Creation of Green Environment – Consumption of Resources ô ¿ ` ¤ Ñ U ƒ \
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. ¡ Ó Ü Ô \ ¿ Ø Y < Ž€ ø š Q •¿€ ½ G \ •Ê [* & Ž f	Data Summary p ½ Œ $ Ü
Aspect A3 4 &A3	The Environment and Natural Resources ¤ ¿ Â Í U	
General Disclosure S › Þ £	Policies on minimizing the issuers' significant impact on the environment and natural resources. ¯ - ï [Á ¤ ¿ Â Í U ¿ Ó } B ¤ Y A f	Creation of Green Environment – Environmental Management ô ¿ ` ¤ Ñ ¤ M #
KPI A3.1	Description of significant impacts of activities on the environment and natural resources and the actions taken to manage them. \ 8 z Á ¤ ¿ Â Í U Y } B ¤ ¿ Š ® _ M # Þ ë B ¤ Y f	Creation of Green Environment – Green R&D and Production ô ¿ ` ¤ Ñ ` ¼ ï ¿ [*

KPIs ë Ÿ 6 Ö 8 z	HKEX ESG Reporting Guide Requirements ¥ t ÔESG S 8 Ì Ë	Report Chapters/Remarks S Ý · J ê W
B. Society B. _ 6		
Aspect B1 4 &B1	Employment ‡ ¿	
General Disclosure S › Þ £	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. Þ ë Z G ¿ ‡ e Ý Ì ¿ Ü º e ˆ * Û p e ÿ , e ; Ú 6 e µ © · e À V ø ¿ I ü > ¿ E ; Y j (a) A i ¿ (b) m Â Á ï [Þ } B ¤ Y ´ ë , ¿ • 7 Y Ø f	Cohesion of Employees – Diversity and Harmony and Respect for Human Rights, Management of Talents ' s p ˆ b Ž Ñ µ © • D / [Æ e [' M #
KPI B1.1	Total workforce by gender, employment type, age group and geographical region. 2 Ì 9 e ‡ ¿ ó è e Ë g \ 9 ¿ ® Œ ± Y ‡ p < p f	Cohesion of Employees – Composition of Employees ' s p ˆ b Ž Ñ p ˆ \ Ó
KPI B1.2	Employee turnover rate by gender, age group and geographical region. 2 Ì 9 e Ë g \ 9 ¿ ® Œ ± Y ‡ p t 0 â f	Cohesion of Employees – Composition of Employees ' s p ˆ b Ž Ñ p ˆ \ Ó
Aspect B2 4 &B2	Health and Safety p ~ Ä Œ	
General Disclosure S › Þ £	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. Þ ë d 6 Ä Œ ˆ * ¤ ¿ - æ ‡ p ' 5 8 Ì š " Y j (a) A i ¿ (b) m Â Á ï [Þ } B ¤ Y ´ ë , ¿ • 7 Y Ø f	Cohesion of Employees – Occupational Safety and Health ' s p ˆ b Ž Ñ 8 Ä Œ ~ p
KPI B2.1	Number and rate of work-related fatalities. ª ˆ * ë · þ å s Y [p ¿ â f	During the reporting period, there was no death due to occupational injuries S Ë « d Ú Þ ª ˆ å s + B ï [

KPIs ë Ÿ 6 Ö 8 z	HKEX ESG Reporting Guide Requirements ¥ t ÔESG S 8 Ì Ë	Report Chapters/Remarks S Ý · J ê W
KPI B2.2	Lost days due to work injury. ª ˆ Æ & 0 ˆ * Ú p f	Cohesion of Employees – Occupational Safety and Health ‘ s p ˆ b Ž Ñ 8 Ä Œ ~ p
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored. \ Ô ® v Y 8 p ~ Ä Œ £ D d ø ¿ ´ ë B ¿ 9 À Ù , f	Cohesion of Employees – Occupational Safety and Health ‘ s p ˆ b Ž Ñ 8 Ä Œ ~ p
Aspect B3 4 &B3	Development and Training ï • ¿ C Å	
General Disclosure S › Þ £	Policies on improving employees’ knowledge and skills for discharging duties at work.Description of training activities. Þ ë d º ‡ p 5 ˆ * ª Y] Æ ¿ ¦ • Y A f \ C Å z f	Cohesion of Employees – Training and Development ‘ s p ˆ b Ž Ñ C Å ~ ï •
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management). 2 Ì 9 ¿ ‡ p ó 9€ ½ ÷ t M # 4 e • t M # 4 •Œ ± Y a Å ‡ p õ ± â f	Cohesion of Employees – Training and Development ‘ s p ˆ b Ž Ñ C Å ~ ï •
KPI B3.2	The average training hours completed per employee by gender and employee category. 2 Ì 9 ¿ ‡ p ó 9 Œ ± d Ê ¤ ‡ p • Ó a Å Y ; i Û p f	Cohesion of Employees – Training and Development ‘ s p ˆ b Ž Ñ C Å ~ ï •
Aspect B4 4 &B4	Labour Standards ö ˆ _ Æ	
General Disclosure S › Þ £	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour. Þ ë # ß ˆ Ð v S ö ˆ Y j (a) A i ¿ (b) m Â Á ï [Þ } B ¤ Y ´ ë , ¿ • 7 Y Ø f	Cohesion of Employees – Diversity and Harmony and Respect for Human Rights, ‘ s p ˆ Ý Ö Ñ µ © • D / [Æ

KPIs ë Ÿ 6 Ö 8 z	HKEX ESG Reporting Guide Requirements ¥ t ÔESG S 8 Ì Ë	Report Chapters/Remarks S Ý · J ê W
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour. \ è À Ý Ì Õ 7 Y £ D ø ' 5 ˆ ¿ v S ö ˆ f	Cohesion of Employees – Compliant Operation and Respect for Human Rights ' s p ˆ b Ž Ñ ¥ • ¾ / [Æ
KPI B4.2	Description of steps taken to eliminate such practices when discovered. \ ¯ ï $ < • ‹ 1 Û ð Þ ë ‹ 1 Ô ® _ Y É 7 f	During the reporting period, there was no report of breach S Ë « d Ú Þ < • S
Aspect B5 4 &B5	Supply Chain Management 6 Ð á M #	
General Disclosure S › Þ £	Policies on managing environmental and social risks of the supply chain. M # 6 Ð á Y ¤ ¿ _ 6 , ˆ A f	Pursuit of Excellent Quality – Management of Supply Chains Û Ë Y s Ü / Ñ 6 Ð á M #
KPI B5.1	Number of suppliers by geographical region. 2 ® Œ ± Y 6 Ð p f f	Pursuit of Excellent Quality – Management of Supply Chains Û Ë Y s Ü / Ñ 6 Ð á M #
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. \ Þ ë Ì \ 6 Ð Y Õ 7 d £ I B Þ ë Õ 7 Y 6 Ð p f e ø ¿ Þ ë Õ 7 Y B ¿ 9 À Ù , f	Pursuit of Excellent Quality – Management of Supply Chains Û Ë Y s Ü / Ñ 6 Ð á M #
Aspect B6 4 &B6	Product Responsibility * Ü ª ,	
General Disclosure S › Þ £	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. Þ ë Ô d 6 * Ü q Y p ~ Ä Œ e ? S e z ¿ ÷ ¯ + • ø ¿ þ ¹ Ù , Y j (a) A i ¿ (b) m Â Á ï [Þ } B ¤ Y ´ ë , ¿ • 7 Y Ø f	Pursuit of Excellent Quality – Compliant Operation, Quality Management, Customer-oriented Û Ë Y s Ü / Ñ ¥ • ¾ e Ü / M › e ø ‰ l

KPIs ë Ÿ 6 Ö 8 z	HKEX ESG Reporting Guide Requirements ¥ t ÔESG S 8 Ì Ë	Report Chapters/Remarks S Ý · J ê W
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons. Š / Ð Š 6 Ô * Ü < p • ª Ä Œ ~ p # _ þ ² « × Y õ ± â f	During the reporting period, there was no recycling events due to reasons of safety and health S Ë « d Ú Þ ï [ª Ä Œ ~ p # _ þ ê « × Y + •
KPI B6.2	Number of products and service related complaints received and how they are dealt with. Ÿ ë õ * Ü ¿ Y ³ a p f ø ¿ Ð Á Ù , f	Pursuit of Excellent Quality – Compliant Operation, Quality Management, Customer-oriented Û Ë Y s Ü / Ñ ¥ • ¾ e Ü / M › e ø ‰ I
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights. \ ~ j • ¿ - æ } F Ì * Æ Þ ë Y Õ 7 f	Pursuit of Excellent Quality – R&D and Innovation, Management of Supply Chains Û Ë Y s Ü / Ñ ¼ ï ô - e 6 Ð á M #
KPI B6.4	Description of quality assurance process and recall procedures. \ Ü / è › @ û ¿ * Ü « × û • f	Pursuit of Excellent Quality – Quality Management Û Ë Y s Ü / Ñ Ü / M ›
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored. \ l k Ø - æ ¿ ÷ ¯ A d ø ¿ ´ ë B ¿ 9 À Ù , f	No Material Risks Related to the Company Business ® ! 8 Ú Þ ´ ë } , ˆ
Aspect B7 4 &B7	Anti-corruption À - î	
General Disclosure S › Þ £	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. Þ ë # ß ! $ e p e œ _ ¿ y ½ z Y j (a) A i ¿ (b) m Â Á ï [Þ } B ¤ Y ´ ë , ¿ • 7 Y Ø f	Pursuit of Excellent Quality – Anti-Corruption Policy Û Ë Y s Ü / Ñ À - u A

KPIs ë Ÿ 6 Ö 8 z	HKEX ESG Reporting Guide Requirements ¥ t ÔESG S 8 Ì Ë	Report Chapters/Remarks S Ý · J ê W
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. õ Ò , « Á ï [Ð I ‡ p d (Š 2 Y - î a ¤ é • Y p f ¿ a ¤ f	During the reporting period, there was no report of corruption case S Ë « d Ú Þ Ÿ - î a ¤ Y S
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. \ # Í £ D ¿ X û • d ø ¿ ´ ë B ¿ 9 À Ù , f	Pursuit of Excellent Quality – Anti-Corruption Policy Û Ë Y s Ü / Ñ À - u A
Aspect B8 4 &B8	Community Investment _ ³	
General Disclosure S › Þ £	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. Þ ë ø _ ~ 8 6 Ô ¯ _ ê q ½ - I 8 z 6 ý G _ ; B Y A f	Pursuit of Excellent Quality – Fulfillment of Social Welfare Projects Û Ë Y s Ü / Ñ ¼ 5 _ 6 ® B
KPI B8.1	Focus areas of contribution (e.g.education, environmental concerns, labour needs, health, culture, sport). Y ! Í Í š€ ½ º e ¤ + • e ö ˆ ê Ë e p e Ö · e ៛ – Fulfillment of Social Welfare Projects N¯É ¼ 1' H Ñ ê e VÐÅÀ• R1 Ðª0t@+ñE€ÁÀÏ°Hð @ ã`?Ñ peð¡ÀC°" e•t Ð@ `	Pursuit of Excellent Quality – Fulfillment of Social

25th Floor Wing On Centre
111 Connaught Road Cen

TO THE SHAREHOLDERS OF NVC LIGHTING HOLDING LIMITED
(Incorporated in the Cayman Islands with limited liability)

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Qualified Opinion

- 5

We have audited the consolidated financial statements of NVC Lighting Holding Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 199 to 404, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

¢ A Š 2 1 õ K 199 K 404 + ˜ d { k ü › p Þ " ® !€˜ n ® ! ™• ¿ I • n ® !€ U H˜ n « ™• Y ¥ ; Ì Œ d < õ2017 Ë12 Ü31 Ú Y ¥ ; Ì K 1 Œ ¿ Ú Ú ß Ë Y ¥ ; & B Œ e ¥ ; Œ & & B Œ e ¥ ; Æ B Œ ¿ ¥ ; $ – t Ž Œ d ø ¿ ¥ ; Ì Œ • W < ô 6 A ? f

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 present fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2017, 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.

¢ A © ‰ d ð Y ¢ A Y S •˜ - 5 ? þ ™ I Ý Ô + ° • m 8 Y B ¤ . d ¥ ; Ì Œ W ì ½ 7 ç Ì S _ Æ€˜ 7 ç Ì S _ Æ ™• ¯ Ô Þ } Ù & F ¼ þ ® ª ® À H c n « õ 2017 Ë12 Ü31 Ú Y ¥ ; 8 K 1 ¿ Ú Ú ß Ë Y ¥ ; Ì Œ $ ¿ ¥ ; $ – t Ž d (Š ì ½ 0 ¥ ® ! â 7 Y Þ £ • › | ‰ Ü ¡ f

(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”)

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-5 ?þ €ƒ•

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

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 took legal actions against the respective borrowers and the guarantors (including the Borrower and the Subsidiary as guarantors) to recover the loan balances and interests.

For the Guarantee Agreement 1, according to the first court judgement in 2016 and the final court judgement in 2017, the Subsidiary is adjudicated to be jointly liable for the payment to the PRC bank of the outstanding loan, plus interest and costs. The Subsidiary has filed application of retrial of the PRC court judgements and the commencement of related legal proceeding has been accepted by the PRC court in January 2018. The related outcome of the retrial according to the official legal documents received by the Subsidiary is pending as of the date of approval of these consolidated financial statements.

For the Guarantee Agreement 2, according to the first court judgement in 2016 and the final court judgement in 2017, the Subsidiary is adjudicated to be jointly liable for the payment to the PRC finance company of the outstanding loan, plus interest and costs. The Subsidiary is in the process of applying for protest of the PRC court judgements.

(a) I ü Ð × › ° ¯ = ¿ ë õ Ì Ä - ¥ Ò Y ” ½ › Ì €ƒ•

½ ¥ ; Ì Œ • W 33 ¿ 34 Ô 1 d • n ® ! u ± 9 õ 2013 Ë ~ $ S • • 7 Õ m Ä - X D€˜ Ä - X D1 ™• ø ¿ 2014 Ë ~ S • • 7 Ì ® ! m Ä - X D€˜ Ä - X D2 ™• d ‰ • • 7 Õ ¿ • • 7 Ì ® ! £ I > › [¬ š r › D d 6 Ä - f 1 Ä - X D 1 ¿ Ä - X D 2 Y J µ ” r › [O Æ 35,497 w © ¿ [O Æ 34,000 w © ± 9 2015 Ë ¿ 2014 Ë < Ò f • • 7 Õ ¿ • • 7 Ì ® ! Š ® _ , £ ¢ > › [¿ S : Ä - [€ < > › [¿ • n ® ! d * ‰ Ä - [•Û À r › q ¿ ; ¹ f

1 Ä - X D1 þ d ì ½ õ 2016 Ë Y / ã , ë : Ô ¿ õ 2017 Ë Y ð ^ , ë : Ô d • n ® ! — R › ² 1 £ • • 7 Õ Õ ù J µ ” r › $; ¹ ¿ š Õ Õ Ä • • ª , f • n ® ! Š 1 • 7 , ë : Ô a 2 d ò • 7 , ë Š õ 2018 Ë1 Ü • a # ´ ë , a ¤ f ì ½ • n ® ! × Q Y M Ì , Ö • d 2 Y ´ ë ¯ ¥ ; Ì Œ - X … Ú J ® 1 f

1 Ä - X D2 þ d ì ½ õ 2016 Ë Y / ã , ë : Ô ¿ õ 2017 Ë Y ð ^ , ë : Ô d • n ® ! — R › ² 1 £ • • 7 Ì ® ! Õ ù J µ ” r › $; ¹ ¿ š Õ Õ Ä • • ª , f • n ® ! M 1 • 7 , ë : Ô a ¤ a f

- 5 ? þ €ƒ•

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

Accordingly, the Group is of the view that the legal proceedings in relation to Guarantee Agreements 1 and 2 are still in progress notwithstanding the respective final court judgements.

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

However, the legal proceedings in relation to the Pledge and Guarantee Agreements and the Guarantee Agreement 1 are still in progress and we are not able to obtain sufficient appropriate audit evidence to assess the likelihood of successfully applying for the protest of the PRC court judgements by the Subsidiary in relation to Guarantee Agreement 2 and the likely outcome of such protest of the PRC court judgements, and we are not able to obtain sufficient appropriate audit evidence to ascertain the above management assessment. Accordingly we are not able to assess the likely outcome of the legal proceedings in respect of the amount that the Group would recover from the Borrower's assets as determined by the court and the amount ultimately to be recovered from the Borrower in connection with the Pledge and Guarantee Agreements, and to determine if any provision arising from the Guarantee Agreements 1 and 2 is necessary. As a result, we are not able to ascertain the recoverability of the Recoverable Amount due from the Borrower and any provision for the Guarantee Agreements 1 and 2 as at 31 December 2017 should be recognised.

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

Any adjustments to the Recoverable Amount due from the Borrower and any provision to be recognised as at 31 December 2017 in respect of Guarantee Agreements 1 and 2 would have a consequential impact on the Group's net assets as at 31 December 2017 and the Group's financial performance for the year then ended. Our audit opinion on the consolidated financial statements for the year ended 31 December 2016 was qualified in this respect.

(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 took legal actions against the borrower and the guarantors (including the Subsidiary) to recover the bank loan balance and interest. A court order was issued to freeze assets of the guarantors (including the Subsidiary) in the amount of RMB62,000,000. As a result of the court order, bank balance of the Subsidiary in the amount of RMB55,396,000 had been frozen by the bank as at 31 December 2016 which was included in "Restricted bank balances and short-term deposits" in the consolidated statement of financial position as at 31 December 2016 as set out in Note 25 to the consolidated financial statements. According to the first court judgement in 2016 and the final court judgement in 2017, the Subsidiary is adjudicated to be jointly liable for the payment to the PRC bank of RMB60,000,000, plus interest and costs. In February 2017, the frozen bank balance of the Subsidiary has been withdrawn by the court for the purpose of settlement of the claim by the PRC bank. During the year,

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

the Subsidiary filed an application of retrial of the PRC court judgements in relation to Guarantee Agreement 3 which was rejected by the PRC court. During the year, the Subsidiary has filed an application of protest of the PRC court judgements and the commencement of related legal proceeding has been accepted by the PRC court in March 2018. The related outcome of the protest according to the official legal documents received by the Subsidiary is pending as of the date of approval of these consolidated financial statements.

Accordingly, the Group is of the view that the legal proceeding is still in progress notwithstanding the final court judgement and the rejection of the application of retrial. As at 31 December 2017, the withdrawn amount of RMB55,396,000 was 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, 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 protest of the PRC court judgements and no provision on the frozen and subsequently withdrawn amount is considered necessary as at 31 December 2016 and 2017 respectively. In addition, the directors are of the opinion that no provision on any shortfall between the amount to be ultimately settled by the Group under the Guarantee Agreement 3 and the Subsidiary’s frozen and subsequently withdrawn bank balance is considered necessary as at 31 December 2016 and 2017 respectively.

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

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However, as the legal proceeding is still in progress, we are not able to obtain sufficient appropriate audit evidence to assess the likely outcome of the legal proceeding in respect of whether the Subsidiary is jointly liable for the payment to the PRC bank of RMB60,000,000 and accordingly whether and to what extent the Group would recover the withdrawn amount from the court, and we are not able to obtain sufficient appropriate audit evidence to ascertain the above management assessment. Accordingly, we are not able to ascertain whether any provision on the frozen and subsequently withdrawn amount as at 31 December 2017, and any shortfall between the amount to be ultimately settled by the Group under the Guarantee Agreement 3 and the Subsidiary's frozen and subsequently withdrawn amount is required to be made as at 31 December 2017.

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Any provisions that should have been made as at 31 December 2017 would have a consequential impact on the Group's net assets as at 31 December 2017 and the Group's financial performance for the year then ended. Our audit opinion on the consolidated financial statements for the year ended 31 December 2016 was qualified in this respect.

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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.

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The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the "Basis for Qualified Opinion" section above, we were not able to obtain sufficient appropriate evidence about impairment of other receivables and uncertainties relating to financial guarantee contracts; and provision for loss on financial guarantee contract. Accordingly we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. In addition to the matters described in the "Basis for Qualified Opinion" section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

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Refer to Notes 2.3, 3 and 17 to the consolidated financial statements.

Included in other intangible assets of the Group are trademarks of RMB270,000,000 with indefinite useful lives as at 31 December 2017.

We focused on this area due to the size of trademarks with indefinite useful lives. Furthermore, the directors' assessment of the value-in-use calculation of the Group's cash-generating

The directors of the Company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate Number: P05308

Hong Kong, 22 March 2018

合併損益表

Year ended 31 December 2017 截至2017年12月31日止年度

				2016
			2017 Ë	2016 Ë
		Notes	RMB'000	RMB'000
		• W	w [O Æ	w [O Æ
REVENUE	×]	5	4,063,163	3,806,329
Cost of sales	V / Ó I		(2,890,305)	(2,785,371)
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Consolidated Statement of Comprehensive Income
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Year ended 31 December 2017 截至2017年12月31日止年度

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
PROFIT FOR THE YEAR	I Ë ; —	331,600	178,583
OTHER COMPREHENSIVE INCOME	I ü Œ & ×]		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:	I - ± ó & B Œ Y I ü Œ & ×] j		
Exchange differences on translation of foreign operations	I Q . 8 * [Y Ò 3 ¨ X	(2,136)	(35,863)
Fair value gain/(loss) on available-for-sale financial assets	6 / – D * ® ª = × B	(3,000)	1,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	I Ë Œ & ×] ¥	326,464	143,720
Attributable to:	ø h ¢ Ù Đ & j		
Owners of the parent	N ® ! ¹ Þ [	308,606	117,092
Non-controlling interests	¢ › S Ì Æ B	17,858	26,628
		326,464	143,720

合併財務狀況表

31 December 2017 2017年12月31日

		Notes • W	2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
NON-CURRENT ASSETS	¢ t *			
Property, plant and equipment	J 8 e @ Ò ¿ £ ê	14	619,497	650,583
Prepaid land lease payments	k ù z ® a –	15	46,119	47,439
Goodwill	‘	16	21,161	21,161
Other intangible assets	I ü Ì – *	17	294,575	312,240
Investments in associates	õ L ® ! ³	18	54,518	41,030
Investment in a joint venture	õ ¥ ® ! ³	46	100,000	100,000
Long term investments	— , ³	47	218,026	23,000
Deferred tax assets	È · ü ° *	19	52,258	48,704
Prepayments	k ù ›	22	429,961	102,252
Total non-current assets	¢ t * ¥		1,836,115	1,346,409
CURRENT ASSETS	t *			
Inventories	À ¬	20	425,384	401,668
Trade and bills receivables	q ø ¿ C ½ Ð × * ›	21	1,092,554	1,218,003
Prepayments, deposits and other receivables	k ù › e - Ç – ¿ I ü Ð × * ›	22	397,213	343,115
Income tax recoverable	k ù Ô { ü		11,741	4,596
Other current assets	I ü t *	23	41,512	25,303
Held-for-trading investments	5 * o - ³	24	88,786	–
Restricted bank balances and short-term deposits	a " S Y Õ q ¿ õ , À ›	25	314,422	445,424
Cash and cash equivalents	$ – ¿ $ – J	25	1,265,589	1,160,155
Total current assets	t * ¥		3,637,201	3,598,264
CURRENT LIABILITIES	t À			
Trade and bills payables	q ø ¿ C ½ Ð ù * ›	26	820,833	750,036
Other payables and accruals	I ü Ð ù › ° ¿ Ð I \	27	728,749	749,975
Interest-bearing loans and borrowings	¹ r › ¿ > ›	28	24,940	48,411
Government grants	A ´ þ ?	29	2,012	2,026
Income tax payable	Ð ® Ô { ü		34,071	24,951
Convertible bonds – derivative component	I p À N Ñ [ˆ H Å …	45	11,933	60,230
Convertible bonds – liability component	I p À N Ñ À Å …	45	421,229	–
Total current liabilities	t À ¥		2,043,767	1,635,629
NET CURRENT ASSETS	t *		1,593,434	1,962,635
TOTAL ASSETS LESS CURRENT LIABILITIES	< * ¯ t À		3,429,549	3,309,044

continued/...

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Consolidated Statement of Financial Position

31 December 2017 2017年12月31日

		Notes • W	2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
NON-CURRENT LIABILITIES	¢ t À			
Government grants	A ´ þ ?	29	12,112	12,859
Deferred tax liabilities	È · ü ° À	19	87,208	82,238
Convertible bonds – liability component	I p À N Ñ À Å …	45	–	440,272
Total non-current liabilities	¢ t À ¥		99,320	535,369
Net assets	*		3,330,229	2,773,675
EQUITY	Æ B			
Equity attributable to owners of the parent	N ® ! ¹ Þ [Ð & Æ B			
Share capital	p I	30	3	2
Reserves	· ê	32	3,212,109	2,674,734
Proposed final dividend	D | K , p ¹	12	29,940	28,745
			3,242,052	2,703,481
Non-controlling interests	¢ › S Ì Æ B		88,177	70,194
Total equity	< Æ B		3,330,229	2,773,675

WANG Donglei
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Director
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XIAO Yu
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Director
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		Attributable to owners of the parent N ® ! ¹ Þ [Ð &												
		Share capital p l RMB'000 w [O Æ	Share premium p … P RMB'000 w [O Æ	Equity reserve Æ B · ê RMB'000 w [O Æ	Other reserve l ü · ê RMB'000 w [O Æ	Shareholders' contribution p RMB'000 w [O Æ	Statutory reserve , › ® – RMB'000 w [O Æ	Employee equity benefit reserve ‡ p Æ B E ; _ ê RMB'000 w [O Æ	Foreign currency translation reserve . Æ l Q _ ê RMB'000 w [O Æ	Retained profits 5 À ; — RMB'000 w [O Æ	Proposed final dividend D | K , p ¹ RMB'000 w [O Æ	Total ¥ RMB'000 w [O Æ	Non-controlling interests ¢ › S Ì Æ B RMB'000 w [O Æ	Total equity < Æ B RMB'000 w [O Æ
At 1 January 2016	2016 Ë1 Ü1 Ú	2	1,840,716	(4,158)	–	6,416	130,452	4,549	(92,553)	1,405,273	26,210	3,316,907	139,122	3,456,029
Profit for the year	l Ë ; —	–	–	–	–	–	–	–	–	150,928	–	150,928	27,655	178,583
Other comprehensive income:	l ü Œ & ×] j				–									
Exchange differences on translation of foreign operations	l Q . 8 * [Y Ò 3 ¨ X	–	–	–	–	–	–	–	(34,836)	–	–	(34,836)	(1,027)	(35,863)
Fair value change on available-for-sale financial assets	6 / – D * ® ª =	–	–	–	1,000	–	–	–	–	–	–	1,000	–	1,000
Total comprehensive income for the year	l Ë Œ & ×] ¥	–	–	–	1,000	–	–	–	(34,836)	150,928	–	117,092	26,628	143,720
Issue of new shares	ï - p …	–	60,742	–	–	–	–	–	–	–	–	60,742	–	60,742
Transfer to statutory reserve	7] , › ® –	–	–	–	–	–	26,772	–	–	(26,772)	–	–	–	–
Lapse of share options	… p Æ 0 Ö	–	–	–	–	–	–	(4,244)	–	4,244	–	–	–	–
Employee share option arrangements	‡ p … p Æ Ä °	–	–	–	–	–	–	7	–	–	–	7	–	7
Acquisition of additional interests in a subsidiary	× … S • • n ® ! X . p Æ	–	(765,057)	–	–	–	–	–	–	–	–	(765,057)	(28,790)	(793,847)
Capital contribution to a non-wholly-owned subsidiary from non-controlling interests	¢ › p Æ B £ ¢ Œ • n ® !	–	–	–	–	–	–	–	–	–	–	–	2,434	2,434
Dividends paid to non-controlling shareholders	£ ¢ › S Ì p | ù p ¹	–	–	–	–	–	–	–	–	–	–	–	(69,200)	(69,200)
Transfer upon disposal of a subsidiary	ˆ Ä S • • n ® ! 7]	–	–	–	–	–	(767)	–	–	767	–	–	–	–
Dividend paid	Š ù p ¹	–	–	–	–	–	–	–	–	–	(26,210)	(26,210)	–	(26,210)
Proposed final 2016 dividend	D2016 Ë K , p ¹	–	(28,745)	–	–	–	–	–	–	–	28,745	–	–	–
At 31 December 2016	2016 Ë12 Ü31 Ú	2	1,107,656	(4,158)	1,000	6,416	156,457	312	(127,389)	1,534,440	28,745	2,703,481	70,194	2,773,675

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At 1 January 2017	2017 Ë1 Ü1 Ú	2	1,107,656	(4,158)	1,000	6,416	156,457	312	(127,389)	1,534,440	28,745	2,703,481	70,194	2,773,675
Profit for the year	I Ë ; —	–	–	–	–	–	–	–	–	314,268	–	314,268	17,332	331,600
Other comprehensive income:	I ü Œ & ×] j													
Exchange differences on translation	I Q . 8 * [Y													
of foreign operations	Ò 3 ¨ X	–	–	–	–	–	–	–	(2,662)	–	–	(2,662)	526	(2,136)
Fair value change on	6 / – D *													
available-for-sale financial assets	® ª =	–	–	–	(3,000)	–	–	–	–	–	–	(3,000)	–	(3,000)
Total comprehensive income	I Ë Œ & ×] ¥													
for the year		–	–	–	(3,000)	–	–	–	(2,662)	314,268	–	308,606	17,858	326,464
Issue of new shares	ï - p ...	1	259,021	–	–	–	–	–	–	–	–	259,022	–	259,022
Transfer to statutory reserve	7] , › ® –	–	–	–	–	–	26,198	–	–	(26,198)	–	–	–	–
Lapse of share options	... p Æ 0 Ö	–	–	–	–	–	–	(312)	–	–	–	(312)	–	(312)
Acquisition of a subsidiary	× ... S • • n ® !	–	–	–	–	–	–	–	–	–	–	–	125	125
Dividend paid	Š ù p ¹	–	–	–	–	–	–	–	–	–	(28,745)	(28,745)	–	(28,745)
Proposed final 2017 dividend	D2017 Ë K , p ¹	–	(29,940)	–	–	–	–	–	–	–	29,940	–	–	–
At 31 December 2017	2017 Ë12 Ü31 Ú	3	1,336,737	(4,158)	(2,000)	6,416	182,655	–	(130,051)	1,822,510	29,940	3,242,052	88,177	3,330,229

合併現金流量表

Year ended 31 December 2017 截至2017年12月31日止年度

			2016
		2017 Ë	2016 Ë
		RMB’000	RMB’000
		w [O Æ	w [O Æ
CASH FLOWS FROM OPERATING ACTIVITIES	¾ z Ô { $ – t Ž		
Profit before income tax	ü Ã ; —	435,856	254,054
Adjustments for:	¾ ø h ¢ ° Æ j		
Interest income	; ¹ ×]	(25,868)	(14,505)
Finance costs	Ì I \	42,096	25,769
Share of results of associates	Ð & L ® ! 8 6	(17,468)	(6,800)
Gain on disposal of a subsidiary	ˆ Ä S • • n ® ! × B	–	(7,419)
Loss on disposal of items of property, plant and equipment	ˆ Ä J 8 e @ Ò ¿ £ ê ° f Y f &	16,642	30,173
Depreciation of items of property, plant and equipment	J 8 e @ Ò ¿ £ ê ° f ±	82,229	94,069
Amortisation of prepaid land lease payments	Å V k ù z ® a # › °	1,319	1,319
Amortisation of other intangible assets	I ü Ì – * Å V	4,293	5,007
(Reversal of impairment)/impairment of property, plant and equipment, net	J 8 e @ Ò ¿ £ ê € ¯ = a « •J ¯ = d X	(27)	12,807
Impairment of other intangible assets	I ü Ì – * ¯ =	18,165	–
Impairment of trade receivables, net	q ø Ð × * › X ¯ =	15,839	38,913
Impairment of prepayments and other receivables, net	k ù › ¿ I ü Ð × › ° X ¯ =	929	10,594
Reversal of write-down of inventories	a « À ¬ Û ¯	(14,499)	(39,770)
Recovery of bad debts	× « x *	11,457	–
Government grants released to consolidated statement of profit or loss	a ¥ ; & B Œ Y A ´ þ ?	(16,532)	(18,124)
Fair value change of derivative component of convertible bonds	I p À N [ˆ H Å … Y ® ª =	(46,228)	46,889
Unrealised exchange differences	J $ Ò 3 ¨ X	(14,777)	24,482
Wavier of other payables	I ü Ð ù * › € 5	(16,718)	–
Fair value change of held-for-trading investments	5 * o - ³ Y ® ª =	12,004	–
Equity-settled share option expense	Æ B Q … p Æ š Õ	–	7
		488,712	457,465

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Consolidated Statement of Cash Flows

Year ended 31 December 2017 截至2017年12月31日止年度

			2016
		2017 Ë	2016 Ë
		RMB'000	RMB'000
		w [O Æ	w [O Æ
(Increase)/decrease in inventories	À ¬€ # •J ¯ Ç	(5,958)	123,231
Decrease/(increase) in trade and bills receivables	q ø ¿ C ½ Ð × * › ¯ Ç J€ # •	102,864	(84,479)
Increase in prepayments, deposits and other receivables	k ù › e - Ç – ¿ I ü Ð × * › #	(55,109)	(18,900)
Decrease in trade receivables with maturity more than one year	t @ S Ë Q , Y q ø Ð × * › ¯ Ç	–	13,856
Increase in other current assets	I ü t * #	(16,209)	(8,788)
Increase in trade and bills payables	q ø ¿ C ½ Ð ù * › #	70,072	140,891
(Decrease)/increase in other payables and accruals	I ü Ð ù * › ¿ Ð I \ ¯ Ç J € # •	(5,505)	187,404
Receipt of government grants	× Q A ´ þ ?	15,771	16,556
Cash generated from operations	¾ Ô { $ –	594,638	827,236
Income tax paid	Š ® Ô { ü	(100,864)	(83,753)
Net cash generated from operating activities	¾ z Ô { $ – t Ž X	493,774	743,483
CASH FLOWS FROM INVESTING ACTIVITIES	³ z Ô { $ – t Ž		
Interest received	Š × ; ¹	25,868	14,505
Proceeds from disposal of items of property, plant and equipment	ˆ Ä J 8 e @ Ò ¿ £ ê ° f Y Ô { ›	3,203	6,873
Purchases of items of property, plant and equipment	… o J 8 e @ Ò ¿ £ ê ° f	(397,427)	(138,163)
Dividend received from an associate	× _ S • L ® ! p ¹	3,000	–
Acquisition of interest in a subsidiary	× … S • • n ® ! Æ B	–	(752,022)
Purchase of long term investments	… o — , ³	(204,268)	(22,000)
Purchase of held-for-trading investments	… o 5 * o - ³	(302,669)	–
Proceeds from disposal of held-for-trading investment	ˆ Ä 5 * o - ³ Y Ô { ›	202,597	–
Investments in associates	õ L ® ! ³	–	(7,800)
Refund of investment in an associate	õ L ® ! ˜ ³ × ›	980	–
Investment in a joint venture	õ ¥ ® ! ³	–	(100,000)

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Proceeds from disposal of a subsidiary	ˆ Ä S • • n ® ! Ô { › °	–	25,127
Additions to other intangible assets	ô Ä I ü Ì – *	(5,995)	(23,504)
Decrease in the restricted bank balance and short-term deposits	a " S Õ q ¿ õ , À › ¯ Ç	131,002	214,883
Net cash used in investing activities	³ z Ô \ $ – X	(543,709)	(782,101)
CASH FLOWS FROM FINANCING ACTIVITIES	D z Ô { $ – t Ž		
Capital contribution from non-controlling shareholders	¢ › S Ì p #	shareholders	

1. ® ! Ø

NVC Lighting Holding Limited (the “Company”, together with its subsidiaries are collectively referred to as the “Group”) was incorporated in the territory of the British Virgin Islands (the “BVI”) as a limited liability company on 2 March 2006 and was redomiciled to the Cayman Islands on 30 March 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s shares are listed on the Main Board of Stock Exchange of Hong Kong Limited.

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The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the manufacture and sale of lamps, luminaries, lighting electronic products and related products. Information on the Group’s subsidiaries is set out in Note 39.

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The consolidated financial statements are presented in Renminbi (“RMB”), which is different from the Company’s functional currency (United States dollars). These consolidated financial statements are presented in RMB because management considers that a substantial majority of the Group’s transactions are denominated in RMB and the Group primarily generates and expends cash in RMB. Accordingly, RMB presents more reliable and more relevant information about the Group’s transactions.

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2.1 Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which in collective term include all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the IASB, and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value. 0.125 Tw 32lc(B)13.9((he)27.C56 TD [(Or20t8 -1.556 ...) have bes(

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2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

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.

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2.2 Adoption of IFRSs (continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2017 (continued)

Amendments to IAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the consolidated statement of cash flows, Note 50.

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

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.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

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2.2 Adoption of IFRSs (continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2017 (continued)

Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of IFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to IFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with IFRS 5.

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2.2 Adoption of IFRSs (continued)

(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.

Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards[1]
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IAS 28 Investments in Associates and Joint Ventures[2]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3 Business Combinations[2]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11 Joint Arrangements[2]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12 Income Taxes[2]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23 Borrowing Costs[2]
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
IFRS 9	Financial Instruments[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]

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2014 Ë 2016 Ë „ , 7 ç Ì S _ Æ ˜ Ë · †	7 ç Ì S _ Æ K 1 î ˜ L / ã ® v 7 ç Ì S _ Æ[1]
2014 Ë 2016 Ë „ , 7 ç Ì S _ Æ ˜ Ë · †	7 ç 6 _ Æ K28 î ˜ L õ L ® ! ¿ ¥ ® ! Y ³[2]
2015 Ë 2017 Ë „ , 7 ç Ì S _ Æ ˜ Ë · †	7 ç Ì S _ Æ K 3 î ˜ L 8 ¥ ;[2]
2015 Ë 2017 Ë „ , 7 ç Ì S _ Æ ˜ Ë · †	7 ç Ì S _ Æ K 11 î ˜ L ¥ Ä °[2]
2015 Ë 2017 Ë „ , 7 ç Ì S _ Æ ˜ Ë · †	7 ç 6 _ Æ K12 î ˜ L Ô { ü[2]
2015 Ë 2017 Ë „ , 7 ç Ì S _ Æ ˜ Ë · †	7 ç 6 _ Æ K23 î ˜ L > › Ó I[2]
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2.2 Adoption of IFRSs (continued)

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

IFRS 15	Revenue from Contracts with Customers[1]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty Over Income Tax Treatments[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 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 of the amendments continue to be permitted.

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2.2 Adoption of IFRSs (continued)

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

Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standard

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IAS 28 Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

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2.2 Adoption of IFRSs (continued)

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

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Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 3 Business Combinations

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The amendment clarifies that a company remeasures its previously held interest in a joint operation that is a business when it obtains control of the business. Paragraph 42A is added to clarify this requirement.

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Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 11 Joint Arrangements

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The amendment clarifies that a company that participates in but does not have joint control over a joint operation, does not remeasure its previously held interest in the joint operation which is a business when it obtains joint control of the business. Paragraph B33CA is added to IFRS 11 to clarify this requirement.

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2.2 Adoption of IFRSs (continued)

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

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 12 Income Tax

The amendment clarifies that a company accounts for all income tax consequences of dividend payments in the same way as the entity recognised the originating transaction or event that generated the distributable profit giving rise to the dividend. Paragraph 57A to IAS 12 is added to clarify this point.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 23 Borrowing Costs

The amendment clarifies that when a qualifying asset is ready for its intended use or sale and (some of) the related specific borrowing remains outstanding, that borrowing is treated as general borrowings. Paragraph 14 of IAS 23 is amended to convey this principle.

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2.2 Adoption of IFRSs (continued)

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

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

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.

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2.2 Adoption of IFRSs (continued)

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

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.

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2.2 Adoption of IFRSs (continued)

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

IFRS 9 – Financial Instruments (continued)

Furthermore, the long-term investments will be classified as financial assets at FVTOCI or FVTPL based on the Group's business model in managing the investments under IFRS 9. The classification may have an impact on the financial position and results of operations.

The above assessments were made based on an analysis of the Group's financial assets as at 31 December 2017 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of IFRS 9, which is expected to be 1 January 2018, the assessment of the potential impact is subject to change.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

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2.2 Adoption of IFRSs (continued)

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

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 IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

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2.2 Adoption of IFRSs (continued)

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

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IFRS 15 – Revenue from Contracts with customers (continued)

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Management has performed a preliminary assessment and expects that the recognition of sales rebates under IFRS 15 may affect the amount of the transaction price to which the Group expects to be entitled in sale transactions. This may result in a significant impact on the Group's financial position and results of operations. Besides, there will be additional disclosure requirement under IFRS 15 upon its adoption. IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

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Amendments IFRS 15 – Clarifications to IFRS 15 Revenue from Contracts with customers

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The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

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2.2 Adoption of IFRSs (continued)

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

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.

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2.2 Adoption of IFRSs (continued)

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

IFRS 16 – Leases (continued)

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.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately RMB4,991,000 as disclosed in Note 36(b). A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

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2.2 Adoption of IFRSs (continued)

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

HK(IFRIC) – Int 23 – Uncertainty over Income Tax Treatments (continued)

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

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2.2 Adoption of IFRSs (continued)

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

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.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. Except for those disclosed above, the Group has so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

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2.3 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are stated at cost less any impairment losses.

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2.3 Summary of Significant Accounting Policies (continued)

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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2.3 Summary of Significant Accounting Policies (continued)

Investments in associates and joint ventures (continued)

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The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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Business combinations and goodwill

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Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition-date fair value which is the sum of the acquisition-date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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2.3 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

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When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

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If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

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Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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2.3 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

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2.3 Summary of Significant Accounting Policies (continued)

Fair value measurement (continued)

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All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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2.3 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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2.3 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the parent of the Company;

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2.3 Summary of Significant Accounting Policies (continued)

Related parties (continued)

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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2.3 Summary of Significant Accounting Policies (continued)

Related parties (continued)

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(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a party, provides key management personnel services to the Group or the Company's parent.

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Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

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2.3 Summary of Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for “Non-current assets held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	18 to 40 years
Leasehold improvements	3 to 5 years
Plant and machinery	3 to 10 years
Furniture and fixtures	2 to 5 years
Motor vehicles	4 to 8 years

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2.3 Summary of Significant Accounting Policies (continued)

Property, plant and equipment (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain2(e 7-os ofn)]TJ 0.0247Tc 0.284 Tw 1B 1.556 TD [(dei)0.5(tosal.14.13 tpeof0.5(ite8.2( ))0.5(fr1.2( )ls)0.5(ts8.2(if)8.23eohe0.5(e)0.2(iear0.5(fr1.2( )he0.5(e)0.2(ia)0.5(tse0.5(t)082(is)9.2(euteopupfne

2.3 Summary of Significant Accounting Policies (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life on the straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment at least annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademarks

Trademarks are accounted for as intangible assets with indefinite useful lives and are not amortised. They are stated at cost less any impairment losses.

Computer software

Computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives ranging from five to ten years.

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2.3 Summary of Significant Accounting Policies (continued)

Intangible assets (other than goodwill) (continued)

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Customer relationships

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Contractual customer relationships are stated at cost and are amortised on the straight-line basis over their estimated useful lives ranging from six months to five years.

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Research and development costs

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All research costs are charged to the statement of profit or loss as incurred.

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Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project; and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

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Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to ten years, commencing from the date when the products are put into commercial production.

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2.3 Summary of Significant Accounting Policies (continued)

Intangible assets (other than goodwill) (continued)

Patents

The patents were granted for a period of 10 years by the relevant government agency in different jurisdiction with the option of renewal at the end of this period. Patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. The Group had no financial leases during the current year or the prior year.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

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2.3 Summary of Significant Accounting Policies (continued)

Investments and other financial assets

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Initial recognition and measurement

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Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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2.3 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on the classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

2.3 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

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2.3 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

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Held-to-maturity investments

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Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold then to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

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The Group had no held-to-maturity financial investments during the years ended 31 December 2016 and 2017.

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Available-for-sale financial investments

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Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions. The Group's long term investments are classified under available-for-sale financial assets.

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2.3 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

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Available-for-sale financial investments (continued)

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After initial recognition, available-for-sale financial

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2.3 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets

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A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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- the rights to receive cash flows from the asset have expired; or

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- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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2.3 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exist if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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2.3 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

2.3 Summary of Significant Accounting Policies (continued)

Impairment of financial assets

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2.3 Summary of Significant Accounting Policies (continued)

Financial liabilities

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2.3 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Loans and borrowings (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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2.3 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. If the conversion option is classified as an equity instrument, the remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

2.3 Summary of Significant Accounting Policies (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

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2.3 Summary of Significant Accounting Policies (continued)

Provisions

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A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

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When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

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Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

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Income tax

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Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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Deferred income tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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2.3 Summary of Significant Accounting Policies (continued)

Income tax (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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2.3 Summary of Significant Accounting Policies (continued)

Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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2.3 Summary of Significant Accounting Policies (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following bases:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer, usually on despatch of the goods, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

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2.3 Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

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Interest income

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Interest income is recognised on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

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Rental income

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Rental income arising from operating leases is recognised on the straight-line basis over the lease terms.

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Royalty income

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Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

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Handling income

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Handing income is recognised when services are provided.

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Share-based payments

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The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

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2.3 Summary of Significant Accounting Policies (continued)

Share-based payments (continued)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair values of share options are determined by management using the Black-Scholes valuation model, or a binomial option pricing model, where appropriate.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in the employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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2.3 Summary of Significant Accounting Policies (continued)

Share-based payments (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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2.3 Summary of Significant Accounting Policies (continued)

Other employee benefits

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Defined contribution plan for the PRC employees

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Pursuant to the relevant PRC laws and regulations, the employees of the Group's subsidiaries operating in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Group's subsidiaries operating in the PRC are required to contribute a certain percentage of the salaries of their employees to the central pension scheme. The only obligation of the Group with respect to the central pension scheme is to pay the ongoing required contributions. Contributions are charged to the statement of profit or loss when they become payable in accordance with the rules of the central pension scheme.

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Borrowing costs

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Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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2.3 Summary of Significant Accounting Policies (continued)

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

(a) where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(b) receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of share premium within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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2.3 Summary of Significant Accounting Policies (continued)

Foreign currencies

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The consolidated financial statements are presented in RMB, which is different from the Company's functional currency of United States Dollar ("US$"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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2.3 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

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Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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The functional currencies of the Company and certain subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

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The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve, a separate component of equity. On disposal of a subsidiary with a functional currency other than RMB, the component of other comprehensive income relating to that particular subsidiary is recognised in the consolidated statement of profit or loss.

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Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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2.3 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and certain subsidiaries, whose functional currencies are not RMB, are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and certain subsidiaries, whose functional currencies are not RMB, which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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3. Significant Accounting Judgements and Estimates

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The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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Judgement

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In the process of applying the Group's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the consolidated financial statements:

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Corporate income taxes

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Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

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3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty

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The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

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Fair value measurement of derivative financial instrument

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Convertible bonds – derivative component included in the Group's financial statements requires measurement at, and/or disclosure of, fair value. In assessing the fair value of the conversion option giving rise to the derivative, the generally accepted option pricing model was used to calculate the fair value. The option pricing model requires the input of subjective assumptions, including the expected volatility and yield. Any changes in these assumptions can significantly affect the estimate of the fair value of the derivative.

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Fair value measurement

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Certain assets and liabilities included in the Group's financial statements require measurement at, and disclosure of, fair value. Further details of fair value measurement are disclosed in Note 42. The Group measures the following items at fair value:

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(i) Convertible bonds – derivative component (Note 45)

(ii) Available-for-sale financial assets (Note 47)

(iii) Held-for-trading investments (Note 24)

(i) I p À N Ñ [ˆ H Å …€ • W45 •

(ii) 6 / – D *€ • W 47 •

(iii) 5 * o - ³ € • W24 •

More detailed information in relation to the fair value measurement of the items are set out in the respective notes.

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3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

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Useful lives of other intangible assets

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The Group determines the estimated useful lives for its intangible assets based on their best estimate on the expected future cash flows from the assets. The useful lives of the Group's trademarks were estimated to be indefinite. Intangible assets with indefinite useful lives are tested for impairment at least annually and at other times when such an indication exists. Further details are set out in Note 17.

I « ? õ ¾ Á 8 * Y k , J 8 $ – t Ž Y ð 3 d > › I Ì – * Y \ Ë , f I « z ¹ Þ Ì " \ Ë , f ¹ Þ Ì " \ Ë , Y Ì – * Ç Ê Ë Ð ¯ Þ & e j ¯ = Y I ü Û œ † ¯ = » f ‹ 1 õ Ì Œ • W17 f

Impairment of non-financial assets other than goodwill

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The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumption to be applied in preparing cash flow projections including whether these cash flow projections are discounted using appropriate rates. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test significantly.

õ > › * Þ I $ ¯ = Ð @ » ¬ ç * ¯ = Y ‹ 1 ” Ž À ¯ Û d I « ² * : Ù d $ 9 J Y j(i) Þ I $ • B ¤ * = Y + • Ð B ¤ * = Y + • Š ” À ¯ i (ii) * * & = • I { Ú $ – t Ž $ = X Õ j d þ Ú $ – t Ž 2 * Y 5 ƒ 4 \ Ð ^ ß ½ © i ¿ (iii) Ü ¡ $ – t Ž k » Ô ® \ Y ¥ G ô ÿ £ < $ – t Ž k » J I ø ¥ G â ± $ f J M # 4 Ô o \ ø Ô › ¯ = å _ Y ÿ £ € < $ – t Ž k » Ô \ ± $ Ð # — ÿ £ • Þ d Ð Á ¯ = » Ô \ $ = X ô Ó } B ¤ f

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

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Deferred tax assets

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Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are set out in Note 19.

Ô Þ Ô ð r Û ¨ X d ½ Ú Þ • $ Ð ü ; — d \ * ê V Ô ð r Û ¨ X d i ½ © ‰ È · ü ° * f > › ½ © Y È · ü ° * – X Û d M # 4 ² ì ½ J 8 Ð ü ; — Y • Û œ ¿ å _ ø ¿ J 8 ü • Œ + * } : Ù f † S É ‹ 1 õ • W19 f

Recognition of a deferred tax liability for withholding taxes

½ © k Ô Ô { ü Y È · ü ° À

The PRC New Corporate Income Tax Law, which became effective on 1 January 2008, states that the distribution of dividends by a foreign-invested enterprise established in Mainland China to its foreign investors, from its earnings after 31 December 2007, shall be subject to withholding corporate income taxes at a rate of 10%. The Group carefully evaluates the necessity of dividend distribution of its PRC subsidiaries out of profits earned after 31 December 2007 and makes decisions on such dividend distribution based on the senior management's judgement. Details are set out in Note 19.

õ 2008 Ë1 Ü1 Ú [Ö Y • 7 - † 8 Ô { ü , • › d õ 2007 Ë12 Ü31 Ú d õ • 7 « ® Ó m Y . † 8 _ I × B £ I ¤ . ³ k ± . | p ¹ ² ® v 10% Y k Ô Ô { ü f I « 6 2 Y õ 2007 Ë 12 Ü31 Ú _ I • 7 • n ® ! ƒ _ Y ; — ± | p ¹ Y @ Ì d (? õ ÷ t M # 4 Y : Ù * ± | p ¹ Y Ô › f ‹ 1 õ • W 19 f

Development costs

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Development costs are capitalised in accordance with the accounting policy for research and development costs in Note 2.3. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. Further details are set out in Note 17.

š ï Ó I W ì ½ • W 2.3 Ô 1 ¼ ï Ó I Y 6 A š ø I · f > › I · – X Û d M # 4 ² Á Þ ë * Y k , J 8 $ – Y * [e Ð \ Y ± $ ¿ k , * [; B Ë , * ÿ £ f † S É ‹ 1 õ • W17 f

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Y ” ½ › Ì € ƒ •

Impairment of goodwill

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The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 16.

I « Ç Ê Ë > › ‘ Þ I $ ¯ = f µ ê ± ã ‘ Y $ – * Y 4 \ = f ¯ 4 \ = Û d I « ² k , $ – * J 8 * [Y $ – t Ž d ø ¿ o ¿ ¥ G Y ± $ ø Q $ – t Ž Y $ = f † S É ‹ 1 õ • W16 f

Impairment provision for trade and other receivables

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The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management’s judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

I « Á 2 À Æ Y x * A J Á J × « Ð × › ° Y × « Ì * 5 ƒ Y († * g ± d j M # 4 : Ù Í * L * _ ê f Y Ð × › ° Y ð ^ $ • b ê † } Ž : Ù d < ¢ Ò Y ¦ ‘ ¿ @ » ù › ¾ } f J I « Ò Y Ì K 1 F · d ¬ ç I ù › • b 7 ® d Æ ² * X . ¯ = f

Provision for loss on financial guarantee contracts

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The Group exposes to the risk of loss arising from legal proceedings as mentioned in Note 33. Due to potential outcomes and uncertainties around the legal proceedings, significant management judgement on determining the provision amount, if any, to be recorded in the consolidated financial statements is required.

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õ M # f Y d I « ? õ I *
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4. Operating Segment Information (continued)

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

‰ S › U ± ã Ô ¿ Y 8 6 d M # 4 Z ± 9 9 › I « 8 ± Å Y 8 6 f ± Å 8 6 2 k S ± Å ; — Ð f & Y € ì ½ ¾ Æ ü Ã ; — Ð f & Ž ¾ Æ ü Ã ; — Ð f & Y Ž ~ I « Y ü Ã ; — Ð f & ´ • d “ ; ¹ ×] e Ì I \ e J ± ã ×] ¿ × B q < I + ˆ ¿ † 8 š Õ Æ ” < ¯ Ž • f

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.

± Å œ Y V / ¿ 7 + ø ¯ … Û $ 9 ø ? þ j £ K g Ù * Y V / ø ‰ k † t ø f

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.

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Segment revenue:	± Å ×] j				
Sales to external customers	V » . Å Ò	2,882,289	917,645	263,229	4,063,163
Intersegment sales	± Å œ Y V /	–	676	27,756	28,432
		2,882,289	918,321	290,985	4,091,595
Reconciliation	. º ƒ				
Elimination of intersegment sales	ê V ± Å œ Y 8 6				(28,432)
Revenue	×]				4,063,163
Segment results	± Å 8 6	993,378	114,767	67,434	1,175,579
Reconciliation	. º ƒ				
Elimination of intersegment results	ê V ± Å œ Y 8 6				(2,721)
Interest income	; ¹ ×]				25,868
Recovery of bad debts	× « x *				11,457
Wavier of other payables	€ 5 l ü Ð ù * ›				16,718
Fair value change of the derivative component of convertible bonds	l p À N [ˆ H Å ... Y ® ª =				46,228
Unallocated income and gains	J ± ã ×] ¿ × B				27,333
Corporate and other unallocated expenses#	† 8 ¿ l ü J ± ã š Õ #				(793,167)
Loss on disposal of property, plant					

ê V ± Å œ Y 8 6 (2,721)Corporate and other unallocated

4. ¾ ±Å Ø €ƒ•

Reversal of impairment of property, plant and equipment	J8e@Ò¿£êY¯=a«	(291)	(12)	(29)	(332)
Unallocated impairment of property, plant and equipment associated with head office and corporate assets	~<l+ˆ¿†8 *ÞëY J±ãJ8e@Ò ¿£êY¯=				305
Total reversal of impairment of property, plant and equipment, net	J8e@Ò¿£êY¯= a« X¥				(27)
(Reversal of write-down)/ write-down of inventories	€a«Û¯•JÛ¯ÑÀ¬	(10,040)	(5,725)	1,266	(14,499)
Depreciation and amortisation	± ¿ÅV	39,342	19,781	4,148	63,271
Unallocated depreciation and amortisation associated with head office and corporate assets	~<l+ˆ¿†8 *ÞëY J±ã± ¿ÅV				24,570
Total depreciation and amortisation	± ¿ÅV¥				87,841
Capital expenditure	lÕ	37,406	12,775	11,022	61,203
Unallocated capital expenditure associated with head office and corporate assets	~<l+ˆ¿†8 *ÞëY J±ã lÕ				14,510
Total capital expenditure*	lÕ ¥ *				75,713

	2016 2016 Ë			
	Luminaire products ñ H * Ü RMB’000 w [O Æ	Lamp products ˆ U * Ü RMB’000 w [O Æ	Lighting electronic products k ü e œ * Ü RMB’000 w [O Æ	Consolidated ¥ ; RMB’000 w [O Æ

	2016 2016 Ë			
	Luminaire products ñ H * Ü RMB'000 w [O Æ	Lamp products ˆ U * Ü RMB'000 w [O Æ	Lighting electronic products k ü e œ * Ü RMB'000 w [O Æ	Consolidated ¥ ; RMB'000 w [O Æ

4. ¾ ± Å Ø € ƒ •

Geographical information ® Ø

(a) Revenue from external customers (a) . Å Ò Y ×]

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
The PRC	• 7	2,810,294	2,629,827
Other countries	I ü 7 •	1,252,869	1,176,502
		4,063,163	3,806,329

The revenue information above is based on the locations of the customers.

j ×] Ø W 2 Ò Ô ¯ ® Œ ± f

(b) Non-current assets (b) ¢ t *

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
The PRC	• 7	1,519,769	1,229,662
Other countries	I ü 7 •	46,062	45,043
		1,565,831	1,274,705

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets and financial assets.

j ¢ t * Y Ø W 2 * Ô ¯ ® Œ ± d (” < È · ü ° * ¿ – D * f

Information about major customers Þ ë ô Ò Y Ø

No single customer contributed more than 10% of total revenue of the Group for the years ended 31 December 2017 and 2016.

õ Ú 2017 Ë ¿2016 Ë12 Ü31 Ú ß Ë d (Ì S Ò & I « < ×]10% ø j f

5. Revenue, Other Income and Gains

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

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An analysis of revenue, other income and gains is as follows:

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		Notes • W	2017 Ë RMB'000 w [O Æ	2016 Ë RMB'000 w [O Æ
Revenue	×]			
Sale of goods	¬ J V /		4,063,163	3,806,329
Other income	I ü ×]			
Government grants	A ´ þ ?	(a)	16,532	18,124
Trademark licence fees	z ¢ I	(b)	452	2,467
Bank interest income	Õ ; ¹ ×]		25,437	14,087
Other interest income	I ü ; ¹ ×]		431	418
Rental income	a – ×]		3,660	2,728
Recovery of bad debts	× « x *		11,457	–
Waiver of other payables	€ 5 I ü Ð ù * ›		16,718	–
Fair value change of the derivative component of convertible bonds	I p À N [ˆ H Å … Y ® ª =	45	46,228	–
Handling income	Ó ƒ I		–	9,874
Others, net	I ü d =		2,109	10,080
			123,024	57,778
Gains	× B			
Gain on sale of scrap materials	V / ; Ø Y × B		4,580	–
Exchange gains, net	Ò 3 × B X		–	38,051
			4,580	38,051
			127,604	95,829

5. Revenue, Other Income and Gains (continued)

Notes:

(a) Various government grants have been received by the Group's PRC subsidiaries as tax subsidies and incentives for research and development activities and the expansion of production capacity of energy-saving lamps. Government grants for which expenditure has not been undertaken and those associated with assets are recognised as deferred income in the consolidated statement of financial position (Note 29).

(b) The Group licensed the "NVC" trademark to those related companies in 2016 and an associate in 2017 at 3% to 5% of the sales amount of these companies as trademark licence fees. Details of the related party transactions are set out in Note 40.

• W j

(a) I « • 7 • n ® ! Š × _ ¢ G A ´ þ ? * ‰ 1 ¼ ï z ¿ Ò } · • ñ * • þ ï ó Y ü ° þ ? ¿ ç ¸ f J \ * š Õ Y A ´ þ ? ¿ ~ * ´ ë Y A ´ þ ? Š õ ¥ ; Ì K 1 Œ ½ © ‰ È · ×]€ • W29•

(b) I « ¢ S , ® ! d < õ 2016 Ë ¢ S • ë L ® ! e õ 2017 Ë ¢ S • L ® ! 4 \ ˜ d { ™ Ü Ð d (× _ ® ! V / X Y3% 5% * ‰ z ¢ I f ë L Ù t ø ‹ 1 õ • W40 f

6. Other Expenses

6. I ü I \

		Note • W	2017 2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Fair value change of derivative component of convertible bonds	I p À N [ˆ H Å … Y ® ª =	45	–	46,889
Loss on disposal of items of property, plant and equipment	J 8 e @ Ò ¿ £ ê ° f Y ˆ Ä & 0		16,642	30,173
Fair value change of held-for-trading investments	5 * o - ³ ˜ ® ª =		12,004	–
Exchange losses, net	Ò 3 f & X		44,156	–
Others	I ü		8,358	1,503
			81,160	78,565

7. Profit before Income Tax

This is arrived at after charging/(crediting): ‰ ¾ Ô ð J€] • h • ° f Ô { j

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Cost of inventories sold	Š / À ¬ Ó I	2,904,804	2,825,141
Auditor's remuneration	è p ª Z G	4,000	3,780
Depreciation	±	82,229	94,069
Amortisation of prepaid land lease payments	k ù z ® a – Å V	1,319	1,319
Amortisation of computer software and patents*	e Ø ´ • ¿ Y ; Æ Å V*	1,462	1,830
(Reversal of impairment)/impairment of property, plant and equipment, net	J 8 e @ Ò ¿ £ ê Y € ¯ = a « •J ¯ = d X	(27)	12,807
Impairment of trade receivables, net	q ø Ð × * › ¯ = d X	15,839	38,913
Impairment of other intangible assets	I ü Ì – * Y ¯ =	18,165	–
Impairment of prepayments and other receivables, net	k ù › ° ¿ I ü Ð × › ° ¯ = d X	929	10,594
Reversal of write-down of inventories	a « À ¬ Û ¯	(14,499)	(39,770)
Research and development costs:	¼ ï Ó I j		
Deferred expenditure amortised*	Š Å V Y È · š Õ*	2,831	3,177
Current year expenditure	I Ë š Õ	85,554	72,365
Less: Government grants released**	¯ j Š $ A ´ þ ?**	–	(125)
		85,554	72,240
		88,385	75,417
Minimum lease payments	ð - a # ù ›	30,448	26,488
Employee benefit expenses (excluding directors' and chief executive's remuneration (Note 9)):	‡ p E ; š Õ€ ” ^ è + ¿ ð ÷ A [p Z G *€ • W9 • •*:		
Wages and salaries	ˆ q Z –	509,833	497,823
Equity-settled share option expense	Æ B Q … p Æ š Õ	–	7
Pension scheme contributions (defined contribution scheme)	× ~ – Œ 6 › € ¢ › 6 › Œ •	65,759	67,657
Other welfare expenses	I ü E ; š Õ	16,896	16,256
		592,488	581,743

7. Profit Before Income Tax (continued)

* The amortisation of computer software and patents and the amortisation of deferred development costs for the year are included in "Cost of sales" and "Administrative expenses" respectively in the consolidated statement of profit or loss.

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** Various government grants have been received for setting up research activities in Chongqing City, Guangdong and Zhejiang Province, the PRC, to support the development of energy-saving products and LED products. The government grants released have been deducted from the research and development costs to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in government grants in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

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8. Finance Costs

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An analysis of finance costs is as follows:

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		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Interest on bank loans	Õ r › ; ¹	1,452	3,448
Interest on convertible bonds (Note 45)	I p À N ; ¹ *€ • W45 •*	40,262	22,321
Interest on other loans	I ü r › ; ¹	382	–
		42,096	25,769

9. Directors’ and Chief Executive’s Remuneration

Directors’ and chief executive’s remuneration for the year, disclosed pursuant to the Listing Rules and disclosure requirements of section 383 of the Hong Kong Companies Ordinance (Cap. 622) (the Ordinance) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) (the Regulation), is as follows:

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		2017 Ë RMB’000 w [O Æ	2016 2016 Ë RMB’000 w [O Æ
Fees	š –	4,330	4,022
Other emoluments:	I ü G – j		
Salaries, allowances and benefits in kind	Z – e u h ¿ ¼ J ; B	6,242	5,995
Performance-related bonuses*	8 6 ¤ –*	2,755	2,778
Pension scheme contributions	× ~ – Œ 6 ›	94	64
		9,091	8,837
		13,421	12,859

* Certain executive directors of the Company are entitled to bonus payments which are based on the profit after income tax of the Group and their individual performance.

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9. Directors' and Chief Executive's Remuneration (continued)

(a) Independent non-executive directors

(a) ù m ¢ B è +

The fees paid to independent non-executive directors during the year were as follows:

I Ë ù š ù m ¢ B è + Y š – ½ h j

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Mr. WEI Hongxiong	g ƒ ª ‹ [	433	429
Mr. WANG Xuexian	î ª ‹ ‹ [	433	429
Mr. LEE Kong Wai, Conway	½ ¥ ‹ [	433	429
Ms. WU Ling[7]	N › ~ { [7]	–	281
Mr. SU Ling[8]	= Ê ‹ [[8]	433	15
		1,732	1,583

There were no other emoluments payable to the independent non-executive directors during the year (2016: RMBNil).

I Ë d (Ì I ü Ð ù ù m ¢ B è + Y Z G €2016 Ë j [O Æ g © ɬ

9. Directors' and Chief Executive's Remuneration (continued)

(b) Executive directors, non-executive directors and the chief executive

(b) B è + e ¢ B è + ¿ ð ÷ A [p

Executive directors:	B è + j						
Mr. WANG Donglei	î d ‹ [	433	3,004	1,950	–	–	5,387
Mr. WANG Dongming	î ü ‹ [	–	1,446	–	–	–	1,446
Mr. XIAO Yu	ý Á ‹ [	433	989	605	–	78	2,105
Mr. WANG Keven Dun[2]	î m ‹ [[2]	433	803	200	–	16	1,452
		1,299	6,242	2,755	–	94	10,390
Non-executive directors:	¢ B è + j						
Mr. LI Wei	½ ‹ [	433	–	–	–	–	433
Mr LI Huating[4]	½ 6 ¤ ‹ [[4]	433	–	–	–	–	433
Ms. YANG Jianwen[6]	@ Ö ~ { [6]	433	–	–	–	–	433
		1,299	–	–	–	–	1,299
		2,598	6,242	2,755	–	94	11,689

9. Directors' and Chief Executive's Remuneration (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

(b) B è + e ¢ B è + ¿ ð ÷ A [p €ƒ•

		2016 2016 Ë					
		Fees š – RMB'000 w [O Æ	Salaries, allowances and benefits in kind Z – e u h ¿ ¼ J ; B RMB'000 w [O Æ	Performance-related bonuses 8 6 ¤ – RMB'000 w [O Æ	Equity-settled share option expense Æ B Q … p Æ š Õ RMB'000 w [O Æ	Pension scheme contributions × ~ – Œ 6 › RMB'000 w [O Æ	Total ¥ RMB'000 w [O Æ
Executive directors:	B è + j						
Mr. WANG Donglei	î d ‹ [	429	3,004	1,800	–	–	5,233
Mr. WANG Dongming	î ü ‹ [	–	1,448	432	–	–	1,880
Mr. XIAO Yu	ý Á ‹ [	429	893	546	–	64	1,932
Mr. XIONG Jie[1]	$ ë ‹ [[1]	281	605	–	–	–	886
Mr. WANG Keven Dun[2]	î m ‹ [[2]	24	45	–	–	–	69
		1,163	5,995	2,778	–	64	10,000
Non-executive directors:	¢ B è + j						
Mr. LI Wei	½ ‹ [	429	–	–	–	–	429
Mr. LIN Ho-Ping[5]	q ; ‹ [[5]	196	–	–	–	–	196
Mr. ZHU Hai[3]	á ‹ [[3]	395	–	–	–	–	395
Mr LI Huating[4]	½ 6 ¤ ‹ [[4]	24	–	–	–	–	24
Ms. YANG Jianwen[6]	@ Ö ~ { [6]	232	–	–	–	–	232
		1,276	–	–	–	–	1,276
		2,439	5,995	2,778	–	64	11,276

9. Directors' and Chief Executive's Remuneration (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

[1] Mr. XIONG Jie has resigned as executive director on 25 August 2016.

[2] Mr. WANG Keven Dun was appointed as executive director on 12 December 2016.

[3] Mr. ZHU Hai has resigned as non-executive director on 1 December 2016.

[4] Mr. LI Huating was appointed as non-executive director on 12 December 2016.

[5] Mr. LIN Ho-Ping was retired as non-executive director on 15 June 2016.

[6] Ms. YANG Jianwen was appointed as non-executive director on 15 June 2016 and resigned on 22 March 2018.

[7] Ms. WU Ling was resigned as independent non-executive director on 25 August 2016.

[8] Mr. SU Ling was appointed as independent non-executive director on 19 December 2016.

(b) B è + e ¢ B è + ¿ ð ÷ A [p €ƒ•

I Ë d è + Ð ð ÷ A [p (Ì m ó Ý Ð • ó Ý , Z G Y Ä ° f

[1] $ ë ‹ [õ 2016 Ë8 Ü25 Ú Ø , B è + f

[2] î m ‹ [õ 2016 Ë12 Ü12 Ú ‰ , ‰ B è + f

[3] á ‹ [õ 2016 Ë12 Ü1 Ú Ø , ¢ B è + f

[4] ½ 6 ¤ ‹ [õ 2016 Ë12 Ü12 Ú ‰ , ‰ ¢ B è + f

[5] q ; ‹ [õ 2016 Ë6 Ü15 Ú Ø , ¢ B è + f

[6] @ Ö ~ { õ 2016 Ë6 Ü15 Ú ‰ , ‰ ¢ B è + d õ 2018 Ë3 Ü22 Ú Ø , f

[7] N › ~ { õ 2016 Ë8 Ü25 Ú Ø , ù m ¢ B è + f

[8] = Ê ‹ [õ 2016 Ë12 Ü19 Ú ‰ , ‰ ù m ¢ B è + f

10. Five Highest Paid Employees

The five highest paid employees during the year included three directors (2016: three directors), details of whose remuneration are set out in Note 9 above. Details of the remuneration for the year of the remaining two (2016: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

I Ë d ž ð ÷ Z G ‡ p < g è +€2016 Ë j g è + •d I Z G ‹ 1 õ j • W 9 f E ” J è + u ” J I ® ! ð ÷ A [p Y q h G €2016 Ë j G • ð ÷ Z G ‡ p Y Z G ‹ ½ h j

		2017 Ë RMB’000 w [O Æ	2016 2016 Ë RMB’000 w [O Æ
Salaries, allowances and benefits in kind	Z – e u h ¿ ¼ J ; B	4,519	3,228
Performance-related bonuses	8 6 ¤ –	2,266	1,100
Pension scheme contributions	× ~ – Œ 6 ›	77	31
		6,862	4,359

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

¢ è + ¿ ¢ ð ÷ A [p Y ð ÷ Z G ‡ p Y [p § õ ø h Í « j

		2017 Ë	2016 2016 Ë
HK$2,500,001 to HK$3,000,000	2,500,001 ¥ © 3,000,000 ¥ ©	1	2
HK$5,000,001 to HK$5,500,000	5,000,001 ¥ © 5,500,000 ¥ ©	1	–
		2	2

11. Ô { ü

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 operate. 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 (2016: RMBNil). Taxes on the corporate income elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

I « « Y } Å … ® ! ² ì ½ Ô ˆ ® ¿ ¾ ® Y ü ! , M • * [Ð ƒ _ Y ; — d 2 ù m , [¼ ? _ ® v Ô { ü f _ õ I « õ S Ë (Ì ¯ 0 ¥ Ð õ 7 €˜ õ 7 ™• * [, Ð ü P ; d ª ä (Ì 1 0 ¥ ; { ü Ð õ 7 † 8 Ô { ü d a ê €2016 Ë j [O Æ g © ↵ I ü ® Ù Y † 8 Ô { ü W 2 I « ¾ Ô ¯ 7 •€ Ð ! , M • •$ Y ü Q f

		2017 2017 Ë RMB’000 w [O Æ	2016 2016 Ë RMB’000 w [O Æ
Current – the PRC	C , Ñ • 7		
– Charge for the year	Ñ Ë « Õ	109,641	74,631
– Over-provision in prior years	Ñ ø Ã Ë t d	(6,801)	(916)
Deferred (Note 19)	È · *€ • W19 •*	1,416	1,756
Income tax for the year	Ë « Ô { ü	104,256	75,471

11. Income Tax (continued)

The income tax for the year can be reconciled to the profit before income tax in the consolidated statement of profit or loss as follows:

I Ë Ô { ü š Õ ~ ¥ ; & B Œ 1 • ˜ ü Ã ; — Á * ½ h j

			2016
		2017 Ë	2016 Ë
		RMB'000	RMB'000
		w [O Æ	w [O Æ
Profit before income tax	ü Ã ; —	435,856	254,054
Notional tax on profit before income tax, calculated at the rates applicable in the tax jurisdictions concerned	2 Þ ë ü ° ! , M • ˜ G \ ü Q ˜ ü Ã ; — ˜ ¤ È ü °	97,700	65,747
Income not subject to tax	á ² ü ×]	(27,113)	(5,397)
Expenses not deductible for tax	" Ô ü Õ	15,194	10,773
Over-provision in prior years	ø Ã Ë t d	(6,801)	(916)
Tax losses not recognised	J ½ © Y ü ° f &	18,823	1,862
Effect of deductible temporary differences which have not been recognised as deferred tax assets	J ½ © ‰ È · Ô { ü * Y ê Ô r Û Ì ¨ . Y B ¤	6,453	3,402
Income tax	Ô { ü	104,256	75,471

11. Income Tax (continued)

The Company's subsidiaries located in the PRC are subject to enterprise income tax ("EIT") at the statutory tax rate of 25%.

I ® ! õ • 7 Y • n ® ! ² 2 25% Y , › ü ® v † 8 Ô { ü €˜ † 8 Ô { ü ™f

Chongqing NVC Lighting Co., Ltd. ("Chongqing NVC") and NVC Lighting (China) Co., Ltd. ("NVC China"), two subsidiaries located in the west of the PRC, were recognised as western development enterprises by the local tax authority and are entitled to the preferential tax rate of 15% until 2020 according to a local tax policy on western development issued in 2011.

E d { k ü Þ " ® !€˜ E d { ™• ¿ d { k ü€ • 7 • Þ " ® !€˜ d { • 7 ™• ‰ G • õ • 7 Å Y • n ® ! d … ® ü Ú ë ½ © ‰ Å š ï † 8 d 2 k 2011 Ë 1 Å ï • o 1 Y S ° ® Ù ü A d \ 2020 Ë . Þ 15% Y ´ I ü f

Shanghai Arcata Electronics Co., Ltd. ("Shanghai Arcata"), a subsidiary located in Shanghai as a foreign-invested enterprise was recognised as a high-tech enterprise by the PRC tax authority and entitled a preferential tax rate of 15% in prior years and continued to enjoy a preferential tax rate of 15% for three years starting from years 2014 and 2017 respectively due to the review evaluations of high-tech enterprises.

j › { e • Þ " ® !€˜ j › { ™• ‰ S • õ j Y . ³ † 8 Y • n ® ! d j › { — • 7 ü Ú ë ½ © ‰ ÷ - ¦ " † 8 d (õ @ » Ë . a 15% Y ´ I ü f j › { ¾ 2 _ Y ‰ ÷ - ¦ " † 8 d õ 2014 Ë Î g Ë ¿ 2017 Ë 1 ƒ . a 15% Y ´ I ü f

Zhejiang Jiangshan Sunny Electron Co., Ltd. ("Sunny") was recognised as a high-tech enterprise by the PRC tax authority and entitled a preferential tax rate of 15% for three years starting from year 2011. Sunny enjoyed a preferential tax rate of 15% for three years starting from year 2014 due to the review evaluation of high-tech enterprises.

ê ê † g ¾ e • Þ " ® !€˜ g ¾ ™•— • 7 ü Ú ë ½ © ‰ ÷ - ¦ " † 8 d (õ 2011 Ë Î g Ë . a 15% Y ´ I ü f g ¾ ¾ 2 _ Y ‰ ÷ - ¦ " † 8 d õ 2014 Ë Î g Ë . a15% Y ´ I ü f

Jiangshan Phoebus Lighting Electron Co., Ltd. ("Jiangshan Phoebus") was recognised as a high-tech enterprise by the PRC tax authority and entitled a preferential tax rate of 15% for three years starting from year 2012. Jiangshan Phoebus enjoyed a preferential tax rate of 15% for three years starting from year 2014 due to the review evaluation of high-tech enterprises.

ê † ? w v k ü Þ " ® !€˜ ê † ? w v ™•— • 7 ü Ú ë ½ © ‰ ÷ - ¦ " † 8 d õ 2012 Ë Î g Ë . a 15% Y ´ I ü f ê † ? w v ¾ 2 _ Y ‰ ÷ - ¦ " † 8 d õ2014 Ë Î g Ë . a 15% Y ´ I ü f

During the year, Sunny and Jiangshan Phoebus did not apply for a review evaluation of the high-tech enterprise. As a result, they are subject to EIT at the statutory tax rate of 25%.

Ë « d g ¾ ¿ ê † ? w v (J a 2 _ Y ÷ - ¦ " † 8 f ª ä d ¾ ² 2 , › ü 25% ® v † 8 Ô { ü f

12. Dividend

		2017 Ë RMB’000 w [O Æ	2016 2016 Ë RMB’000 w [O Æ
Proposed final dividend of HK1 cent per ordinary share (2016: HK1 cent per ordinary share)	D | K , p ¹ d Ê p w · p1 ¥ € 2016 Ë j Ê p w · p1 ¥ •	29,940	28,745

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

I Ë D | Y K , p ¹ ² ¯ C Z X Y p t Ë } 6 j { I ® ! p Y - X d Ù * ¼ f

13. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

13. N ® ! w · p Æ B ¹ Þ [Ð & Ê p ® ;

The calculations of basic earnings per share are based on:

? I Ê p ® ; Y Q W ? õ j

		2017 Ë RMB’000 w [O Æ	2016 2016 Ë RMB’000 w [O Æ
Profit:	® ; j		
Profit attributable to ordinary equity holders of the parent	å n õ N ® ! w · p Æ B ¹ Þ [Ð & Y ; —	314,268	150,928

13. N ® ! w · p Æ B ¹ Þ [Ð & Ê p ® ; € ƒ •

		2017 Ë '000 w p	2016 2016 Ë '000 w p (Re-presented) € ¾ • •
Shares	p …		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	\ õ Q ? I Ê p ® ; Y … Ë Š ï Y w · p Æ ; i p	3,422,660	3,181,806

The calculations of diluted earnings per share are based on:

Å [Ê p ® ; Y Q W ? õ j

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Profit:	® ; j		
Profit attributable to ordinary equity holders of the parent	å n õ N ® ! w · p Æ B ¹ Þ [Ð & Y ; —	314,268	150,928
Effect of dilutive potential ordinary shares:	' ¯ w · p Y Å [* \ j		
Interest on convertible bonds (net of tax)	I p À N ; ¹ € Ô ð ü ° •	40,262	N/A " G \
Fair value gain of the derivative component of convertible bonds	I p À N [ˆ H Å … Y ® ª = × B	(46,228)	N/A " G \
Earnings for the purposes of diluted earnings per share	\ õ Q Å [Ê p × B Y ® ;	308,302	150,928

13. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent (continued)

		2017 Ë ’000 w p	2016 2016 Ë ’000 w p (Re-presented) € ¾ • •
Shares	p …		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	\ õ Q ? I Ê p ® ; Y … Ë Š ï Y w · p Æ ; i p	3,422,660	3,181,806
Effect of dilutive potential ordinary shares:	‘ ¯ w · p Y Å [* \ j		
– convertible bonds	Ñ I p À N	540,541	N/A ” G \
Weighted average number of ordinary shares for the purposes of diluted earnings per share	\ õ Q Å [Ê p ® ; Y w · p Æ ; i p	3,963,201	3,181,806

The computation of diluted earnings per share does not assume the exercise of the Company’s outstanding share options as the exercise price of those share options is higher than the average market price of shares for the years ended 31 December 2017 and 2016.

Å [Ê p ® ; Y Q (” ÿ £ Š 4 I ® ! J 4 Y … p Æ d ª ‰ … p Æ 4 ø ÷ õ Ú 2017 Ë ¿2016 Ë 12 Ü31 Ú ß Ë Y p C ; i 9 f

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

_ õ J 7 I ˜ I p À N Á Ô O • ? I Ê p ® ; – X H À Å [B ¤ d B (Ì Á Ô O • ˜ Ú 2016 Ë 12 Ü31 Ú ß Ë ? I Ê p ® ; – X * Å [Æ f

Basic and diluted earnings per share for the year ended 31 December 2016 are re-presented to reflect the bonus element of issue of new ordinary shares during the current year.

- • Ú 2016 Ë 12 Ü31 Ú ß Ë Y ? I ¿ Å [Ê p ® ; ø À H I Ë - ï w · p Y Î ; ª o f

14. J 8 e @ Ò ¿ £ ê

31 December 2017	2017 Ë12 Ü31 Ú							
Cost:	Ó l j							
At 1 January 2017	õ 2017 Ë1 Ü1 Ú	453,940	52,223	649,399	42,376	27,952	9,883	1,235,773
Additions	ô Ä	221	1,283	39,736	5,320	3,460	19,698	69,718
Transfers	7 a	–	210	12,739	–	–	(12,949)	–
Disposals	ˆ Ä	–	(3,080)	(77,250)	(922)	(1,078)	–	(82,330)
Exchange realignment	. Ò Æ	1,476	(71)	60	107	(253)	–	1,319
At 31 December 2017	õ 2017 Ë12 Ü31 Ú	455,637	50,565	624,684	46,881	30,081	16,632	1,224,480
Accumulated depreciation:	] ± j							
At 1 January 2017	õ 2017 Ë1 Ü1 Ú	(84,670)	(49,880)	(386,615)	(30,326)	(17,544)	–	(569,035)
Charged for the year	Ë « Õ	(13,108)	(2,843)	(58,718)	(4,808)	(2,752)	–	(82,229)
Disposals	ˆ Ä	–	3,080	54,961	796	994	–	59,831
Exchange realignment	. Ò Æ	(112)	86	(50)	(111)	111	–	(76)
At 31 December 2017	õ 2017 Ë12 Ü31 Ú	(97,890)	(49,557)	(390,422)	(34,449)	(19,191)	–	(591,509)
Impairment:	¯ = j							
At 1 January 2017	õ 2017 Ë1 Ü1 Ú	–	–	(15,839)	(304)	(12)	–	(16,155)
Charged for the year	Ë « Õ	–	–	(4,141)	(692)	(20)	–	(4,853)
Disposals	ˆ Ä	–	–	2,622	28	4	–	2,654
Reversal	a «	–	–	4,786	94	–	–	4,880
At 31 December 2017	õ 2017 Ë12 Ü31 Ú	–	–	(12,572)	(874)	(28)	–	(13,474)
Net carrying amount:	* & = j							
At 31 December 2017	õ 2017 Ë12 Ü31 Ú	357,747	1,008	221,690	11,558	10,862	16,632	619,497

		Buildings }Á RMB'000 w[OÆ	Leasehold improvements Ll RMB'000 w[OÆ	Plant and machinery @Ò¿ÚÛ RMB'000 w[OÆ	Furniture and fixtures çH¿ Ä RMB'000 w[OÆ	Motor vehicles Ú ? RMB'000 w[OÆ	Construction in progress ¯ ˆû RMB'000 w[OÆ	Total ¥ RMB'000 w[OÆ
31 December 2016	2016 Ë12 Ü31 Ú							
Cost:	Ó l j							
At 1 January 2016	õ 2016 Ë1 Ü1 Ú	459,654	56,571	675,967	41,603	26,587	6,242	1,266,624
Additions	ô Ä	338	2,228	27,823	3,415	4,023	24,943	62,770
Transfers	7 a	–	–	20,513	–	–	(20,513)	–
Disposals	ˆ Ä	–	(6,099)	(74,891)	(1,849)	(2,856)	(789)	(86,484)
Exchange realignment	. Ò Æ	(6,052)	(477)	(13)	(793)	198	–	(7,137)
At 31 December 2016	õ 2016 Ë12 Ü31 Ú	453,940	52,223	649,399	42,376	27,952	9,883	1,235,773
Accumulated depreciation:	] ± j							
At 1 January 2016	õ 2016 Ë1 Ü1 Ú	(71,983)	(50,882)	(358,603)	(26,563)	(17,102)	–	(525,133)

14. Property, Plant and Equipment (continued)

As at 31 December 2017, land use rights with aggregate carrying amounts of RMB46,995,000 (2016: RMB48,314,000) (Note 15) and certain buildings included in property, plant and equipment with aggregate carrying amount of RMB238,747,000 (2016: RMB242,510,000) and RMB43,797,000 (2016: RMB43,108,000) were pledged for the Group's applications of assets preservation in certain PRC legal proceedings and bank loan facilities respectively.

õ2017 Ë12 Ü31 Ú d * & = ¥ • [O Æ46,995,000©€ 2016 Ë j [O Æ48,314,000 © • Y z ® 4 \ Æ € • W15 • ¿ * & = ¥ • [O Æ238,747,000©€ 2016 Ë j [O Æ242,510,000 © •¿ [O Æ 43,797,000©€ 2016 Ë j [O Æ 43,108,000 © • Y ð • } Á € < J 8 e @ Ò ¿ £ ê • ± 9 1 I « õ ð • • 7 , û • • a * - Œ ¿ Õ r › ¦ r Š ê å f

For the year ended 31 December 2017, the items of plant and machinery of RMB4,141,000 (2016: RMB12,501,000) were fully impaired to their recoverable amounts because the Group decided to cease production of certain products due to market conditions. In addition, there was a reversal of impairment of RMB4,786,000 (2016: RMBNil) as certain of the impaired items of plant and machinery have been used for production of other products during the year.

õ Ú 2017 Ë12 Ü31 Ú ß Ë d @ Ò ¿ Ú Û ° f [O Æ 4,141,000 ©€ 2016 Ë j [O Æ12,501,000 © • Š „ p ¯ = I × « – X d ä W _ õ ¦ Ë Y 9 ‹ 1 d ª ä I « Ô › þ ß [* ð • * Ü f ä . d _ õ @ Ò ¿ Ú Û Y ð • ¯ = ° f õ Ë « \ õ [* I ü * Ü d B Þ ¯ = a « [O Æ 4,786,000©€ 2016 Ë j [O Æ g ©•

15. Prepaid Land Lease Payments

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Carrying amount at 1 January	õ 1 Ü1 Ú Y * & =	48,314	49,633
Charged to profit or loss	& B Œ Ô ð	(1,319)	(1,319)
Carrying amount at 31 December	õ 12 Ü31 Ú Y * & =	46,995	48,314
Current portion included in prepayments, deposits and other receivables	] k ù › e - Ç – ¿ l ü Ð × › ° Y t Å …	(876)	(875)
Non-current portion	¢ t Å …	46,119	47,439

The leasehold lands are situated in the PRC and pledged with more details as set out in Note 14.

a # z ® õ • 7 d (Š ê å d ‹ 1 õ • W14 f

16. Goodwill

16. ‘

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
At 1 January and 31 December	õ 1 Ü1 Ú ¿12 Ü31 Ú		
Cost	Ó I	231,287	231,287
Accumulated impairment	] ¯ =	(210,126)	(210,126)
Net carrying amount	* & =	21,161	21,161

Impairment testing of goodwill

‘ Y ¯ = »

Except for the insignificant goodwill acquired from the business combination of Huizhou Huixin Hardware Co., Ltd., goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

ð I È 9 Ò4¥ ž – ¡ Ü Þ " ® ! † 8 ¥ ; { Y – X ” } Y ‘ . d ª † 8 ¥ ; þ { Y ‘ Š ± ã š ø h $ – * ø † ¯ = » j

16. Goodwill (continued)

Impairment testing of goodwill (continued)

‘ Y ¯ = » € ƒ •

Lighting electronic products cash-generating unit in Shanghai Arcata

*j › { k ü e œ * Ü $ – **

The carrying amount of goodwill allocated to the lighting electronic products cash-generating unit in Shanghai Arcata amounted to RMB7,369,000 as at 31 December 2016 and 2017.

The recoverable amount of the lighting electronic products cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 18.72% (2016: 18.33%). The growth rate used to extrapolate the cash flows of the electronic products unit beyond the five-year period is 2% (2016: 2%) which was the same as the long term average growth rate of the lighting industry.

As at 31 December 2017, the value in use of the cash-generating unit exceeded its carrying amount, and hence the goodwill allocated to this cash-generating unit was not regarded as impaired (2016: RMBNil).

õ 2016 Ë ¿ 2017 Ë 12 Ü 31 Ú d ± | š j › { k ü e œ * Ü $ – * Y ‘ * & = ‰ [O Æ 7,369,000 © f

k ü e œ * Ü $ – * Y « × – X W 1 ½ ÷ t M # 4 - X Y 2 ž Ë , Ì k Q * Y $ – t Ž k » Y 4 \ = Y Q > › f G \ õ $ – t Ž k » Y ± $ J 18.72% € 2016 Ë j 18.33%) f \ õ ª Ù k ü e œ * Ü $ – * ž Ë , œ ˜ Y $ – t Ž Y # — J 2% € 2016 Ë j 2%) k ü 8 Y — , ; i # — ´ • f

õ 2017 Ë 12 Ü 31 Ú d $ – * Y 4 \ = t @ I * & = d ª ä ± ã š ä $ – * Y ‘ — V ‰ J ï [¯ = € 2016 Ë j [O Æ g © • f

16. Goodwill (continued)

Impairment testing of goodwill (continued)

‘ Y ¯ = » € ƒ •

Spot luminaries products cash-generating unit in Chongqing NVC

*E d { ñ * Ü $ – **

The carrying amount of goodwill allocated to the spot luminaries products cash-generating unit in Chongqing NVC amounted to RMB10,999,000 as at 31 December 2016 and 2017.

õ 2016 Ë ¿2017 Ë12 Ü31 Ú d ± | š E d { ñ * Ü $ – * Y ‘ * & = ‰ [O Æ 10,999,000 © f

The recoverable amount of the spot luminaries products cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 19.21% (2016: 19.32%). The growth rate used to extrapolate the cash flows of the spot luminaries products unit beyond the five-year period is zero (2016: zero) as the spot luminaries products cash-generating unit has reached its full production capacity.

ñ * Ü $ – * Y « × – X W 1 ½ ÷ t M # 4 - X Y 2 ž Ë , Ì k Q * Y $ – t Ž k » Y 4 \ = Y Q > › f G \ õ $ – t Ž k » Y ± $ J 19.21%€ 2016 Ë j19.32%•f õ ª Ù ñ * Ü $ – * ž Ë , œ ˜ Y $ – t Ž Y # — Jg€ 2016 Ë j g •d a ª J ñ * Ü $ – * Š : Œ & * • f

As at 31 December 2017, the value in use of the cash-generating unit exceeded its carrying amount, and hence the goodwill allocated to this cash-generating unit was not regarded as impaired (2016: RMBNil).

õ 2017 Ë12 Ü31 Ú d $ – * Y 4 \ = t @ I * & = d ª ä ± ã š ä $ – * Y ‘ — V ‰ J ï [¯ =€ 2016 Ë j [O Æ g © •f

Decorative fluorescent luminaries products cash-generating unit in Chongqing NVC

*E d { Y ñ µ Õ V * Ü $ – **

The carrying amount of goodwill allocated to the decorative fluorescent luminaries products cash-generating unit in Chongqing NVC amounted to RMB2,133,000 as at 31 December 2016 and 2017.

õ 2016 Ë ¿2017 Ë12 Ü31 Ú d ± | š E d { Y ñ µ Õ V * Ü $ – * Y ‘ * & = ‰ [O Æ2,133,000 © f

16. Goodwill (continued)

Impairment testing of goodwill (continued)

‘ Y ¯ = » € ƒ •

Decorative fluorescent luminaries products cash-generating unit in Chongqing NVC (continued)

*E d { Y ñ µ Õ V * Ü $ – * € ƒ •*

The recoverable amount of the decorative fluorescent luminaries products cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 19.11% (2016: 19.25%). The growth rate used to extrapolate the cash flows of the decorative fluorescent luminaries products unit beyond the five-year period is zero (2016: zero) as the decorative fluorescent luminaries products cash-generating unit has reached its full production capacity.

ñ µ Õ V * Ü $ – * Y « × – X 2 4 \ = 1 ½ ÷ t M # 4 - X Y 2 ž Ë , Ì k Q * Y $ – t k » Y 4 \ = Y Q > ›f G \ õ $ – t Ž k » Y ± $ J 19.11%€ 2016 Ë j 19.25%) f \ õ ª Ù ñ µ Õ V * Ü $ – * ž Ë , œ ˜ Y $ – t Ž Y # — J €g 2016Ëjdª JñµÕ V * Ü $ – * Š : I Œ & * •f

As at 31 December 2017, the value in use of the cash-generating unit exceeded its carrying amount, and hence the goodwill allocated to this cash-generating unit was not regarded as impaired (2016: RMBNil).

õ 2017 Ë12 Ü31 Ú d $ – * Y 4 \ = t @ I * & = d ª ä ± ã š ä $ – * [Y ‘ — V ‰ J ï [¯ =€ 2016 Ë j [O Æ g © •f

16. Goodwill (continued)

Impairment testing of goodwill (continued) ‘ Y ¯ = » € ƒ •

The carrying amounts of goodwill allocated to the cash-generating units are as follows:

± ã š $ – * Y ‘ Y * & = ½ h j

Carrying amount of goodwill	‘ Y * & =	7,369	10,999	2,133	660	21,161

		2016 2016 Ë				
		Lighting electronic products k ü e œ * Ü	Spot luminaries products ñ * Ü	Decorative fluorescent luminaries products ñ µ Õ V * Ü	Others I ü	Total ¥
		RMB’000 w [O Æ	RMB’000 w [O Æ	RMB’000 w [O Æ	RMB’000 w [O Æ	RMB’000 w [O Æ
Carrying amount of goodwill	‘ Y * & =	7,369	10,999	2,133	660	21,161

16. Goodwill (continued)

Impairment testing of goodwill (continued)

‘ Y ¯ = » *€ ƒ •*

Assumptions were used in the value-in-use calculation of each cash-generating unit for 31 December 2016 and 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Q 2016 Ë ¿2017 Ë12 Ü31 Ú ¢ $ – * Y 4 \ = Û ® \ ÿ £ f M # 4 † ‘ ¯ = » Û k » $ – t Ž Ô \ Y ¢ ÿ £ ½ h j

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

k » ã ; Ñ > › ± ã k » ã ; Y = Y 1 ½ J a Ÿ 9 k » Ë ˜ Ã S H Ë _ { Y ; i ã ; d ª k , Ö Y d ÷ ¿ k , 9 Y š ï þ d ÷ f

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

± $ Ñ Ô \ Y ± $ J ü Ã ± $ d (À H Þ ë Y H , ˆ f

Raw materials price inflation– The basis used to determine the value assigned to raw materials price inflation is the forecast prices indices during the budget year for the countries from where raw materials are sourced.

a ¿ Ø ø j Ñ > › ± ã a ¿ Ø ø j Y = Y 1 ½ J a ¿ Ø 8 U 7 k Q Ë Y k » ø 8 p f

The values assigned to the key assumptions on market development of lighting electronic products, spot luminaries products and decorative fluorescent luminaries products, discount rates and raw materials price inflation are consistent with external information sources.

Á k ü e œ * Ü e ñ * Ü ¿ ñ µ Õ V * Ü Y 9 ï • (š ÿ £ Y = e ± $ ¿ a ¿ Ø ø j ~ . Å Ø 8 U ´ S ç f

31 December 2017	2017 Ë12 Ü31 Ú						
Cost:	Ó l j						
At 1 January 2017	õ 2017 Ë1 Ü1 Ú	270,000	14,370	37,327	50,450	91,855	464,002
Additions	ô Ä	–	5,202	–	793	–	5,995
Disposal	ˆ Ä	–	(200)	–	–	–	(200)
Exchange realignment	. Ò Æ	–	(70)	–	–	(1,174)	(1,244)
At 31 December 2017	õ 2017 Ë12 Ü31 Ú	270,000	19,302	37,327	51,243	90,681	468,553
Accumulated amortisation:	] Å V j						
At 1 January 2017	õ 2017 Ë1 Ü1 Ú	–	(8,495)	(32,670)	(26,063)	(65,248)	(132,476)
Charged for the year	Ë « Õ	–	(1,462)	–	(2,831)	–	(4,293)
Disposal	ˆ Ä	–	200	–	–	–	200
Exchange realignment	. Ò Æ	–	42	–	–	–	42
At 31 December 2017	õ 2017 Ë12 Ü31 Ú	–	(9,715)	(32,670)	(28,894)	(65,248)	(136,527)
Impairment:	¯ = j						
At 1 January 2017	õ 2017 Ë1 Ü1 Ú	–	–	(4,657)	(5,999)	(8,630)	(19,286)
Provision for the year	Ë « a ê	–	(1,447)	–	–	(16,718)	(18,165)
At 31 December 2017	õ 2017 Ë12 Ü31 Ú	–	(1,447)	(4,657)	(5,999)	(25,348)	(37,451)
Net carrying amount:	* & = j						
At 31 December 2017	õ 2017 Ë12 Ü31 Ú	270,000	8,140	–	16,350	85	294,575

		Trademarks z RMB'000 w [O Æ	Computer software e Ø ´ • RMB'000 w [O Æ	Customer relationships Ò ë · RMB'000 w [O Æ	Deferred development costs È · š ï Ó I RMB'000 w [O Æ	Patents Y ; Æ RMB'000 w [O Æ	Total ¥ RMB'000 w [O Æ
31 December 2016	2016 Ë12 Ü31 Ú						
Cost:	Ó I j						
At 1 January 2016	õ 2016 Ë1 Ü1 Ú	270,000	15,053	37,327	45,665	73,965	442,010
Additions	ô Ä	–	829	–	4,785	17,890	23,504
Disposal	ˆ Ä	–	(1,722)	–	–	–	(1,722)
Exchange realignment	. Ò Æ	–	210	–	–	–	210
At 31 December 2016	õ 2016 Ë12 Ü31 Ú	270,000	14,370	37,327	50,450	91,855	464,002
Accumulated amortisation:	] Å V j						
At 1 January 2016	õ 2016 Ë1 Ü1 Ú	–	(7,301)	(32,670)	(22,886)	(64,893)	(127,750)
Charged for the year	Ë « Õ	–	(1,475)	–	(3,177)	(355)	(5,007)
Disposal	ˆ Ä	–	353	–	–	–	353
Exchange realignment	. Ò Æ	–	(72)	–	–	–	(72)
At 31 December 2016	õ 2016 Ë12 Ü31 Ú	–	(8,495)	(32,670)	(26,063)	(65,248)	(132,476)
Impairment:	¯ = j						
At 1 January 2016 and 31 December 2016	õ 2016 Ë1 Ü1 Ú ¿ 2016 Ë12 Ü31 Ú	–	–	(4,657)	(5,999)	(8,630)	(19,286)
Net carrying amount:	* & = j						
At 31 December 2016	õ 2016 Ë12 Ü31 Ú	270,000	5,875	–	18,388	17,977	312,240

17. Other Intangible Assets (continued)

Impairment testing of intangible assets with indefinite useful lives (continued)

Ì " 4 \ Ë , Ì – * Y ¯ = » € ƒ •

Lighting products cash-generating unit in Huizhou NVC Lighting Technology Co., Ltd. (“Huizhou NVC”) and Chongqing NVC (continued)

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Assumptions were used in the value-in-use calculation of the lighting products cash-generating unit for 31 December 2016 and 2017. The following describes each key assumption on which management has based its cash flow projections to undertake the above impairment testing:

Q 2016 Ë ¿2017 Ë12 Ü31 Ú k ü * Ü $ – * [Y 4 \ = Û ® \ ÿ £ f M # 4 † j ¯ = » Û k » $ – t Ž Ô \ Y ¢ ÿ £ ½ h j

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvement, and expected market development.

k » ã ; Ñ > › ± ã k » ã ; Y = Y 1 ½ J a Ÿ 9 k » Ë ˜ Ã S H Ë _ { Y ; i ã ; d ª k , Ö Y d ÷ ¿ k , 9 Y š ï þ d ÷ f

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

± $ Ñ Ô \ Y ± $ J ü Ã ± $ d (À H Þ ë Y H , ˆ f

Growth rate – Rate is based on published industrial research.

 # — Ñ # — ? õ Š ® 1 Y 8 ¼ ú f

18. Investments in Associates

18. õ L ® ! ³

		2017 Ë RMB’000 w [O Æ	2016 w [O Æ RMB’000 w [O Æ
Share of net assets	Ð & *	53,668	40,180
Goodwill	‘	850	850
		54,518	41,030

18. Investments in Associates (continued)

Particulars of the major associates are as follows: ô L ®!Y ‹½hj

Name ¤H	Place of establishment/ registration and business Óm®ÃJ W ¿ 8®Ã	Percentage of ownership interest attributable to the Group I« Ð& ÔÞkÆBõ±â	Principal activities ô 8
Mianyang Leici Electronic Technology Co., Ltd. (“Mianyang Leici”)	PRC/ Mainland China	35	Research and development, production and sale of magnetice0 /tbTd e Elec

PRC/
Mainland China
•
(Huizhou Thorci”)
35

18. Investments in Associates (continued)

Name ¤ H	Place of establishment/ registration and business Ó m ® Ã J W ¿ 8 ® Ã	Percentage of ownership interest attributable to the Group I « Ð & Ô Þ k Æ B õ ± â	Principal activities ô 8
NVC&OLLE Lighting (Wuhu) Company Limited ("OLLE")	PRC/ Mainland China	10	Trading of lamps, luminaries, other lighting products, low voltage electrical appliances and fire equipment products and accessories as well as research and development of LED lighting products
> ³ d { „ € k ü q ø Þ " ® !€̃ „ € ™•	• 7 J • 7	10	o - ˆ U e ñ H e I ü k ü * Ü e - À e œ ¿ # œ ¿ * Ü ¿ ã • d ø ¿ ¼ ú ¿ š ïLED k ü * Ü
Wuhu NVC Electronic Business Co., Ltd ("Wuhu Electronic")	PRC/ Mainland China	10	Trading of lamps, luminaries, other lighting products on online platform
> ³ d { k ü e • Þ " ® !€̃ > ³ e ™•	• 7 J • 7	10	¯ Þ ; (o - ˆ U e ñ H ¿ I ü k ü * Ü

The Group's shareholdings in the associates are held through a wholly-owned subsidiary of the Company.

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In the opinion of the directors, OLLE and Wuhu Electronic are regarded as associates of the Group mainly because the Group appoints directors in the respective board of directors of these investee companies and has material transactions with the investee companies which indicates the Group's significant influence on these investee companies.

è + © ‰ d „ € ¿ > ³ e — V ‰ I « Y L ® ! d ô ª ‰ I « ¯ — ³ ® ! ¢ Y è + 6 • , v è + (~ — ³ ® ! Þ } t ø d Œ j I « Á — ³ ® ! Þ } B ¤ f

18. Investments in Associates (continued)

The following table illustrates the summarised financial information in respect of material associates reconciled to the carrying amounts in the consolidated financial statements:

h Œ • j ô L ® ! õ ¥ ; Ì Œ * & = · Y Ì Ø ? j

31 December 2017 2017 Ë12 Ü31 Ú		Huizhou Thor I È d · RMB'000 w [O Æ	Mianyang Leici g ¢ d > RMB'000 w [O Æ	Wuhu Electronic > ³ e RMB'000 w [O Æ
Current assets	t *	65,905	29,625	432,337
Non-current assets, excluding goodwill	¢ t * € ” < ‘ •	30,698	846	6,258
Goodwill on acquisition of the associate	× … L ® ! ‘	850	–	–
Current liabilities	t À	(31,562)	(18,205)	(285,038)
Non-current liabilities	¢ t À	–	–	–
Net assets	*	65,891	12,266	153,557
Net assets, excluding goodwill	* d ” < ‘	65,041	12,266	153,557
Proportion of the Group's ownership	I « Ô Þ Æ õ ± â	49%	35%	10%
Group's share of net assets of the associates, excluding goodwill	I « Ð & L ® ! * d ” < ‘	31,870	4,293	15,356
Goodwill on acquisition of the associate	× … L ® ! ‘	850	–	–
Carrying amount of the investment	³ * & =	32,720	4,293	15,356

31 December 2016 2016 Ë12 Ü31 Ú		Huizhou Thor I È d · RMB'000 w [O Æ	Mianyang Leici g ¢ d > RMB'000 w [O Æ	Wuhu Electronic > ³ e RMB'000 w [O Æ
Current assets	t *	24,549	22,058	650,504
Non-current assets, excluding goodwill	¢ t * € " < ' •	36,005	1,163	2,910
Goodwill on acquisition of the associate	× … L ® ! '	850	–	–
Current liabilities	t À	(7,143)	(11,606)	(588,777)
Non-current liabilities	¢ t À	–	–	–
Net assets	*	54,261	11,615	64,637
Net assets, excluding goodwill	* d " < '	53,411	11,615	64,637
Proportion of the Group's ownership	I « Ô Þ Æ õ ± â	49%	35%	10%
Group's share of net assets of the associates, excluding goodwill	I « Ð & L ® ! * d " < '	26,171	4,065	6,464
Goodwill on acquisition of the associate	× … L ® ! '	850	–	–
Carrying amount of the investment	³ * & =	27,021	4,065	6,464

18. Investments in Associates (continued)

2017 2017 Ë		Huizhou Thor I È d · RMB'000 w [O Æ	Mianyang Leici g ¢ d > RMB'000 w [O Æ	Wuhu Electronic > ³ e RMB'000 w [O Æ
Revenue	×]	69,397	50,257	519,470
Profit for the year	I Ë ; —	11,630	651	118,920
Total comprehensive income for the year	I Ë Œ & ×] ¥	11,630	651	118,920

2016 2016 Ë		Huizhou Thor I È d · RMB'000 w [O Æ	Mianyang Leici g ¢ d > RMB'000 w [O Æ	Wuhu Electronic > ³ e RMB'000 w [O Æ
Revenue	×]	45,696	50,624	535,689
Profit/(loss) for the year	I Ë ; — Ѐ f & •	2,110	(850)	60,637
Total comprehensive income for the year	I Ë Œ & ×] ¥	2,110	(850)	60,637

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

h Œ \ I « Y L ® !€ H 9 þ (¢ } • Y ¥ Ì Ø j

		2017 2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Share of the associates' loss for the year	I Ë Ð & L ® ! f &	(351)	–
Share of the associates' total comprehensive income	Ð & L ® ! Œ & ×] ¥	(351)	–
Aggregate carrying amount of the Group's investments in the associates	I « õ L ® ! Y ³ Y ¥ * & =	2,149	3,480

19. Deferred Tax

The movements in deferred tax assets and liabilities are as follows:

È · ü ° * ¿ À ½ h j

Deferred tax assets

È · ü ° *

At 1 January 2017	õ 2017 Ë1 Ü1 Ú	219	48,485	48,704
Deferred tax charged to profit or loss during the year	Ë « Ô & B Œ Y È · ü °	–	(2,480)	(2,480)
Effect of change in tax rate	ü * [Y B ¤	–	6,034	6,034
At 31 December 2017	õ 2017 Ë12 Ü31 Ú	219	52,039	52,258

19. Deferred Tax (continued)

Deferred tax assets (continued)

È · ü ° * € ƒ •

		2016 2016 Ë		
		Fair value adjustments arising from business combinations † 8 ¥ ; Ï ç ˜ ® ª = Æ	Deductible temporary differences Ô ü r Û ¨ X	Total ¥
		RMB'000 w [O Æ	RMB'000 w [O Æ	RMB'000 w [O Æ
At 1 January 2016	õ 2016 Ë1 Ü1 Ú	219	51,348	51,567
Deferred tax charged to profit or loss during the year	Ë « Ô & B Œ Y È · ü °	–	(2,863)	(2,863)
At 31 December 2016	õ 2016 Ë12 Ü31 Ú	219	48,485	48,704

The Group has accumulated tax losses of RMB28,032,000 as at 31 December 2017 (2016: RMB9,532,000) that are available indefinitely for offsetting against future taxable profits of the respective group companies in which the losses arose. In addition, the Group has accumulated tax losses of RMB92,810,000 as at 31 December 2017 (2016: RMB32,280,000), which will expire in one to five years for offsetting against taxable future profits.

õ 2017 Ë12 Ü31 Ú d I « Y] ü ° f & ‰ [O Æ 28,032,000 ©€ 2016 Ë j [O Æ 9,532,000 © •d Ì " , ê V * [f & ® ! Y J 8 Ð ü ; — f ä . d I « õ 2017 Ë12 Ü31 Ú Y] ü ° f & ‰ [O Æ 92,810,000 ©€ 2016 Ë j [O Æ 32,280,000 © •d õ S ž Ë « ê V J 8 Ð ü ; — f

19. Deferred Tax (continued)

Deferred tax assets (continued)

È · ü ° *   € ƒ •

Deferred tax asset in respect of accumulated tax losses of RMB3,532,000 (2016: RMB14,406,000) has been recognised in the consolidated financial statements. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB117,310,000 (2016: RMB27,406,000) arising from the subsidiaries as it is not considered probable that taxable profits will be available in the foreseeable future against which the accumulated tax losses can be utilised.

Þ ë] ü ° f & Y È · ü ° * [O Æ3,532,000©€ 2016 Ë j [O Æ14,406,000 © •Š õ ¥ ; Ì Œ ½ © f _ õ I « ” © ‰ õ k J 8] ü ° f & ø \ Ð ü ; — ê V d B J 1 • n ® ! * [Y q h ü ° f & [O Æ117,310,000 ©€ 2016 Ë j [O Æ27,406,000 © •½ © È · ü ° * f

Deferred tax liabilities

È · ü ° À

At 1 January 2017	õ 2017 Ë1 Ü1 Ú	73,085	9,153	82,238
Deferred tax credited to profit or loss during the year	Ë «] & B Œ Y È · ü °	(421)	(711)	(1,132)
Effect of change in the tax rate	ü * [Y B ¤	–	6,102	6,102
At 31 December 2017	õ 2017 Ë12 Ü31 Ú	72,664	14,544	87,208

19. Deferred Tax (continued)

Deferred tax liabilities (continued) È · ü ° À €ƒ•

		2016 2016 Ë		
		Fair value adjustments arising from business combinations † 8 ¥ ; Ï ç ˜ ® ª = Æ RMB'000 w [O Æ	Taxable temporary differences arising from relocation Ô ü r Û ¨ X RMB'000 w [O Æ	Total ¥ RMB'000 w [O Æ
At 1 January 2016	õ 2016 Ë1 Ü1 Ú	73,070	10,275	83,345
Deferred tax credited to profit or loss during the year	Ë «] & B Œ Y È · ü °	15	(1,122)	(1,107)
At 31 December 2016	õ 2016 Ë12 Ü31 Ú	73,085	9,153	82,238

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10% for the unremitted profits of PRC subsidiaries. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

ì ½• • 7 † 8 Ô { ü , ȡ A ´ Á ¯ • 7 Ó m Y . ³ † 8 £ . ³ k | Y p ¹ D × 10% Y k Ô ü f • › 2008 Ë1 Ü1 Ú Î [Ö ¿ G \ õ2007 Ë 12 Ü31 Ú ˜ Ô { ® ; f J • 7 ~ . ³ k Y ! , Æ m Y ü â Ò d Æ G \ õ 0 - Y k Ô ü f 1 I « þ d • 7 • n ® ! Y J Ò ; — Y G \ ü J 10% f ª ä d I « Þ È k Ô ¯ • 7 Ó m Y • n ® ! ± | 2008 Ë1 Ü1 Ú ˜ Ô { ® ; Y p ¹ Y ü ° f

19. Deferred Tax (continued)

Deferred tax liabilities (continued)

È · ü ° À €ƒ•

As at 31 December 2017, the Group has not recognised deferred tax liabilities of RMB266,775,000 (2016: RMB234,152,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB2,667,748,000 (2016: RMB2,341,514,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

õ 2017 Ë12 Ü31ÚdI« J½ ©Þë•n®!JÒ ;—[OÆ 2,667,748,000€ 2016Ëj[OÆ 2,341,514,000©•Yr Û ¨ X Y È · ü ° À[OÆ 266,775,000 € 2016Ëj[OÆ 234,152,000 ©•ƒ ü X ¯ 5 À ; — Ò Û Ð šÕùd_õI®!›S •n ®!Yp¹A ¿ ;—¯ ø k YJ8”6±|f

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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20. Inventories

20. À ¬

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Raw materials	a ¿ Ø	97,576	87,480
Work in progress	Ó Ü	19,631	16,736
Finished goods	Ó Ü	308,177	297,452
Total	¥	425,384	401,668

The reversal of write-down of inventories amounted to RMB14,499,000 (2016: RMB39,770,000), which was recorded in “Cost of sales” in the consolidated statement of profit or loss.

a « À ¬ Û ¯ Y – X ‰ [O Æ 14,499,000€ 2016 Ë j [O Æ 39,770,000 © •d I õ ¥ ; & B Œ — • * õ˜ V / Ó I ™« f

21. Trade and Bills Receivables

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Trade receivables	q ø Ð × * ›	960,976	1,132,043
Impairment	¯ =	(168,459)	(157,876)
Trade receivables, net	q ø Ð × * › X	792,517	974,167
Bills receivable	C ½ Ð × * ›	300,037	243,836
		1,092,554	1,218,003

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

I « Y q ø Ð × * › 8 8 ¬ J V / Y Ð × Ô { › ° f I « ~ Ò ˜ œ ô · @ ¦ \ t ø d (- Ò S › ê d Ã Õ ù f ô Ò Y ¦ \ , " S › § õ 30 Â 180 Â " f Ê ô Ò i £ Ä ð ÷ ¦ \ " X f I « 0 Ë Á I J ö Ð × › ° j 5 ø 9 › d (Š m S H ¦ \ › S Å ø Z ¦ \ , ˆ % ð - f ÷ t M # [p › , è C , q f á õ j ‹ 1 ¿ I « q ø Ð × * › ~ } Ž ± s Ò Þ ë d ¦ \ , ˆ Y « • (" ÷ f I « (Ì 1 I q ø Ð × * › 5 Þ , ê å Ü Ð ® _ I ü ¦ \ # t f ð • q ø Ð × * › Y C , ; ¹ 2 Ë ; 12% Q f

21. Trade and Bills Receivables (continued)

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:

h Œ 1 • õ S Ë K q ø Ð × * › Y * g ± d ? õ t ø Ú , q Ô ð a ê m

			2016
		2017 Ë	2016 Ë
		RMB'000	RMB'000
		w [O Æ	w [O Æ
Within 3 months	3 H Ü «	545,268	713,343
4 to 6 months	4 6 H Ü	145,821	184,072
7 to 12 months	7 12 H Ü	20,298	12,303
1 to 2 years	1 Ë 2 Ë	36,776	42,370
Over 2 years	2 Ë ø j	44,354	22,079
		792,517	974,167

The movements in provision for impairment of trade receivables are as follows:

q ø Ð × * › ¯ = a ê Y ½ h j

			2016
		2017 Ë	2016 Ë
		RMB'000	RMB'000
		w [O Æ	w [O Æ
At 1 January	õ 1 Ü1 Ú	157,876	118,992

21. q ø ¿ C ½ Ð × * › € ƒ •

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB168,459,000 (2016: RMB157,876,000) with a carrying amount before provision of RMB184,517,000 (2016: RMB182,438,000).

j q ø Ð × * › ¯ = a ê < 1 a ê Ã * & = [O Æ 184,517,000 © € 2016 Ë j [O Æ 182,438,000 © • Y H 9 ¯ = q ø Ð × * › þ * Y [O Æ 168,459,000 © € 2016 Ë j [O Æ 157,876,000 © • Y a ê f

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recoverable.

H 9 ¯ = Y q ø Ð × * › ~ ï [Ì A b í Ð î Þ ; ¹ ¿ J Ð I – ù › Y Ò Þ ë d k , Ã Þ Å … Ð × * › š × « f

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

(J — V ‰ H 9 Ð • • ¯ = Y q ø Ð × › ° Y * g ± ½ h j

		2017 2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Neither past due nor impaired	J C , u J ¯ =	549,939	628,954
Less than 2 months past due	C , ” 2 H Ü	112,982	221,235
2 to 6 months past due	C ,2 6 H Ü	65,573	62,531
7 to 12 months past due	C ,7 12 H Ü	15,059	42,985
Over 1 year past due	C ,1 Ë ø j	48,964	18,462
		792,517	974,167

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

J C , u J ¯ = Y Ð × › ° W ~ • , (Ì < Ò ¾ } Y µ ¤ Ò Þ ë f

21. q ø ¿ C ½ Ð × * › € ƒ •

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Š C , (J ¯ = Y Ð × › ° W ~ ¯ I « Þ » » 6 ¾ } Y µ ¤ ù m Ò Þ ë f _ õ ¦ r o / (Ì $ } d ò Þ ë q ¥ — V ‰ Œ p « × d ª ä ì ½ @ » ¾ d I ® ! è + © ‰ Ì @ 1 q * ¯ = a ê f

Included in the Group's trade receivables are amounts due from related parties of RMB48,367,000 (2016: RMB68,417,000) which are repayable on similar credit terms to those offered to the major customers of the Group.

Ð × Þ ë [{ › ° [O Æ 48,367,000©€ 2016 Ë j [O Æ 68,417,000 © •] I « q ø Ð × * › d › ° Y ” › ¦ r â • ' d 6 I « Y ô Ò ´ ð f

As at 31 December 2017, certain trade receivables of NVC Lighting Limited ("UKNVC") with carrying amounts of RMB24,004,000 (2016: RMB47,347,000) were pledged to secure the bank borrowings of UKNVC as further set out in Note 28.

õ 2 0 1 7 Ë 1 2 Ü 3 1 Ú dN V C Lighting Limited €˜ õ 7 d { ™• Y ð • q ø Ð × * › * & = [O Æ24,004,000©€ 2016 Ë j [O Æ47,347,000 © • Š / å * ‰ õ 7 d { Õ > › Y ê å d † S É ‹ 1 õ • W28 f

The maturity of the bills receivable of the Group as at 31 December 2016 and 2017 is within 6 months.

õ 2016 Ë ¿ 2017 Ë12 Ü31 Ú d I « Y C ½ Ð × * › õ 6 H Ü « Q , f

As at 31 December 2016 and 2017, no bills receivable is due from related parties.

õ 2016 Ë ¿ 2017 Ë12 Ü31 Ú d (Ì Ð × Þ ë [{ C ½ * › f

As at 31 December 2017, the fair value of trade and bills receivables approximate to their carrying amount largely due to their short-term maturity.

õ 2017 Ë12 Ü31 Ú d q ø ¿ C ½ Ð × * › Y ® ª = ~ I * & = ´ ð d µ ô J I õ , Ì / 4 Í f

		Notes • W	2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Non-current assets:	¢ t * j			
Prepayments for purchase of property, plant and equipment	… o J 8 e @ Ò ¿ £ ê k ù › °		429,961	102,252
Current assets:	t * j			
Prepayments	k ù ›	(a)	50,746	60,756
Impairment	¯ =	(a)	(33,625)	(33,625)
			17,121	27,131
Deposits and other receivables	- Ç – ¿ I ü Ð × › °	(b)	667,752	602,719
Impairment	¯ =	(b)	(287,660)	(286,735)
			380,092	315,984
			397,213	343,115

22. Prepayments, Deposits and Other Receivables (continued)

Notes: • W j

(a) Prepayments (a) k ù ›

The breakdown of prepayments is as follows: k ù › ü Z ½ h j

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Prepaid land lease payments – current portion	k ù z ® a – Ñ t Å …	876	875
Prepayments to third parties	š K g Ù Y k ù ›	49,657	59,881
Prepayment to an entity with significant influence over the Group	š Á l « ¹ Þ } B ¤ b Y S • ¼ Y k ù ›	213	–
		50,746	60,756
Impairment	¯ =	(33,625)	(33,625)
Prepayments, net	k ù › X	17,121	27,131

The impairment mainly includes those related to an amount due from an entity over which a close family member of Mr. WU Changjiang, a former director and former chief executive officer of the Company, has significant influence.

¯ = ô < ~ 8 ¼ Y Ð × › ° € I ® ! Ã è + R Ã / © B œ N — ê ‹ [Y S ¤ • K n Á ¼ ¹ Þ } B ¤ b •Þ ë f

The movements in provision for impairment of prepayments are as follows:

k ù › ¯ = a ê Y ½ h j

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
At 1 January	õ 1 Ü1 Ú	33,625	23,119
Impairment losses recognised (Note 7)	Š ½ © ¯ = f & *€ • W7 •*	–	10,506
At 31 December	õ 12 Ü31 Ú	33,625	33,625

22. Prepayments, Deposits and Other Receivables (continued)

Notes: (continued)

• W ƒ€ ƒ •

(b) Deposits and other receivables

(b) - Ç – ¿ I ü Ð × › °

The breakdown of deposits and other receivables is as follows:

- Ç – ¿ I ü Ð × › ° Y ü Z ½ h j

		Notes • W	2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Other receivables due from a company	I ü Ð × S • ® ! › °	33(a)	550,924	550,924
Withdrawn amount recoverable	× « — d _ › °	33(b)(ii)	55,396	–
Deposits and other receivables from third parties	8 K g Ù Y - Ç – ¿ I ü Ð × * ›	(i)	49,263	38,615
Due from individuals	Ð × H 9 [{ Y › °		3,772	2,793
Due from other related parties	Ð × I ü ë L [{ › °	(ii)	8,397	10,387
			667,752	602,719
Impairment (mainly including impairment of RMB285,360,000 (Note 33(a))	¯ =€ ô < [O Æ285,360,000 © Y ¯ = • € • W33(a) •		(287,660)	(286,735)
Deposits and other receivables, net	- Ç – ¿ I ü Ð × › ° X		380,092	315,984

22. Prepayments, Deposits and Other Receivables (continued)

Notes: (continued) • W j€ ƒ •

(b) (continued) (b) € ƒ •

The movements in provision for impairment of other receivables are as follows:

I ü Ð × › ° ¯ = a ê ˜ ½ h j

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
At 1 January	õ 1 Ü1 Ú	286,735	289,100
Impairment losses recognised, net (Note 7)	Š ½ © ¯ = f & X € • W7 •	1,017	88
Reversal of impairment loss previously recognised (Note 7)	a « ø Ã ½ © Y ¯ = f & € • W7 •	(88)	–
Written off	Û ¯	(4)	(2,453)
At 31 December	õ 12 Ü31 Ú	287,660	286,735

(i) The deposits and other receivables from third parties are unsecured, non-interest-bearing and have no fixed terms of repayment.

(i) 8 K g Ù Y - Ç – ¿ I ü Ð × * › i ‰ Ì ê å e 5 ¹ ¿ Ì x › " › , f

(ii) The amounts due from related parties (as defined in Note 40) consist of the following:

(ii) Ð × ë L Ù€ › È • W40 • › ° < ø h ¢ ° j

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
An entity with significant influence over the Group	Á I « ¹ Þ } B ¤ b Y S • ¼	100	2,467
Associates of the Group	I « Y L ® !	8,269	7,920
An entity controlled by a director of the Company	I ® ! è + › S Y S • ¼	28	–
		8,397	10,387

As at 31 December 2016 and 2017, the fair value of deposits and other receivables approximate to their carrying amount largely due to their short-term maturity.

õ 2016 Ë ¿ 2017 Ë 12 Ü31 Ú d _ õ õ , Ì / 4 Í d - Ç – ¿ I ü Ð × › ° Y ® ª = ~ I * & = } ´ ð f

23. Other Current Assets

The balances mainly represented PRC value-added tax recoverable as at 31 December 2016 and 2017.

q ô 8 õ2016 Ë ¿2017 Ë12 Ü31 Ú Y × ü • 7 # = ü f

24. Held-for-trading Investments

24. 5 * o - ³

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Equity securities listed in the PRC, at fair value	õ • 7 « ® j 9 Y p I Ç N€ 2 ® ª = •	88,786	–

The fair value of the listed equity securities was determined based on the quoted market prices in an active market. Further details were set out in Note 42.

j 9 p I Ç N Y ® ª = 2 õ z " 9 Y 9 > › f † S É ‹ 1 õ • W42 f

25. Restricted Bank Balances and Short-term Deposits and Cash and Cash Equivalents

		Notes • W	2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Cash and bank balances	$ – ¿ Õ q		862,346	997,551
Time deposits	› , À ›			
Non-pledged time deposits	Ì ê å › , À ›		588,579	546,994
Pledged time deposits:	1 h • ¢ ° Y Þ ê å › , À › j			
– for letter of guarantee ("L/G")	Ñ Ä - L • €˜ Ä - L • ™•	(i)	101,525	34,533
– for assets preservation	Ñ * - Œ	(ii)	27,561	26,501
			1,580,011	1,605,579
Less:	¯ j			
Restricted bank balance	a " S Õ q	33(b)(ii)	–	(55,396)
Pledged time deposits	Þ ê å › , À ›		(129,086)	(61,034)
Non-pledged time deposits with original maturity over three months when acquired	õ © … Û a Q , Ú t @ g H Ü Y Ì ê å › , À ›		(185,336)	(328,994)
			(314,422)	(445,424)
Cash and cash equivalents	$ – ¿ $ – J		1,265,589	1,160,155

Notes:

(i) In accordance with several letters of guarantee, the deposits were pledged for issuing L/G.

(ii) The amount represented the deposits pledged for the Group's applications of assets preservation in certain PRC legal proceedings.

• W j

(i) ì ½ p Ä - L d À › Š / å ø ï Ä - L f

(ii) – X 8 I « ‰ õ ð • • 7 , û • • a * - Œ þ ê å Y À › f

25. Restricted Bank Balances and Short-term Deposits and Cash and Cash Equivalents (continued)

At the end of the reporting period, the restricted bank balances and short-term deposits and cash and cash equivalents of the Group denominated in RMB amounted to RMB1,280,911,000 (2016: RMB776,178,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

õ I S Ë K d I « ø [O Æ = Y a " S Õ q ¿ õ , À › ¿ $ – ¿ $ – J ‰ [O Æ1,280,911w©€ 2016 Ë j [O Æ776,178,000 © •f [O Æ ” _ 7 I ‰ I ü ¬ Æ f Í þ d ì ½ • 7 } Ô Y• . Ò M # â 7 ‘¿ • Ò e / Ò ¿ ù Ò M # • › ‘d I « X · @ ¬ Æ † . Ò 8 Y Õ Z [O Æ 3 I ‰ I ü ¬ Æ f

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three and twelve months depending on the immediate cash requirements of the Group, and earned interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

Õ À › ? õ Ê Ú Õ À › ; 2 ; ¹ f › , À › Y , " ì ½ I « Y \ Ÿ $ – ê Ë § õ 3 Q12 H Ü ” d 2 ¢ Y õ , À › ; ¹ f Õ q ¿ › , À › Ç À] • , Ì < Ò ¾ } Y f Õ f

As at 31 December 2016 and 2017, the fair values of cash and bank balances and time deposits approximate to their carrying amounts largely due to their short-term maturity.

õ 2016 Ë ¿2017 Ë12 Ü31 Ú d _ õ õ , Ì / 4 Í d $ – ¿ Õ q ø ¿ › , À › Y ® ª = ~ I * & = } ´ ð f

26. q ø ¿ C ½ Ð ù * ›

		2017 Ë RMB’000 w [O Æ	2016 2016 Ë RMB’000 w [O Æ
Trade and bills payables to third parties	Ð ù K g Ù q ø ¿ C ½ * ›	778,663	688,851
Trade and bills payables to related parties	Ð ù ë L [{ q ø ¿ C ½ * ›	42,170	61,185
		820,833	750,036

Trade and bills payables to related parties (as defined in Note 40) include the following:

Ð ù ë L [{€ › È • W 40 • q ø ¿ C ½ * › < h • ¢ ° j

		2017 Ë RMB’000 w [O Æ	2016 2016 Ë RMB’000 w [O Æ
Subsidiaries of the entity with significant influence over the Group	Á I « ¹ Þ } B ¤ b Y ¼ Y • n ® !	26,099	36,682
An associate of the Group	S • I « Y L ® !	14,858	21,869
Entities controlled by Mr. WU Jiannong, a director and substantial shareholder of Zhejiang NVC (defined in Note 39)	ê d { Y è + ¿ ô p N 5 ‹ [› S Y ¼ € › È • W39 •	1,213	402
An entity over which the Group indirectly has significant influence	I « Á I œ Ÿ ¹ Þ } B ¤ b Y ¼	–	2,232
		42,170	61,185

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

q ø Ð ù * › i ‰ 5 ¹ d I Q , " · I ‰30 Â 60 Â f

Bills payables are normally settled within 6 months.

C ½ Ð ù * › · I ¯6 H Ü « Q f

26. Trade and Bills Payables (continued)

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:

ì ½ t ø Ú , d I « õ S Ë K Y q ø ¿ C ½ Ð ù * › Y * g ± ½ h j

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Within 3 months	3 H Ü «	792,738	716,962
4 to 6 months	4 Q6 H Ü	12,248	16,056
7 to 12 months	7 Q12 H Ü	4,995	1,125
1 to 2 years	1 Q2 Ë	1,849	8,641
Over 2 years	2 Ë ø j	9,003	7,252
		820,833	750,036

As at 31 December 2016 and 2017, the fair value of trade and bills payables approximated to their carrying amounts which is largely due to the short-term maturity.

õ 2016 Ë ¿2017 Ë12 Ü31 Ú d q ø ¿ C ½ Ð ù * › Y ® ª = ~ I * & = ´ ð d µ ô J I õ , Ì / 4 Í f

27. Other Payables and Accruals

27. I ü Ð ù * › ¿ Ð I \

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Other payables to third parties, advances from customers and accruals*	I ü Ð ù K g Ù * › e Ò ¦ › ¿ Ð I *	723,683	728,179
Dividend payable	Ð ù p ¹	4,333	1,331
Amounts due to related parties	Ð ù ë L [{ * ›	733	20,465
		728,749	749,975

* As at 31 December 2017, included in the balances are the consideration payables (2016: contingent consideration payables) of RMB41,825,000 (Note 49).

* õ 2017 Ë12 Ü31 Ú d] q Y Ð ù þ € 2016 Ë j Ð ù Ð Þ þ • ‰ [O Æ41,825,000 ©€ • W49•

27. Other Payables and Accruals (continued)

Amounts due to related parties are unsecured, interest-free and repayable on demand.

Ð ù ë L [{ › ° ‰ ¢ ê å e 5 ¹ ¿ 2 Ë C ù f

The amounts due to related parties (as defined in Note 40) are as follows:

Ð ù ë L [{€ › È • W 40 • * › ½ h j

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Associate	L ® !	19	–
Entity with significant influence over the Group	Á I « ¹ Þ } B ¤ b Y S • ¼	3	–
Subsidiaries of the entity with significant influence over the Group	Á I « ¹ Þ } B ¤ b Y ¼ Y • n ® !	700	700
Entities controlled by Mr. WU Jiannong, a director and substantial shareholder of Zhejiang NVC (defined in Note 39)	ê d { Y è + ¿ ô p N 5 ‹ [› S Y ¼ € › È • W39 •	11	19,611
An entity over which the Company indirectly has significant influence	I ® ! Á I œ Ÿ ¹ Þ } B ¤ b Y ¼	–	154
		733	20,465

As at 31 December 2016 and 2017, the fair value of most of other payables and accruals approximated to their carrying amounts which is largely due to the short-term maturity.

õ 2016 Ë ¿2017 Ë12 Ü31 Ú d ô _ õ I õ , Ì / 4 Í d } Å … I ü Ð ù * › ¿ Ð I \ Y ® ª = ~ ¾ Y * & = ´ ð f

28. Interest-Bearing Loans and Borrowings

				2016		
		2017 Ë			2016 Ë	
	Contractual interest rate (%) ¥ Ò ; (%)	Maturity Q , , "	RMB'000 w [O Æ	Contractual interest rate (%) ¥ Ò ; (%)	Maturity Q , , "	RMB'000 w [O Æ

¹ Þ ê å Õ r › 8 S ø õ @ = Y Þ ê å D d X ‰ õ @8,000w ©€ 2016 Ë j õ @ 8,000 w © •f Õ r › W ø ð • q ø Ð × * ›€ • W 21•¿ð • J 8€ • W 14 •* ‰ ê å f ì ½ ¥ • d õ × « Š + / Y q ø Ð × * › d r › C ² µ " d (2 ? I ; j 1.90% Y ; ¹ f

* ˜ ? I ; ™ 8 õ ø † Õ Y ? I ; f

õ 2016 Ë ¿2017 Ë12 Ü31 Ú d ¹ r › ¿ > › Y ® ª = ~ I * & = ´ ð d µ ô J I õ , Ì / 4 Í f

29. A ´ þ ?

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
At 1 January	õ 1 Ü1 Ú	14,885	16,453
Received during the year	I Ë Š × – X	15,771	16,556
Released to profit or loss	a & B Œ	(16,532)	(18,124)
At 31 December	õ 12 Ü31 Ú	14,124	14,885
Portion classified as current liabilities	± ó ‰ t À Y Å …	(2,012)	(2,026)
Non-current portion	¢ t Å …	12,112	12,859

Various government subsidies have been granted to the Group's PRC subsidiaries as compensation for technology research and development and as financial support for the establishment of energy-saving lamp tube production lines.

I « Y • 7 • n ® ! { Q Y ¢ G A ´ þ ? d \ * Å ¦ ¼ ï þ µ ¿ * ‰ m · • ñ M [* Þ Y Ì A Õ 5 f

The balance as at 31 December 2017 mainly represented government grants for development of LED products and other energy-saving lamp production lines. The government grants are credited to profit or loss over the estimated useful lives of the associated production lines.

õ 2017 Ë12 Ü31 Ú Y q ô 8 \ õ š ï LED * Ü ¿ I ü · • ñ [* Þ Y A ´ þ ? f G A ´ þ ? i 2 ´ ë [* Þ Y 4 \ Ë ,] & B « f

There are no unfulfilled conditions or contingencies attached to these government grants.

j A ´ þ ? (Ì • Þ , J ¼ $ Y â • Ð k Ð Þ + ° f

30. Share Capital

		2017 Ë			2016 2016 Ë		
		Number of shares '000 p ... p f w p	US$ Õ ©	RMB equivalent ± ¥ [O Æ	Number of shares '000 p ... p f w p	US$ Õ ©	RMB equivalent ± ¥ [O Æ
Ordinary shares of US$0.0000001 each	Ê p0.0000001 Õ © Y w · p						
Authorised:	, › j						
As at 1 January and 31 December	õ 1 Ü1 Ú ¿ 12 Ü31 Ú	500,000,000	50,000	341,385	500,000,000	50,000	341,385
Issued and fully paid	Š ï ¿ ® p › j						
As at 1 January	õ 1 Ü1 Ú	3,213,448	321	2,381	3,128,448	313	2,324
Issue of new shares (Note)	ï - p ... € • W •	368,357	37	249	85,000	8	57
As at 31 December	õ 12 Ü31 Ú	3,581,805	358	2,630	3,213,448	321	2,381

Note:

Pursuant to a subscription agreement dated 2 June 2017 (2016: 23 May 2016) entered into between the Company and the subscribers, the Company agreed to issue 368,357,000 (2016: 85,000,000) ordinary shares at the subscription price of HK$0.80 each (2016: HK$0.83 each) to raise additional funds for the Group. The ordinary shares were issued during the year.

• W j

ì ½ I ® ! ~ © … [õ 2017 Ë6 Ü2 Ú € 2016 Ë j2016 Ë5 Ü23 Ú • m Y © … X D d I ® ! • ï 368,357,000 p€ 2016 Ë j85,000,000 p • w · p p … d © … ‰ Ê p p .0.80¥©€ 2016 Ë j Ê p 0.83 ¥ © •d ø ‰ I « * « X . I f w · p Š õ Ë « ï f

31. Pre-IPO Share Option Scheme

The Company operates a Pre-IPO share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Group’s key employees, directors, consultants and strategic suppliers. The Scheme became effective on 15 October 2006 and was amended on 23 December 2009 and 24 March 2010. The Scheme was valid and effective for the period of time commencing on 15 October 2006 and expired on the day immediately prior to the date on which dealings commence in the ordinary shares on the Stock Exchange of Hong Kong Limited, after which period no further options will be granted under the Scheme, but the provisions of the Scheme shall in all other respects remain in full force and effect and options under the Scheme during its life may continue to be exercisable in accordance with the Scheme and their terms of issue.

There has been no cancellation or modification to the Scheme for issued share options during the year.

I ® ! £ Þ / ã ® š ï Ã … p Æ Œ €˜ Œ ™•d Ù ¯ ç ¸ q ¤ ¸ Á I « Ó 6 * Í Y ¥ ø ~ k f Œ Y ¥ ø ~ k < I « Y ë Ÿ ‡ p e è + ¿ ¥ * ø ¿ · + 6 Ð f Œ õ2006 Ë 10 Ü15 Ú š • [Ö d (õ2009 Ë 12 Ü23 Ú ¿ 2010 Ë3 Ü24 Ú † L f Œ õ2006 Ë10 Ü15 Ú Î a ‡ I ® ! w · p ¯ 0 ¥ L ¥ t ø Ô Þ " ® ! š • o - … Ú Ã Ú , œ [Ö ¿ Þ Ö d õ , œ I ® ! Z ” 6 ì ½ Œ † S É ¬ … p Æ d (Œ â Ö Z ¯ Ô Þ I ü Ù & ¥ H • Œ Y Ö b ¿ * \ d ò õ Œ , " « Œ h Y … p Æ ì ½ Œ ¿ I ï â › 1 ƒ 4 f

õ I Ë d (Ì 1 Š ï … p Æ _ Ð L Œ f

31. Pre-IPO Share Option Scheme (continued)

The following share options were outstanding under the Scheme during the year:

I Ë d Œ • J 4 Y …
p Æ ½ h j

		2017 Ë		2016 2016 Ë	
		Number of options … p Æ … p	Weighted average exercise price per share Æ ; i Ê p 4 HK$ ¥ ©	Number of options … p Æ … p	Weighted average exercise price per share Æ ; i Ê p 4 HK$ ¥ ©
At 1 January	õ 1 Ü1 Ú	1,000,000	2.10	7,200,000	2.10
Lapsed during the year	Ë « 0 Ö	(1,000,000)	2.10	(6,200,000)	2.10
At 31 December	õ 12 Ü31 Ú	–	–	1,000,000	2.10

For the year ended 31 December 2017, 1,000,000 (2016: 6,200,000) share options lapsed due to the expiration of share options (2016: expiration of share options and resignation of certain option holders).

Ú 2017 Ë12 Ü31 Ú ß Ë d
1 , 0 0 0 , 0 0 0 … €2 0 1 6 Ë j
6,200,000 … •… p Æ ª … p Æ ,
€ 2016 Ë j … p Æ , ¿ ð •
… p Æ 5 Þ [Ø •þ 0 Ö f

As at 31 December 2016, 1,000,000 share options were exercisable, the weighted average exercise price of which was HK$2.10. There was no outstanding share option as at 31 December 2017.

õ 2016 Ë12 Ü31 Ú 4 Y … p
Æ ‰1,000,000 … d Æ ; i
4 ‰ 2.10 ¥ © f õ 2017 Ë12 Ü
31 Ú (Ì J 4 Y … p Æ f

31. Pre-IPO Share Option Scheme (continued)

The exercise prices and exercise periods of the share options outstanding as at 31 December 2016 were as follows:

õ 2016 Ë12 Ü31 Ú d J 4 Y … p Æ Y 4 ¿ 4 , ½ h j

The weighted average remaining contractual life of the share options outstanding as at 31 December 2016 was 0.11 years.

õ 2016 Ë12 Ü31 Ú J 4 … p Æ Y Æ ; i q h ¥ Ò Ë , Ò ‰ 0.11 Ë f

The fair value of the share options granted by the Company has been recognised in the consolidated statement of profit or loss over the vesting periods and the total amount recognised as a share option expense for the year ended 31 December 2016 totalled RMB7,000, with a corresponding credit in employee equity benefit reserve.

I ® ! ¬ Y … p Æ Y ® ª = õ å n , œ õ] ¥ & B Œ « ½ © d õ Ú 2016 Ë 12 Ü31 Ú ß Ë ½ © ‰ … p Æ š Õ Y < – X ¥ • [O Æ7,000 © d (´ Ð] ‡ p Æ B E ; _ ê f

32. Reserves

Group

I «

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

I « õ I Ë ¿ @ » Ë Y · ê – X ¿ Þ ë õ ¥ ; Æ B Œ • O • f

Share premium

p … P

The share premium account included the premium arising from the subscription of new ordinary shares and the difference between the proportionate share of the carrying amount of the acquirees' net assets and the consideration paid for the additional interests.

p … P < © … - w · p * [Y P d ¿ 2 â 7 Ð & Õ … Ù * = Y * & = d ~ 1 X . Æ B Š ù þ ˜ œ Y ¨ X f

Other reserve

I ü · ê

Other reserve represented the accumulated fair value gain/loss on long term investments held during the year.

I ü · ê ‰ Ë « 5 Þ — , ³ Y] ® ª = & B f

Shareholders' contribution

p

Shareholders' contribution represented the cash contributed by shareholders in previous years.

p ‰ ˜ Ã Ë p Y $ – f

32. Reserves (continued)

Statutory reserve

, › ® –

In accordance with the Company Law of the PRC, each of the subsidiaries of the Company that was registered in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with the prevailing PRC accounting standards, to the statutory reserve until the balance of the reserve funds reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital.

ì ½ • 7 ® ! , d I ® ! õ • 7 W Y ¢ • n ® ! ² 1 ì ½ $ • 7 6 _ Æ > › Y Ë , › ü ; —€ Ô ð , @ » Ë f & • Œ 10% , › · ê d \ · ê – q : Q ¼ W I Y 50% ‰ ß f , › · ê \ õ ê V @ » Ë f & Ð # I d “ , › · ê Y q h q ” Ç õ W I Y25% f

Employee equity benefit reserve

‡ p Æ B E ; _ ê

Employee equity benefit reserve comprises the fair value of share options granted which are yet to be exercised or lapsed, as further explained in the accounting policy for share-based payments in Note 2.3.

½ • W 2.3 Þ ë p … Õ ù Y 6 A « Y † S É U Q d ‡ p Æ B E ; _ ê < Š ¬ (J 4 Ð J Q , … p Æ Y ® ª = f

Foreign currency translation reserve

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The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations outside the PRC. The reserve is dealt with in accordance with the accounting policies set out in Note 2.3.

Ò 3 · ê < Ô Þ ª I Q • 7 ¤ . . 8 Ì Œ Y . Ò ¨ X f Þ ë · ê 2 k • W 2.3 Ô 1 Y 6 A ˆ # f

32. Reserves (continued)

Company I ® !

		Share premium p ... P RMB'000 w [O Æ	Employee equity benefit reserve ‡ p Æ B E ; _ ê RMB'000 w [O Æ	(Accumulated losses)/ retained profits €] f & •J 5 À ; — RMB'000 w [O Æ	Foreign currency translation reserve Ò 3 _ ê RMB'000 w [O Æ	Proposed final dividend D | K , p ¹ RMB'000 w [O Æ	Total ¥ RMB'000 w [O Æ
At 1 January 2016	õ 2016 Ë1 Ü1 Ú	1,840,716	4,549	(293,200)	(171,537)	26,210	1,406,738
Loss for the year	I Ë f &	–	–	(114,236)	–	–	(114,236)
Other comprehensive income for the year	I Ë I ü Œ & ×]	–	–	–	42,350	–	42,350
Issue of new shares	ï - p ...	60,742	–	–	–	–	60,742
Lapse of share options	... p Æ 0 Ö	–	(4,244)	4,244	–	–	–
Employee share option arrangements	‡ p ... p Æ Ä °	–	7	–	–	–	7
Dividend paid	Š ù p ¹	–	–	–	–	(26,210)	(26,210)
Proposed final 2016 dividend	D2016 Ë K , p ¹	(28,745)	–	–	–	28,745	–
Transfer between reserves	· ê ˜ œ Y 7 E	(765,057)	–	765,057	–	–	–
At 31 December 2016 and 1 January 2017	õ 2016 Ë12 Ü31 Ú ¿ 2017 Ë1 Ü1 Ú	1,107,656	312	361,865	(129,187)	28,745	1,369,391
Loss for the year	I Ë f &	–	–	(25,625)	–	–	(25,625)
Other comprehensive income for the year	I Ë I ü Œ & ×]	–	–	–	(49,931)	–	(49,931)
Issue of new shares	ï - p ...	259,021	–	–	–	–	259,021
Lapse of share options	... p Æ 0 Ö	–	(312)	–	–	–	(312)
Dividend paid	Š ù p ¹	–	–	–	–	(28,745)	(28,745)
Proposed final 2017 dividend	D2017 Ë K , p ¹	(29,940)	–	–	–	29,940	–
At 31 December 2017	õ 2017 Ë12 Ü31 Ú	1,336,737	–	336,240	(179,118)	29,940	1,523,799

33. Litigations

(a) The Group as a plaintiff

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 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, namely Chongqing Wu Ji Real Estate Development Co., Ltd. ("Wu Ji"), 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.

(a) I « ‰ a S

I ® ! Y S • • n ® ! €˜ • n ® ! ™•õ 2013 Ë ¿ 2014 Ë ¯ • 7 ~ ð • Õ m p ° / å ¿ Ä - X D €˜ / å ¿ Ä - X D ™•d ‰ Õ £ ð • > › [¬ š r › D d 6 Ä - f S Õ r › Y > › [E Ì = Ò ® * š ï Þ " ® !€˜ Ì = ™•£ I « d 6 Y À Ä - f õ2014 Ë d _ õ _ • n ® ! Ä - Y Õ r › J • µ ” d Õ Š d _ • n ® ! / å › , À › ¥ • [O Æ550,924,000 © f

33. Litigations (continued)

(a) The Group as a plaintiff (continued)

The Group initiated a series of legal proceedings against Mr. WU Changjiang, a former director and former chief executive officer of the Company, Mrs. WU Lian (spouse of Mr. WU Changjiang), Mr. WU Xianming, Mrs. CHEN Min, Chongqing Lei Li Jie Industrial Development Co., Ltd., Wu Ji, Chongqing Jiang Te Surface Treatment Co., Ltd. and Chongqing Hua Biao Lighting Manufacturing Co., Ltd., in the Intermediate People's Court of Huizhou for damages. In addition, as indicated in 8 letters of counter guarantee issued by Wu Ji with dates in 2013 and 2014, Wu Ji provided counter guarantees to the Group to reimburse any losses for provision of guarantees on the bank loans borrowed by certain PRC companies under the Pledge and Guarantee Agreements. An aggregate amount of RMB550,924,000 was recognised as other receivables due from a company since 2014 and as at 31 December 2016 and 2017. The directors are of the opinion that an amount of RMB265,564,000 is recoverable since 2014 and as at 31 December 2016 and 2017, and accordingly a provision for the irrecoverable amount of RMB285,360,000 had been charged to profit or loss of the Group since 2014 and up to 31 December 2017.

Details of other receivables due from a company and the related impairment loss are set out in Note 22.

(a) I « ‰ a S € ƒ •

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33. Litigations (continued)

(b) The Group as a defendant

(i) 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. Mrs. WU Lian is the borrower of the loan in relation to the Guarantee Agreement 2.

The outstanding loans of RMB35,497,000 and RMB34,000,000 in relation to the Guarantee Agreements 1 and 2 were in default in 2015 and 2014 respectively. The PRC bank and the PRC finance Company took legal actions against the respective borrowers and the guarantors (including Wu Ji and the Subsidiary as guarantors) to recover the loan balances and interests.

For the Guarantee Agreement 1, according to the first court judgement in 2016 and the final court judgement in 2017, the Subsidiary is adjudicated to be jointly liable for the payment to the PRC bank of the outstanding loan, plus interest and costs. The Subsidiary has filed application of retrial of the PRC court judgements and the commencement of the related legal proceeding has been accepted by the PRC court in January 2018. The related outcome of the retrial according to the official legal documents received by the Subsidiary is pending as of the date of approval of these consolidated financial statements.

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(i) • n ® ! u õ 2013 Ë ~ $ S • • 7 Õ €˜ Ä - X D™• ¿ õ2014 Ë ~ S • • 7 Ì ® !€˜ Ä - X D2 ™• ± 9 m Ä - X D d £ • 7 Õ ¿ • 7 Ì ® ! 1 ¾ ¬ š > › [Y r › D d 6 Ä - f N ø ~ { ‰ Ä - X D 2 ° h r › Y > › [f

2 k Ä - X D1¿ Ä - X D2 d ± 9 ¥ Þ r › [O Æ 35,497,000 © ¿ [O Æ34,000,000 © õ 2015 Ë ¿2014 Ë J µ " f • • 7 Õ ¿ Ì ® ! Š ® _ , d £ ´ ë > › [¿ Ä - [€ < * ‰ Ä - [Y Ì = ¿ • n ® ! • Û p r › q ¿ ; ¹ f

1 Ä - X D 1 þ d ì ½ ò2016 Ë Y / ã , ë : Ô ¿ 2017 Ë Y ð ^ , ë : Ô d • n ® ! — R › ² 1 £ • • 7 Õ Õ ù Y J µ " r › $; ¹ ¿ š Õ Õ Ä • • ª , f • n ® ! Š 1 • 7 , ë : Ô a 2 d ò • 7 , ë Š ò2018 Ë1 Ü • a # ´ ë , a ¤ f ì ½ • n ® ! × Q Y M Ì , Ö • d 2 Y ´ ë ¯ ¥ ; Ì Œ - X ˜ Ú , J ® 1 f

33. Litigations (continued)

(b) The Group as a defendant (continued)

(i) (continued)

For the Guarantee Agreement 2, according to the first court judgement in 2016 and the

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(i) € ƒ •

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33. Litigations (continued)

(b) The Group as a defendant (continued)

(ii) (continued)

in 2016 and the final court judgement in 2017, the Subsidiary is adjudicated to be jointly liable for the payment to the PRC bank of RMB60,000,000, plus interest and costs. In February 2017, the frozen bank balance of the Subsidiary has been withdrawn by the court for the purpose of settlement of the claim by the PRC bank. Accordingly as at 31 December 2017, the withdrawn amount of RMB55,396,000 was included in “Prepayments, deposits and other receivables” in the consolidated statement of financial position as set out in Note 22. During the year, the Subsidiary filed an application of retrial of the PRC court judgements in relation to Guarantee Agreement 3 which was rejected by the PRC court. During the year, the Subsidiary has filed an application of protest of the PRC court judgements and the commencement of the related legal proceeding has been accepted by the PRC court in March 2018. The related outcome of the protest according to the official legal documents received by the Subsidiary is pending as of the date of approval of these consolidated financial statements. Accordingly, the Group is of the view that the legal proceeding is still in progress notwithstanding the final court judgement and the rejection of the application of retrial.

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(ii) € ƒ •

ë : Ô d • n ® ! — R › ² 1 £ • • 7 Õ Õ ù [O 60,000,000 © › ° $; ¹ ¿ Ó I Õ Ä • • ª , f õ 2017 Ë2 Ü d • n ® ! — V Õ À › — , ë d _ ø Õ ù • • 7 Õ Y p µ f ª ä õ 2017 Ë12 Ü31 Ú d — d _ Y – X [O Æ55,396,000 © Š v] • W22 Ô 1 ˜ ¥ ; Ì K 1 Œ « ˜ k ù › e - Ç – ¿ I ü Ð × * › ™ S ° f õ Ë « d • n ® ! Š 1 Ä - X D3 Y • 7 , ë : Ô a 2 d “ — • 7 , ë ö « f õ Ë « d • n ® ! $ Á • 7 , ë : Ô d ¤ a d ò • 7 , ë Š õ 2018 Ë 3 Ü a # ´ ë , a ¤ f ì ½ • n ® ! × Q Y M Ì , Ö • d ¤ a ´ ë Y õ ¥ ; Ì Œ - X ˜ Ú , J ® 1 f ª ä d I « © ‰ ‹ M Š * ð ^ , ë : Ô ¿ 2 a J Ü d ´ ë , a ¤ $ ¥ ¯ † • f

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(b) The Group as a defendant (continued)

(b) I « * ‰ — S [€ ƒ •

(ii) (continued)

(ii) € ƒ •

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. In particular, it is considered that the bank loan had sufficient underlying securities including a piece of land pledged by Wu Ji 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 protest of the PRC court judgements and no provision on the frozen and subsequently withdrawn amount is considered necessary as at 31 December 2016 and 2017 respectively. In addition, the directors are of the opinion that no provision on any shortfall between the amount to be ultimately settled by the Group under the Guarantee Agreement 3 and the above frozen and subsequently withdrawn bank balance is considered necessary as at 31 December 2016 and 2017 respectively. Details of the contingent liabilities are set out in Note 34.

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34. Contingent Liabilities

(a) As at 31 December 2017, contingent liabilities not provided for in the consolidated financial statements were as follows:

(a) Ú 2017 Ë12 Ü31 Ú ß d J õ ¥ ; Ì Œ d a ê Y Ð Í À ½ h j

		2017 2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Guarantees given to banks and a finance company in connection with facilities granted to:	1 ¬ š h • ® ! J [{ ¦ r þ š Õ ¿ S • Ì ® ! Y Ä - j		
Two PRC companies and Ms. WU Lian, an individual	G œ • 7 ® ! ¿ N ø ~ { € H 9 [{ •	131,497	131,497

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

(b) I « $ ‰ _ G • • 7 Õ ¿ S • • 7 Ì ® ! ì ½ Ä - X D Î a I « ² Õ Ä Ä - ª , ¿ ; ¹ Y a ¤ Y — S f è + © ‰ I « ² Õ a Ä - Y † S É & 0 Y • Ì " } d ª ä d ð Þ ë , ¿ I ü Ó I I \ . d á ² 1 Ú 2016 Ë ¿2017 Ë12 Ü31 Ú ‰ U a ¤ Y , p µ d a ê f ì ½ ´ ë , ë : Ô d ½ j (a) Ô Þ £ d I – › ° Ô D × Y ; ¹ 6 ø (i) I – › ° Ò [O Æ62,000 w © ø Ê Ë9.9% $ 2014 Ë10 Ü21 Ú Î J Õ ù ; ¹ ø Ê Ë 9.9% Y ¥ ; i (ii) I – › ° Ò [O Æ34,000 w © 2015 Ë10 Ü8 Ú Î ø • 7 [O Õ ¬ H Ü > › ; Y , 4 i ¿(iii) I – › ° Ò [O Æ35,497 w © 2015 Ë1 Ü4 Ú Î ø Ê 0.05% Q f

35. Pledge of Assets

Save for those disclosed elsewhere in these consolidated financial statements, at the end of the reporting period, certain assets of the Group were pledged as follows:

ð ¥ ; Ì Œ $ Þ £ k . d õ S , K d I « Š / å Y ð • * ½ h j

				2016
			2017 Ë	2016 Ë
		Notes	RMB'000	RMB'000
		• W	w [O Æ	w [O Æ
Property, plant and equipment	J 8 e @ Ò ¿ £ ê	14	282,544	285,618
Prepaid land lease payments	k ù z ® a –	15	46,995	48,314
Trade receivables:	q ø Ð × › ° j			
– for a bank loan	Ñ Õ r ›	21	24,004	47,347
Pledged time deposits	Þ ê å › , À ›	25	129,086	61,034
			482,629	442,313

36. Operating Lease Arrangements

(a) As lessor

(a) * ‰ a Ù

The Group leases its plant and offices under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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At 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

õ 2017 Ë12 Ü31 Ú d ì ½ ~ Õ a [m Y ” Þ V ¾ a # d I « J 8 ð - Ð × a – < X ½ h j

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Within one year	1 Ë «	2,398	1,314
In the second to fifth years, inclusive	K2 5 Ë		

36. Operating Lease Arrangements (continued)

(b) As lessee

The Group leases certain of its office properties and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years. There are no restrictions placed on the Group by entering into these leases.

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

(b) * ‰ Õ a Ù

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õ 2017 Ë12 Ü31 Ú d ì ½ ” Þ V ¾ a # d I « J 8 ð - Ð ù a – < X ½ h j

		2017 2017 Ë RMB’000 w [O Æ	2016 2016 Ë RMB’000 w [O Æ
Within one year	1 Ë «	4,340	7,625
In the second to fifth years, inclusive	K2 5 Ë € < / ˆ G Ë •	651	5,712
		4,991	13,337

37. Commitments

The Group had the following capital commitments at the end of the reporting period:

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		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Contracted, but not provided for:	Š Ò d (J d j		
Property, plant and equipment	J 8 e @ Ò ¿ £ ê	80,668	54,944
Investment in a joint venture	õ S œ ¥ ® ! Y ³	400,000	400,000
Acquisition of interest in an investment	× … S ° ³ Y Æ B	500	2,000
Investments in associates	³ õ L ® !	17,160	13,210
		498,328	470,154

		Notes • W	2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
NON-CURRENT ASSETS	¢ t *			
Property, plant and equipment	J 8 e @ Ò ¿ £ ê		2,884	1,811
Investments in subsidiaries	õ • n ® ! Y ³		723,844	723,844
Long term investments	— , ³		196,026	–
Total non-current assets	¢ t * ¥		922,754	725,655
CURRENT ASSETS	t *			
Due from subsidiaries	Ð × • n ® ! › °		1,418,142	1,170,262
Prepayments and other receivables	k ù › ¿ I ü Ð × › °		719	763
Cash and cash equivalents	$ – ¿ $ – J		46,396	519,874
Total current assets	t * ¥		1,465,257	1,690,899
CURRENT LIABILITIES	t À			
Due to subsidiaries	Ð ù • n ® !		422,599	541,511
Other payables and accruals	I ü Ð ù › ° ¿ Ð I \		8,448	5,148
Convertible bonds – derivative component	I p À N Ñ [ˆ H Å …		11,933	60,230
Convertible bonds – liability component	I p À N Ñ À Å …		421,229	–
Total current liabilities	t À ¥		864,209	606,889
Net current assets	t *		601,048	1,084,010
TOTAL ASSETS LESS CURRENT LIABILITIES	< * ¯ t À		1,523,802	1,809,665
NON-CURRENT LIABILITIES	¢ t À			
Convertible bonds – liability component	I p À N Ñ À Å …		–	440,272
Net assets	*		1,523,802	1,369,393
EQUITY	Æ B			
Share capital	p I	30	3	2
Reserves	· ê	32	1,523,799	1,369,391
Total equity	< Æ B		1,523,802	1,369,393

WANG Donglei î d
Director *è +*

XIAO Yu ý Á
Director *è +*

39. Investments in Subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

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Company name ® ! ¤ H	Place of incorporation/ registration and business W Ó m ® Ã J W ¿ 6 ® Ã	Issued ordinary/ registered capital Š ï w · p I & = J W p I	Percentage of equity attributable to the Company I ® ! Ð & Æ B õ ± â Direct \ Ÿ	 Indirect œ Ÿ	Principal activities ô 8
Huizhou NVC Lighting Technology Co., Ltd.	PRC/ Mainland China	US$37,250,000	100	–	Manufacture and sale of lamps, luminaries, lamp transformers, lighting electronic products and other appliances
I È d { ˆ e Å ¦ Þ " ® !	• 7 J • 7	37,250,000 Õ ©	100	–	¡ ¿ ¿ V / ˆ U e ñ H e ñ \ D t œ e k ü e œ ¿ I ü e œ
Chongqing NVC Lighting Co., Ltd.	PRC/ Mainland China	US$4,000,000	100	–	Manufacture and sale of lamps, luminaries and other lighting electronic appliances
E d { k ü Þ " ® !	• 7 J • 7	4,000,000 Õ ©	100	–	¡ ¿ ¿ V / ˆ U e ñ H ¿ I ü k ü e œ
Zhejiang NVC Lamps Co., Ltd. ("Zhejiang NVC")	PRC/ Mainland China	RMB20,000,000	–	51	Manufacture and sale of lamps and related products
ê d { ñ H Þ " ® ! € ê d { ™•	• 7 J • 7	[O Æ20,000,000 ©	–	51	¡ ¿ ¿ V / ˆ U ¿ ´ ë * Ü
Zhongshan NVC Decorative Lighting Technology Co., Ltd. ("Zhongshan NVC")	PRC/ Mainland China	RMB15,000,000	–	100	Trading of lamps, luminaries and LED lighting products
• † d { ñ t Å ¦ Þ " ® ! €• † d { ™•	• 7 J • 7	[O Æ15,000,000 ©	–	100	o - ˆ U e ñ H ¿LED k ü * Ü

39. Investments in Subsidiaries (continued)

Company name ® ! ¤ H	Place of incorporation/ registration and business W Ó m ® Ã J W ¿ 6 ® Ã	Issued ordinary/ registered capital Š ï w · p l & = J W p l	Percentage of equity attributable to the Company l ® ! Ð & Æ B õ ± â Direct \ Ÿ	 Indirect œ Ÿ	Principal activities ô 8
Zhejiang Jiangshan Sunny Electron Co., Ltd.	PRC/ Mainland China	RMB10,000,000	–	100	Manufacture and sale of light tubes for energy-saving lamps and related products
ê ê † g ¾ e • Þ " ® !	• 7 J • 7	[O Æ10,000,000 ©	–	100	¡ ¿ ¿ V / · • ñ ñ M ¿ ´ ë * Ü
Jiangshan Phoebus Lighting Electron Co., Ltd.	PRC/ Mainland China	US$7,000,000	–	100	Manufacture and sale of light tubes for energy-saving lamps and related products
ê † ? w v k ü Þ " ® !	• 7 J • 7	7,000,000 Õ ©	–	100	¡ ¿ ¿ V / · • ñ ñ M ¿ ´ ë * Ü
Shanghai Arcata Electronics Co., Ltd.	PRC/ Mainland China	US$10,000,000	–	100	Manufacture and sale of lamp transformers and other lighting electronic products
j › { e • Þ " ® !	• 7 J • 7	10,000,000 Õ ©	–	100	¡ ¿ ¿ V / ñ \ D t œ ¿ l ü k ü e œ
World Through Investments Limited	BVI/ Mainland China	US$50,000	100	–	Investment holding
ð · ³ Þ " ® !	õ n j ' / Ê ¥ J • 7	50,000 Õ ©	100	–	³ › p
NVC Lighting Limited	England and Wales/the UK	GBP5,000,000	100	–	Trading of lamps, luminaries and other lighting products
NVC Lighting Limited	õ ø † ¿ þ ' { J õ 7	5,000,000 õ @	100	–	o - ˆ U e ñ H ¿ l ü k ü * Ü

39. Investments in Subsidiaries (continued)

Company name ®!¤H	Place of incorporation/ registration and business W Óm®Ã J W ¿ 6®Ã	Issued ordinary/ registered capital Šï w·pI &=JW pI	Percentage of equity attributable to the Company I®!Ð&ÆBõ±â Direct \Ÿ	 Indirect œŸ	Principal activities ô 8
Hong Kong TYU Technology Co., Limited	Hong Kong/ Mainland China	HK$200,000	100	–	Trading of lamps, luminaries and other lighting products
0¥ÂûÅ¦Þ"®!	0¥J•7	200,000¥©	100	–	o-ˆUeñH¿Iükü*Ü
Hong Kong NVC Lighting Limited	Hong Kong/ Mainland China	HK$1	–	100	Investment holding
0¥d{küÞ"®!	0¥J•7	1¥©	–	100	³ ›p
NVC Lighting (China) Co., Ltd.	PRC/ Mainland China	HK$200,000,000	–	100	Research, development, manufacture and sale of lamps, luminaries and lighting electronic products
d{kü€•7•Þ"®!	•7 J•7	200,000,000¥©	–	100	¼ïe¡¿¿V/ˆUeñH¿k üeœ
NVC Lighting (Brazil) Commercial Import and Export Co., Ltd. ("NVC Brazil")	Brazil	R$7,000,000	–	51	Trading of lamps, luminaries and other lighting products
Ë d{küqø† y Þ"®!€˜Ë d{™•	Ë	7,000,000"Ö	–	51	o-ˆUeñH¿Iükü*Ü
Bengbu NVC Smart Household Technology Co., Ltd ("Bengbu NVC")	PRC/ Mainland China	RMB5,000,000	–	100	Manufacture and sales of lamps, luminaries, lamp transformers, lighting electronic products and other appliances
µ=d{}F•¢ Å¦Þ"®!€˜µ=d{™•	•7 J•7	[OÆ5,000,000©	–	100	¡¿¿V/ˆUeñHeñ\Dt œeküeœ¿Iüeœ

39. Investments in Subsidiaries (continued)

Company name ®!¤H	Place of incorporation/ registration and business W Óm®Ã J W ¿ 6®Ã	Issued ordinary/ registered capital Šï w·pl &=JW pl	Percentage of equity attributable to the Company l®!Ð&ÆBõ±â Direct \Ÿ	 Indirect œŸ	Principal activities ô 8
Huizhou NVC Kitchenware Co. Ltd. ("Huizhou NVC Kitchenware")	PRC/ Mainland China	RMB5,000,000	–	51	Manufacture and sales of lamps, luminaries, lamp transformers, lighting electronic products and other appliances
lÈd{† eœÞ"ª,®! €˜lÈd{† ™•	•7J•7	[OÆ5,000,000©	–	51	¡¿¿V/ˆUeñHeñ\Dt œekëeœ¿lüeœ
LED Holdings Limited	Hong Kong/ Mainland China	RMB100,000	–	75	Investment holding, research and development on LED semiconductor technology and related applications
4•›pÞ"®!	0¥J•7	[OÆ100,000©	–	75	³ ›pd¼ú¿šïLED ¬ ¦"¿´ëÐ\
Zhuhai Yaohui Technology Co., Ltd	PRC/ Mainland China	RMB1,000,000	–	100	Software development and application
. 4>Å¦Þ"®!	•7J•7	[OÆ1,000,000©	–	100	´•šï¿Ð\
Zhuhai NVC Technology Co, Ltd	PRC/ Mainland China	RMB150,000,000	–	100	Manufacture and sales of lamps, luminaries, lamp transformers, lighting electronic products and other appliances
. d{Å¦Þ"®!	•7J•7	[OÆ150,000,000©	–	100	¡¿¿V/ˆUeñHeñ\Dt œekëeœ¿lüeœ

39. Investments in Subsidiaries (continued)

Company name ® ! ¤ H	Place of incorporation/ registration and business W Ó m ® Ã J W ¿ 6 ® Ã	Issued ordinary/ registered capital Š ï w · p I & = J W p I	Percentage of equity attributable to the Company I ® ! Ð & Æ B õ ± â Direct \ Ÿ	 Indirect œ Ÿ	Principal activities ô 8
NVC Trade Development Company Limited	PRC/ Mainland China	RMB10,000,000	–	100	Manufacture and sales of lamps, luminaries, lamp transformers, lighting electronics products and other appliances
d { q ø ï • Þ " ® !	• 7 J • 7	[O Æ10,000,000 ©	–	100	¡ ¿ ¿ V / ˆ U e ñ H e ñ \ D t œ e k ü e œ ¿ l ü e œ
Zhuhai Sheng Huayang Technology Co., Ltd	PRC/ Mainland China	RMB100,000	–	100	Software development and maintenance
. 8 6 ¢ Å ¦ Þ " ® !	• 7 J • 7	[O Æ100,000 ©	–	100	´ • š ï ¿ j •
Zhuhai NVC Logistics Co., Ltd*	PRC/ Mainland China	RMB10,000,000	–	100	Transportation of lamps, luminaries, lamp transformers, lighting electronics products and other appliances
. 9 d { J t Þ " ® !*	• 7 J • 7	[O Æ10,000,000 ©	–	100	6 i ˆ U e ñ H e ñ \ D t œ e k ü e œ ¿ l ü e œ

* Zhuhai NVC Logistics Co., Ltd was a limited liability company established in the PRC during 2017.

* . 9 d { J t Þ " ® ! d õ 2017 Ë ¯ • 7 W Ó m Y Þ " ª , ® ! f

39. Investments in Subsidiaries (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company elimination:

h Œ • 1 j • n ® ! Y Ì Ø ? f Þ £ Y – X W ¯ ® ! œ ê V ˜ Ã j

2017 2017 Ë		Zhongshan NVC • † d { RMB'000 w [O Æ	Zhejiang NVC ê d { RMB'000 w [O Æ	NVC Brazil Ë d { RMB'000 w [O Æ
Revenue	×]	N/A ” G \	763,610	18,138
Total expenses	l \ ¥	N/A ” G \	(735,847)	(20,335)
Profit/(loss) for the year	l Ë ; — Ѥ f & •	N/A ” G \	27,763	(2,197)
Total comprehensive income for the year	l Ë Œ & ×] ¥	N/A ” G \	27,763	(1,124)
Current assets	t *	N/A ” G \	450,459	13,908
Non-current assets	¢ t *	N/A ” G \	35,779	543
Current liabilities	t À	N/A ” G \	(309,544)	(28,608)
Net cash flows generated from operating activities	¾ z * [$ – t Ž X	N/A ” G \	125,548	13
Net cash flows used in investing activities	³ z Ô \ $ – t Ž X	N/A ” G \	(9,663)	(28)
Net cash flows used in financing activities	D z Ô \ $ – t Ž X	N/A ” G \	(40,000)	(723)
Net increase/(decrease) in cash and cash equivalents	$ – ¿ $ – J # Ѥ ¯ Ç • X	N/A ” G \	75,885	(738)

2016 2016 Ë		Zhongshan NVC • † d { RMB'000 w [O Æ	Zhejiang NVC ê d { RMB'000 w [O Æ	NVC Brazil Ë d { RMB'000 w [O Æ
Revenue	×]	552,419	688,147	23,137
Total expenses	l \ ¥	(513,501)	(641,175)	(28,616)
Profit/(loss) for the year	l Ë ; — J € f & •	38,918	46,972	(5,479)
Total comprehensive income for the year	l Ë Œ & ×] ¥	38,918	46,972	(7,575)
Current assets	t *	N/A ” G \	402,188	14,180
Non-current assets	¢ t *	N/A ” G \	30,458	844
Current liabilities	t À	N/A ” G \	(283,715)	(28,057)
Net cash flows (used in)/ generated from operating activities	$ – t Ž X	(36,487)	41,003	918
Net cash flows used in investing activities	³ z Ô \ $ – t Ž X	(336)	(6,382)	(20)
Net cash flows (used in)/ generated from financing activities	D z € Ô \ • J * [$ – t Ž X	(80,205)	(40,000)	(330)
Net (decrease)/increase in cash and cash equivalents	$ – ¿ $ – J € ¯ Ç • J # X	(117,028)	(5,379)	568

(a) ? Ì p ‰ l ® ! › p ¼ f

(b) ð ¥ ; Ì Œ l ü ® Ù 1 Y Ø . d l Ë ¿

40. Related Party Transactions (continued)

(b) (continued)

Associates of the Group
Huizhou Thor
Wuhu Electronic

Entities controlled by Mr. WU Jiannong, a director and substantial shareholder of Zhejiang NVC
Jiangshan World Bright Crystal Co., Ltd.
Quzhou Aushite Illumination Co., Ltd.
Zhejiang Tonking New Energy Group Co., Ltd (Formerly known as Zhejiang Tonking Technology Co., Ltd)

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

Chongqing Chidian Technology Co., Ltd.[3]

An entity controlled by Mr.WANG Dongming, a director of the Company
NVC Lighting & Electrical Technology Singapore Pte. Ltd.

[1] On 30 December 2016, the entity ceased to be a related party of the Group as it ceased to be a subsidiary of Elec-Tech.

[2] On 9 January 2017, the entity ceased to be a related party of the Group as it has become a subsidiary of the Group.

[3] On 9 August 2016, the entity ceased to be a related party of the Group as it ceased to be a subsidiary of the associate.

(b) € ƒ •

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E 9 u e Å ¦ Þ " ® ! [3]

S • _ I ® ! è + î ü ‹ [› S Y ¼
NVC Lighting & Electrical Technology Singapore Pte. Ltd.

[1] õ 2016 Ë 12 Ü 30 Ú d _ õ ¼ " Ž ‰ C ´ — : Y • n ® ! d I u " Ž ‰ I « Y ë L Ù f

[2] õ 2017 Ë 1 Ü 9 Ú d _ õ ¼ Š Ó ‰ I « S • • n ® ! d I " Ž ‰ I « Y ë L Ù f

[3] õ 2016 Ë 8 Ü 9 Ú d _ õ ¼ " Ž ‰ L ® ! Y • n ® ! d I u " Ž ‰ I « Y ë L Ù f

40. Related Party Transactions (continued)

(c) In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year:

(c) ð ¥ ; Ì Œ I ü ® Ù 1 Y t ø . d I « Ë « Þ ø h ë L Ù t ø j

		Notes • W	2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Entity with significant influence over the Group:	Á I « H Þ } B ¤ b Y ¼ j			
Purchase of finished goods	… o Ó Ü	(i)	2,995	35
Trademark licence fee income	z ¢ I ×]	(ii)	–	2,467
Rental expenses	a – I \	(i)	–	246
Other expenses	I ü I \	(i)	1	–
Subsidiaries of the entity with significant influence over the Group:	Á I « H Þ } B ¤ b Y ¼ Y • n ® ! j			
Purchase of raw materials and finished goods	… o a ¿ Ø ¿ Ó Ü	(i)	121,253	109,795
Sales of raw materials and finished goods	V / a ¿ Ø ¿ Ó Ü	(i)	2,934	10,473
Rental fee income	a – ×]	(i)	–	238
Rental expenses	a – I \	(i)	183	–
Purchase of property, plant and equipment	… o J 8 e @ Ò ¿ £ ê		–	3,780
Acquisition of a subsidiary	× … S • • n ® !		420	–
Associates of the Group	I « Y L ® !			
Purchases of raw materials and finished goods	… o a ¿ Ø q Ó Ü	(i)	12,706	–
Sales of raw materials and finished goods	V / a ¿ Ø q * Ó Ü	(i)	143,104	204,245
Handling income	Ó ƒ I ×]	(i)	–	9,874
Logistics services income	J t ×]	(i)	7,200	–
Trademark licence fee income	z ¢ I ×]	(ii)	452	–
Rental fee income	a – ×]	(i)	1,143	1,168

40. Related Party Transactions (continued)

(c) (continued) (c) € ƒ •

		Notes • W	2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Entities controlled by Mr. WU Jiannong, a director and substantial shareholder of Zhejiang NVC:	ê d { Y è + ¿ ô p N 5 ‹ [› S Y ¼ j			
Purchases of raw materials and finished goods	… o a ¿ Ø ¿ Ó Ü	(i)	8,096	6,802
Purchase of property, plant and equipment	… o J 8 e @ Ò ¿ £ ê	(i)	188	–
An entity over which the Group indirectly has significant influence through an associate:	S • _ I « · @ I L ® ! œ Ÿ Á I H Þ } B ¤ Y ¼ j			
Purchases of raw materials	… o a ¿ Ø	(i)	–	8,671
An entity controlled by Mr. WANG Dongming, a director of the Company	S • _ I ® ! è + î ü ‹ [› S Y ¼			
Consultancy fee	T I	(i)	3,430	1,863

Notes:

• W j

(i) The transactions were made at prices mutually agreed by both parties.

(i) t ø W ì ½ P Ù X › Y ø † f

(ii) Trademark licence fee income arose from licensing the "NVC" brand to related parties, and was charged at 3% to 5% (2016: 3%) of the related parties' annual sales. The royalty rate was mutually agreed by both parties.

(ii) ¬ Æ ë L Ù 4 \˜ d { ™ Ü Ð Ô * [Y z ¢ I ×] W 2 ë L Ù Œ Ë V / X Y 3% 5% € 2016 Ë j3% • d f × I W _ P Ù X › f

40. Related Party Transactions (continued)

(d) Outstanding balances with related parties:

The detailed terms regarding the outstanding balances with related parties as at 31 December 2016 and 2017 are set out in Notes 21, 22, 26 and 27.

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

(d) ë L Ù Y J ö µ q j

Þ ë 2016 Ë ¿ 2017 Ë 12 Ü31 Ú ~ ë L Ù Y J ö µ q ‹ 1 õ • W 21 e 22 e 26 ¿ 27 f

(e) I « ô M # [p Z G j

			2016
		2017 Ë	2016 Ë
		RMB'000	RMB'000
		w [O Æ	w [O Æ
Short-term employee benefits	õ , ‡ p E ;	25,073	19,056

41. Financial Instruments by Category

The carrying amounts of each category of financial instruments as at the end of the reporting period are as

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* & = ½ h j

– D *

I « – D * Y ± ó ½ h j

41. Financial Instruments by Category (continued)

Financial liabilities

– D À

Financial liabilities of the Group are categorised as below:

I « – D À ± ó ½ h j

	2017 Ë	2016 2016 Ë
	RMB’000	RMB’000
	w [O Æ	w [O Æ Ë!as$bu(#' p 9

42. Fair Value of Financial Instruments

(a) Financial instruments not measured at fair value

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and interest-bearing loans and borrowings and convertible bonds – liability component approximate to their carrying amounts largely due to the short-term maturities of these instruments.

(b) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

(a) (¢ 2 ® ª = Ž ˜ – D ˆ H

M # 4 Y $ – ¿ $ – J e q ø ¿ C ½ Ð × › ° e q ø Ð ù * › e v] k ù › ° e - Ç – ¿ I ü Ð × * › Y – D * e v] I ü Ð ù › ¿ Ð I \ Y – D À e ¹ r › ¿ > › ¿ I p À N Ñ À Å … Y ® ª = ~ I * & = ´ ð d W ô _ õ – D ˆ H i õ õ , « Q , Ô ç f

(b) 2 ® ª = Ž ˜ – D ˆ H

H z _ â › ¿ â • ¿ õ z ” t 9 o - Y – D * ~ À Y * & = W ý 9 > › f

\ õ > › K Z t ¿ K g t Ì ˆ H Y ® ª = Ž Y = ¦ ” ¿ 9 ” H À i] ø ¿ ë Ÿ H À i] q ® ª = ˜ œ Y ë · 1 • ½ h f

(b) 2 ® ª = Ž ˜ – D
ˆ H € ƒ •

42. Fair Value of Financial Instruments (continued)

(b) Financial instruments measured at fair value (continued)

(b) 2 ® ª = Ž ˜ – D ˆ H € ƒ •

Financial assets:	– D * j				
Held-for-trading investments	5 * o - ³				
Listed equity investments	j 9 Y p l ³	88,786	–	–	88,786
Long term investments	— , ³				
Listed equity investments	j 9 Y p l ³	20,000	–	–	20,000
Unlisted equity investments	¢ j 9 Y p l ³	–	–	2,000	2,000
Listed debt investments	j 9 Y À N ³	196,026	–	–	196,026
Financial liabilities:	– D À j				
Financial liabilities at fair value through profit or loss	À @ & B * ø ® ª = • * ˜ – D À				
Convertible bonds – derivative component	l p À N Ñ [ˆ H Å …	–	–	11,933	11,933

42. Fair Value of Financial Instruments (continued)

(b) Financial instruments measured at fair value (continued)

(b) 2 ® ª = Ž ˜ – D ˆ H € ƒ •

		2016 2016 Ë Level 1 K S t RMB'000 w [O Æ	 Level 2 K Z t RMB'000 w [O Æ	 Level 3 K g t RMB'000 w [O Æ	 Total ¥ RMB'000 w [O Æ
Financial assets:	– D * j				
Long term investments	— , ³				
Listed equity investments	j 9 Y p l ³	23,000	–	–	23,000
Financial liabilities:	– D À j				
Financial liabilities at fair value through profit or loss	À @ & B * ø ® ª = • * ˜ – D À				
Convertible bonds – derivative component	l p À N Ñ [ˆ H Å …	–	–	60,230	60,230
Contingent consideration payable (Note 49)	Ð ù Ð Þ þ € • W49 •	–	–	41,825	41,825

42. Fair Value of Financial Instruments (continued)

(b) Financial instruments measured at fair value (continued)

(b) 2 ® ª = Ž ˜ – D ˆ H € ƒ •

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

? õ ” H À i] = € K g t • 2 ® ª = • * Y – D ˆ H ˜ Á * ½ h j

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Unlisted equity investments	¢ j 9 ˜ p I ³		
At 1 January	õ 1 Ü1 Ú	–	–
Purchases	… o	2,000	–
Total gains or losses:	< × B Đ f & j		
– in other comprehensive income (included in changes in fair value of available-for-sale financial assets)	Ñ õ I ü Œ & ×] €] 6 / – D * ˜ ® ª = •	–	–
At 31 December	õ 12 Ü31 Ú	2,000	–

42. Fair Value of Financial Instruments (continued)

(b) Financial instruments measured at fair value (continued)

(b) 2 ® ª = Ž ˜ – D ˆ H € ƒ •

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Contingent consideration payable	Ð ù Ð Þ þ		
At 1 January	õ 1 Ü1 Ú	41,825	–
Acquisition of additional interests in a subsidiary (Note 49)	× … S œ • n ® ! X . p Æ € • W49 •	–	41,825
Transfer to other payables and accruals	7 a l ü Ð ù * › ¿ Ð l \	(41,825)	–
At 31 December	õ 12 Ü31 Ú	–	41,825

Details of the reconciliation for convertible bonds – derivative component at fair value are set out in Note 45.

Þ ë 2 ® ª = • * Y I p À N Ñ [ˆ H Å … Y Á * ‹ 1 õ • W45 f

42. Fair Value of Financial Instruments (continued)

(b) Financial instruments measured at fair value (continued)

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance manager analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial offer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

The fair values of the listed equity and debt investments are determined based on quoted market price of the investment as at 31 December 2017.

(b) 2 ® ª = Ž ˜ – D ˆ H € ƒ •

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j 9 Y p I ¿ À N ³ Y ® ª = W ì ½ 2017 Ë12 Ü31 Ú ³ Y 9 > › f

合併財務報表附註

31 December 2017 2017年12月31日

42. Fair Value of Financial Instruments (continued)

(b) Financial instruments measured at fair value (continued)

Significant unobservable inputs

–	Weighted average cost of capital	26.45%
–	Revenue growth rate	10% – 30.2%
–	Long term perpetual growth rate	3%

Details of the valuation methodology and major inputs on determining the fair value of convertible bonds – derivative component are set out in Note 45.

The fair value of contingent consideration payable as at 31 December 2016 was estimated based on estimated adjusted profit after income tax of the acquirees, details of which are set out in Note 49.

There were no changes in valuation techniques during the year.

(b) 2 ® ª = Ž ˜ – D ˆ H € ƒ •

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Ñ	Æ ; i I Ó I	26.45%
Ñ	x] # –	10%–30.2%
Ñ	– , Q n # –	3%

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õ 2016 Ë12 Ü31 Ú Ð ù Ð Þ þ Y ® ª = W ì ½ Õ … Ù Y ¾ Æ ü ; — Q d ‹ 1 õ • W49 f

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43. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing loans and borrowings, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, deposits and other receivables, trade and bills payables, other payables and convertible bonds, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, commodity price risk, foreign currency risk, liquidity risk and equity and debt price risk. The directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts conservative strategies in its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes.

The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised below:

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43. Financial Risk Management Objectives and Policies (continued)

(a) Credit risk (continued)

Cash and short-term deposits are mainly deposited with registered banks in Mainland China and Hong Kong. The Group has policies to limit its credit exposure to any financial institution. The carrying amounts of trade and bills receivables, deposits and other receivables and cash and short-term deposits included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets which carry significant exposure to credit risk.

(b) Commodity price risk

The Group is 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 the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes. The Group has, however, increased its inventories of certain key raw materials to ensure adequate supplies.

(a) ¦ \ , ˆ €ƒ•

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(b) J , ˆ

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43. Financial Risk Management Objectives and Policies (continued)

(c) Foreign currency risk

(c) . Ò , ˆ

The Group has transactional currency exposure. This exposure mainly arises from sales by an operating unit in a currency other than the unit's functional currency. The Group's PRC entities sell their products to overseas customers. These sales are predominately conducted in US$. As a result, the Group is exposed to fluctuations in the exchange rate between US$ and RMB.

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The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's profit or loss before income tax (due to changes in the fair value of monetary assets and liabilities).

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2017

2017 Ë

If RMB weakens against US$	ð [O Æ ´ Á Õ © ®	5	13,066
If RMB strengthens against US$	ð [O Æ ´ Á Õ © v	(5)	(13,066)

43. Financial Risk Management Objectives and Policies (continued)

(c) Foreign currency risk (continued)

(c) . Ò , ˆ € ƒ •

2016

2016 Ë

	Increase/ (decrease) in foreign currency exchange rate Ò # J € ¯ Ç •	Increase/ (decrease) in loss before income tax ü Ã ; — # J € ¯ Ç •
	% %	RMB'000 w [O Æ
If RMB weakens against US$ ð [O Æ ´ Á Õ © ®	5	18,941
If RMB strengthens against US$ ð [O Æ ´ Á Õ © v	(5)	(18,941)

43. Financial Risk Management Objectives and Policies (continued)

(d) Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of its financial instruments, financial assets and liabilities and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings. The directors have reviewed the Group's working capital and capital expenditure requirements and determined that the Group does not have any significant liquidity risk.

The maturity profile of the Group's non-derivative financial liabilities based on the contractual undiscounted payments is as follows:

31 December 2017

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2017 Ë12 Ü31 Ú

Trade and bills payables	q ø ¿ C ½ Ð ù * ›	820,833	820,833	–	820,833
Financial liabilities included in other payables and accruals	v] I ü Ð ù › ° ¿ Ð I \ Y – D À	447,054	447,054	–	447,054
Interest-bearing loans and borrowings	¹ r › ¿ > ›	24,940	24,940	–	24,940
Guarantees given to banks and a finance company in connection with facilities granted to two PRC companies and an individual	1 ¬ š G • • 7 ® ! ¿ S ¤ H 9 [{ ¦ r š Õ ¿ S œ Ì ® ! Y Ä -	–	131,497	–	131,497
Convertible bonds – liability component	I p À N Ñ À Å …	421,229	433,078	–	433,078
Total	¥	1,714,056	1,857,402	–	1,857,402

43. Financial Risk Management Objectives and Policies (continued)

(d) Liquidity risk (continued)

(d) t –,ˆ €ƒ•

31 December 2016

2016 Ë12 Ü31 Ú

		Carrying amount *&= RMB'000 w[OÆ	On demand or within one year 2êÛÐ õSËø« RMB'000 w[OÆ	More than one year but less than two years µõSË(ÇõGË RMB'000 w[OÆ	Total undiscounted cash flows Jh$ $–tŽ RMB'000 w[OÆ
Trade and bills payables	qø¿C½Ðù*›	750,036	750,036	–	750,036
Financial liabilities included in other payables and accruals	v]IüÐù›°¿ Ð I\Y–D À	506,215	506,215	–	506,215
Interest-bearing loans and borrowings	¹r›¿>›	48,411	48,411	–	48,411
Guarantees given to banks and a finance company in connection with facilities granted to two PRC companies and an individual	1¬šG••7®! ¿S¤H9[{¦ršÕ ¿SœÌ ®!YÄ-	–	131,497	–	131,497
Convertible bonds – liability component	IpÀNÑ ÀÅ…	440,272	34,886	463,438	498,324
Contingent consideration payable	ÐùÐÞþ	41,825	41,825	–	41,825
Total	¥	1,786,759	1,512,870	463,438	1,976,308

43. Financial Risk Management Objectives and Policies (continued)

(e) Equity and debt price risk

The Group is exposed to equity and debt price changes arising from equity and debt instruments classified as held-for-trading investments and long term investments. Other than unquoted securities held for strategic purposes, all of these investments are listed.

The Group's equity listed investments are listed on PRC Stock Exchange. Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to other industry indicators, as well as the Group's liquidity needs. Listed equity and debt investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

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(e) Equity and debt price risk (continued)

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives or other financial liabilities of the Group. At the end of reporting period, the Group is exposed to this risk through the conversion rights attached to the convertible bonds issued by the Company as disclosed in Note 45.

Sensitivity analysis

The sensitivity analysis on equity and debt price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity and debt price. If the prices of the respective listed equity and debt instruments had been 5% higher/lower, profit/loss for the year would increase/decrease by RMB4,439,000 and other component of equity would increase/decrease by RMB10,801,000.

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44. Capital Management

The primary objective of the Group's capital management is to maintain the Group's stability and growth. The Group regularly reviews and manages its capital structure and makes adjustments to it, taking into consideration changes in economic conditions, future capital requirements of the Group, current and projected profitability and operating cash flows, projected capital expenditure and projected strategic investment opportunities.

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The Group monitors capital using a gearing ratio, which is net debt divided by total equity attributable to owners of the parent. Net debt includes interest-bearing loans and borrowings and convertible bonds – liability component less cash and short-term deposits (excluding restricted bank balance). The Group's policy is to maintain a gearing ratio at a reasonable level.

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The gearing ratios as at the end of the reporting periods were as follows:

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		2017 2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Interest-bearing loans and borrowings and convertible bonds – liability component	¹ r › ¿ > › ¿ I p À N Ñ À Å …	446,169	488,683
Total debt	< À	446,169	488,683
Less: cash and cash equivalents and short-term deposits (excluding restricted bank balance)	¯ j õ , À › ¿ $ – ¿ $ – J€ " < a " S Y Õ q X •	(1,580,011)	(1,550,183)
Net debt	À	N/A " G \	N/A " G \
Total equity attributable to owners of the parent	N ® ! ¹ Þ [Ð & < Æ B	3,242,052	2,703,481
Gearing ratio	I À â	N/A " G \	N/A " G \

45. 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.

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

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(a) on or after the issue date (i.e. 7 June 2016) and up to and excluding the close of business on the second anniversary of the issue date (the "First Maturity Date"), i.e. June 2018, at an initial conversion price of HK$0.925 per share (subject to anti-dilutive adjustments); and

(a) õ ï Ú € C2016 Ë6 Ü7 Ú • Ð ˜ Î \ ï Ú K Z H t Ë … Ú 8 Û œ ¼€ " < Ú €˜ / H Q , Ú ™€ C2018 Ë 6 Ü • ß , œ 2 ‹ • I p Ê p 0.925 ¥ ©€ ² ¾ À Å [Æ •i ¿

(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").

(b) J I ® ! ¿ À N 5 Þ [õ / H Q , Ú Ã ð Ç 30 Ú ø ã & Ù Ì • · , \ ï Ú K , H t Ë … Ú 8 Û œ ¼ € " < Ú • €˜ K Z H Q , Ú ™•f

45. 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 measurement dates are recognised in profit or loss. The fair value of the liability component is measured as the present value of the expected payments

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45. Convertible Bonds (continued)

The movements of the liability component and derivative component of the Convertible Bonds during the reporting period 2017 are as follows:

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		Liability component of Convertible Bonds l p À N Y À Å … RMB'000 w [O Æ	Derivative component of Convertible Bonds l p À N Y [ˆ H Å … RMB'000 w [O Æ	Total ¥ RMB'000 w [O Æ
Issue of the Convertible Bonds	ï l p À N	416,493	10,841	427,334
Effective interest expense recognised to profit or loss	õ & B Œ ½ © Y ¼ ç ; ¹ Õ	22,321	–	22,321
Interest paid	Š ù ; ¹	(17,936)	–	(17,936)
Fair value change	® ª =	–	46,889	46,889
Exchange realignment	. Ò Æ	19,394	2,500	21,894

At 31 December 2016 and 1 January 2017 õ 2016 Ë 12 Ü31 Ú 361,179 39,42 5,00 21,694 58 1.513 0 1 Tf 0.028 Tc -0.04.39Tj 0.028Tf <02DA02BF>

recognised to profit or loss ¼ ç ; ¹ Õ 22,321 – 22,321

45. Convertible Bonds (continued)

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

õ 2016 Ë ¿ 2017 Ë12 Ü31 Ú I p À N [ˆ H Å … ® ª = = Y ô i] p ½ • j ½ h j

		2017 Ë	2016 2016 Ë
Share price	p	HK$0.770	HK$0.990
Conversion price	l p	HK$0.925	HK$0.925
Risk-free rate	Ì , ˆ ;	1.018%	1.002%
Volatility	* 7	37.01%	28.00%

46. Investment in a Joint Venture

46. õ ¥ ® ! Y ³

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Share of net assets	Ð & *	100,000	100,000

The Group has a joint venture, Kaiyuan Zhuque II (Shenzhen) Equity Investment Partnership (the "JV"), a limited partnership established pursuant to the partnership agreement under the law of the PRC. The primary activity of the JV is investment in lighting industry and energy-saving products, which is in line with the Group's strategy to expand the lighting division.

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46. Investment in a Joint Venture (continued)

The profit or loss of the JV shall be shared among the Group and the joint venture partner pro rata to their respective capital contributions in the JV.

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Summarised financial information of the JV, adjusted for any differences in accounting policies, is presented below:

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		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
As at 31 December	õ 12 Ü31 Ú		
Current assets and net assets	t * ¿ *	100,000	100,000

As of 31 December 2017, the Group contributed RMB100,000,000 (2016: RMB100,00,000) to the JV and no significant business activity has been carried out.

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Pursuant to the partnership agreement of the JV, the Group will contribute RMB500,000,000 in cash and the joint venture partner will contribute RMB100,000,000 in cash, representing 83.33% and 16.67% of the total investment amount in the JV respectively, which are required to be contributed to the JV on or before 17 March 2046.

ì ½ ¥ ® ! ¥ « X D d I « Z $ – [O Æ 500,000,000 © d ¿ ¥ « [Z $ – [O Æ 100,000,000 © d ± 9 & ¥ ® ! ³ < X 83.33% ¿ 16.67% d ² õ 2046 Ë3 Ü17 Ú Ð ˜ Ã ! õ ¥ ® ! f

47. Long Term Investments

		2017 Ë RMB'000 w [O Æ	2016 2016 Ë RMB'000 w [O Æ
Available-for-sale financial assets:	6 / – D * j		
Listed equity investments, at fair value	j 9 Y p I ³ d ø ® ª = • *	20,000	23,000
Unlisted equity investments, at fair value	¢ j 9 Y p I ³ d ø ® ª = • *	2,000	–
Listed debt investments, at fair value	j 9 Y À N ³ d ø ® ª = • *	196,026	–
		218,026	23,000

During the year, the gross loss in respect of the Group's long term investments recognised in other comprehensive income amounted to RMB3,000,000 (2016: gross gain of RMB1,000,000).

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48. Disposal of a Subsidiary

During the year ended 31 December 2016, the Group disposed of its entire interest in Zhangpu Phoebus Lighting Co., Ltd. to an independent third party at a consideration of RMB30,146,000. The net assets at the date of disposal were as follows:

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		RMB'000 w [O Æ
Net assets of subsidiary disposed of:	/ • n ® ! * j	
Property, plant and equipment	J 8 e @ Ò ¿ £ ê	7,994
Prepaid land lease payments	k ù z ® a –	4,961
Other receivables	I ü Ð × ›	14,449
Cash and cash equivalents	$ – ¿ $ – J	19
Other payables	I ü Ð ù ›	(2,836)
Deferred tax liabilities	È · ü ° À	(1,860)
		22,727
Total consideration	< þ	30,146
Gain on disposal of a subsidiary	ˆ Ä S • • n ® ! × B	7,419
Satisfied by:	ø h • Ù Ì Õ ù j	
Cash	$ –	30,146
Net cash inflow arising on disposal:	ˆ Ä * [Y $ – t] X j	
Cash consideration	$ – þ	30,146
Cash and cash equivalents disposed of	ˆ Ä Y $ – ¿ $ – J	(19)
Other receivable (Note)	I ü Ð × › °€ • W •	(5,000)
		25,127

Note:

According to the sale and purchase agreement, RMB5,000,000 out of the total consideration of RMB30,146,000 is receivable on 15 April 2017.

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49. Acquisition of Additional Interests in a Subsidiary (continued)

As at acquisition date and 31 December 2016, the fair value of the contingent consideration payable for adjustments (i) and (ii) above was estimated to be RMB41,825,000 and RMBNil respectively which will be due for settlement by the Group in 2017 and 2018 respectively.

During the current year, the fair values of the contingent consideration payables for adjustments (i) and (ii) remain unchanged. In addition, following the finalisation of the 2016 Profit, the contingent consideration payable for adjustment (i) was no longer considered contingent and was included in other payables under “Other payables and accruals” in the consolidated statement of financial position as at 31 December 2017.

The fair values of the contingent consideration payables as at 31 December 2016 above were estimated based on budgeted profit after income tax for the year ended 31 December 2016 and 2017 at the acquisition date and 31 December 2016.

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At 1 January 2017	õ 2017 Ë1 Ü1 Ú	48,411	440,272
Changes from cash flows:	$ – t Ž j		
New bank loans	- # Õ r ›	366,339	–
Repayment of bank loans	µ ” Õ r ›	(389,810)	–
Interest paid	Š ù ; ¹	(1,834)	(33,664)
Total changes from financing cash flows	D $ – t Ž ˜ < X	(25,305)	(33,664)
Exchange adjustments:	Ò 3 Æ j	–	(25,641)
Other changes:	I ü j	–	–
Interest expenses	; ¹ Õ	1,834	40,262
Total other changes	I ü < X	1,834	40,262
At 31 December 2017	õ 2017 Ë12 Ü31 Ú	24,940	421,229

51. Events after the Reporting Period

Other than those disclosed elsewhere in these financial statements, the Group has the following significant events after the reporting period:

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(a) The Company entered into a non-binding co-operation framework agreement (the "Co-operation Framework Agreement") on 14 March 2018 with Elec-Tech International Co., Ltd. ("ETIC") and Mr. Wang Donglei (each a "Party", together the "Parties"), pursuant to which, subject to entering into definitive agreements, the Company intends to sell, and ETIC and Mr. Wang Donglei intend to acquire, directly and indirectly, the Company's domestic lighting products manufacturing business (the "Target Assets") which includes but not limited to the entire equity interests of Huizhou NVC Lighting Technology Co., Ltd. (the "Potential Disposal"). The definitive scope of the Target Assets will be subject to further discussions between the Parties. The purchase price for the Target Assets will be based on a valuation of the Target Assets. The final purchase price will also be subject to further discussions between the Parties and the Potential Disposal has not been completed as of the date of approval of these financial statements.

(a) õ2018 Ë3 Ü14 Ú d I ® ! ~ ? C ´ — : e p … Þ " ® !€˜ C ´ — : ™• ¿ î d ‹ [€ ¢ ‰ S ¤ ˜ Ò Ù ™d ¥ H˜ ¢ Ò Ù ™• m S … " H Ò ¼ b Y ¥ * ê V X D€˜ ¥ * ê V X D ™•d ½ ä d a " õ H X D Y ¦ d I ® ! Þ £ / d ò C ´ — : ¿ î d ‹ [Þ £ \ Ÿ ¿ œ Ÿ × … I ® ! ˜ 7 « k ü * Ü ¡ ¿ 8 €˜ z Y * ™•d I < (" " r I È d { ˆ e Å ¦ Þ " ® ! ˜ Œ Å p Æ €˜ ' ¯ / ™•f z Y * Y H Í Z _ ¢ Ò Ù † S É X ½ › f z Y * Y … o ø Z ? õ Á z Y * Ô † ˜ Y f ð ^ … o ø u Z _ ¢ Ò Ù † S É X ½ › d ò Ú Ì Œ - X Ú , d ' ¯ / J • Ó f

Further details are set out in the Company's announcement dated 14 March 2018.

† S É ‹ 1 õ I ® ! Ú , ‰2018 Ë3 Ü14 Ú Y ® S f

51. Events after the Reporting Period (continued)

(b) The Company has entered into the sale and purchase agreement with the seller on 16 March 2018, pursuant to which, the Company agrees to acquire, and the seller agrees to sell, a 40% equity interest in the Target Company which controls a business engaged in the sale and distribution of lighting products through e-commerce platforms and distribution channels, at a consideration of RMB315,000,000. Wuhu Electronic, a 10%-owned associate of the Group, is one of group companies within the Target Company and its subsidiaries (the "Target Group").

The seller undertakes to the Company that, if the aggregate amount of the consolidated net profit of the Target Group6 Gr385.1( )3shwne1( )3ie1( )3is acqcuntesorti ormthe Tfiscal yearengdd

(b) õ 2018 Ë3 Ü16 Ú d I ® ! ~ - Ù m o - X D d ½ ä d I ® ! • × … þ - Ù • / f z ® ! Y 40% p Æ d þ ‰ [O Æ315,000 w © d f z ® ! › S S ° } + À @ e • q ; (¿ ± V ¬ 8 V / ¿ ± V k ü * Ü ˜ 8 f > ³ e € I « ¹ Þ I 10% Æ B ˜ L ® ! • ‰ f z ® ! ¿ I • n ® ! €˜ f z « ™• « Y « ® ! f

- Ù £ I ® ! Õ U d J f z « Ú 2018 Ë12 Ü 31 Ú ß Ì A Ë Y 6 ª S Ô j Y] ¥ ; — < X€ 2018 Ë ¼ ç ; — ™• - õ ð - - Ç ; — [O Æ 140,000 w © d Æ - Ù ² õ f z « ˜ 2018 Ë 6 ª S H 90 H 8 Ú « d ø $ – £ I ® ! Õ ù 2 ø h Q Ì Q Y … o þ › d I • … o þ › õ 2018 Ë ¼ ç ; —€ - õ [O Æ140,000 w © •¨ X Y6.4 4 f

† S É ‹ 1 õ I ® ! Ú , ‰2018 Ë3 Ü19 Ú Y ® S f

52. - X ¥ ; Ì Œ

¥ ; Ì Œ Š õ 2018 Ë3 Ü22 Ú ¾ è + 6 - X ¿ ¬ Æ ï f

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

¯ I Ë S • d ð Ö $ Þ Ô 8 . d h • Z ¿ \ § H Þ ø h È f

“Bengbu NVC”	Bengbu NVC Smart Household Technology Co., Ltd* (µ = d { } • • ¢ Å ¦ Þ " ® !), a wholly-owned subsidiary of the Group with limited liability incorporated in the PRC.
˜ µ = d { ™	µ = d { } • • ¢ Å ¦ Þ " ® ! d S • ¯ • 7 W Ó m Y Þ " ª , ® ! d J I « Y Œ • n ® ! f
“Board”	the board of Directors of the Company.
˜ è + 6 ™	I ® ! è + 6 f
“BRL”	The Brazilian real, the lawful currency of Brazil.
˜ Ë d - ' ™	Ë d - ' d Ë , › ¬ Æ f
“Chongqing En Wei Xi”	Chongqing En Wei Xi Industrial Development Co., Ltd.* (E ¸ × ¼ 8 ï • Þ " ® !), a limited liability company incorporated in the PRC and is owned as to 40% by Mr. WU Xianming, Mr. WU Changjiang’s father-in-law.
˜ E ¸ × ™	E ¸ × ¼ 8 ï • Þ " ® ! d S • ¯ • 7 Ó m ˜ Þ " ª , ® ! d N — ê ‹ [Y ª è N ® ü ‹ [5 Þ ® !40% Y p Æ f
“Chongqing NVC”	Chongqing NVC Lighting Co., Ltd.* (E d { k ü Þ " ® !), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 1 December 2006 and our direct wholly-owned subsidiary.
˜ E d { ™	E d { k ü Þ " ® ! d S • õ 2006 Ë12 Ü1 Ú ¯ • 7 W Ó m Y . ù Þ " ª , ® ! d J ¢ A Y \ Ÿ Œ • n ® ! f
“CG Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.
˜ † 8 M 7 Â Æ ™	• j 9 • Æ ‘• } d , ˜• † 8 M 7 Â Æ ‘¿• † 8 M 7 S f
“Company” or “our Company”	NVC Lighting Holding Limited (d { k ü › p Þ " ® !), 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.
˜ I ® ! ™	d { k ü › p Þ " ® ! d S • õ 2006 Ë3 Ü2 Ú ¯ õ n j ' / Ê ¥ W Ó m d ‡ õ 2010 Ë3 Ü30 Ú Z W ® K š Ê ¥ ˜ ® ! d (ì ½ š Ê ¥ , 7 W ‰ S • € 5 Þ " ® ! d I p … õ L t Ô ô j 9 f

“Corresponding Period”	means the year ended 31 December 2016 or the year ended 31 December 2017 (as the context may require).
˜ • , ™	J 8 Ú 2016 Ë12 Ü31 Ú ß Ë Ð Ú 2017 Ë12 Ü31 Ú ß Ë € V ÷ Ö È þ f•
“Director(s)”	the director(s) of the Company.
˜ è + ™	I ® ! è + f
“Energy-saving lighting products”	CALI (the China Association of Lighting Industry) defines energy-saving lighting products in China as typically consisting of compact fluorescent lamps, fluorescent lamps and supporting lighting fixtures, LED lamps, HID lamps and electronic ballasts. CALI’s standard is based on the “Interim Measures on Funding Management of Fiscal Subsidies for Promotion of High-Efficiency Products” as well as the SA (the Standardisation Administration of the PRC) standards, which is in line with the CQC (the China Quality Certification Centre) List.
˜ · • k ü * Ü ™	• 7 k ü e œ X 6 ¢ › d • 7 · • k ü * Ü · I < a « è C ˆ ˆ U e C ˆ ˆ U ¿ Õ _ ñ H . e LEDˆ U eHID ˆ U ¿ e • D t œ f • 7 k ü e œ X 6 Y z _ ø• ÷ Ö k ü * Ü ª ? Ì A þ h – M # r I , ‘q 7 • z _ · M # ‰ p 6 Y z _ ‰ ? þ d ~ • 7 Ü / © Ç • Ð ö S ç f
“ETIC”	Elec-Tech International Co., Ltd.* (? C ´ — : e p … Þ " ® !), a PRC incorporated company of which the shares are currently listed on the Shenzhen Stock Exchange. It is a substantial shareholder of the Company.
˜ C ´ — : ™	? C ´ — : e p … Þ " ® ! d S • ¯ • 7 W Ó m Y ® ! d I p … f Ã ¯ - Ç N t ø Ô j 9 d J I ® ! Y S H ô p f
“GBP”	Great Britain Sterling Pound, the lawful currency of the United Kingdom.
˜ õ @ ™	õ @ d õ 7 , › ¬ Æ f
“Group”	the Company and its subsidiaries.
˜ I « ™	I ® ! ¿ I • n ® ! f
“Guarantee Agreement” or ”Purported Guarantee Agreement”	a guarantee agreement entered into by Mr. WU Changjiang purportedly on behalf of NVC China with the Chongqing branch of a PRC bank on 7 March 2014.
˜ Ä - X D ™Ð˜ Ô W Ä - X D ™	_ N — ê ‹ [õ 2014 Ë3 Ü7 Ú Ô W þ Œ d { • 7 ~ S • • 7 Õ E ± m Y Ä - X D f
“HID”	high intensity discharge.
˜ HID ™	÷ v ó e f

“HK$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong.
˜ ¥ © ™	¥ © d 0 ¥ , › ¬ Æ f
“Hong Kong”	the Hong Kong Special Administrative Region of People’s Republic of China.
˜ 0 ¥ ™	• 6 [O • q 7 $ 9 A f
“Huizhou NVC”	Huizhou NVC Lighting Technology Co., Ltd.* (I È d { ˆ e Å ¦ Þ " ® !), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 29 April 2006 and our direct wholly-owned subsidiary.
˜ I È d { ™	I È d { ˆ e Å ¦ Þ " ® ! d S • õ 2006 Ë4 Ü29 Ú ¯ • 7 W Ó m Y . ù Þ " ª , ® ! d J ¢ A Y \ Ÿ Œ • n ® ! f
“Jiang Te”	Chongqing Jiang Te Surface Processing Co., Ltd.* (E ê $ Œ & ˆ # Þ " ® !), a limited liability company incorporated in the PRC and owned as to 51% by Chongqing En Wei Xi from May 2009 to September 2014.
˜ ê $ ™	E ê $ Œ & ˆ # Þ " ® ! d S • ¯ • 7 W Ó m Y Þ " ª , ® ! d õ 2009 Ë5 Ü 2014 Ë 9 Ü , œ ¸ × 5 Þ I51% p Æ f
“Jiangshan Phoebus”	Jiangshan Phoebus Lighting Electron Co., Ltd.* (ê † ? w v k ü Þ " ® !), a limited liability company incorporated in the PRC on 8 March 2006 and our indirect wholly-owned subsidiary.
˜ ê † ? w v ™	ê † ? w v k ü Þ " ® ! d S • õ 2006 Ë3 Ü8 Ú ¯ • 7 W Ó m Y Þ " ª , ® ! d J ¢ A Y œ Ÿ Œ • n ® ! f
“Jiangshan Youhe”	Jiangshan Youhe Machinery Co., Ltd.* (ê † 9 ¾ q Ú Û Þ " ® !), a limited liability company incorporated in the PRC and is owned as to 80% by Quzhou Aushite Illumination Co., Ltd.* (* È ó û $ k ü Þ " ® !), 39% equity interest of which is owned by Mr. WU Jiannong and 51% equity interest of which is owned by Zhejiang Tonking New Energy Group Co., Ltd.* (ê • { - • U « Þ " ® !) in which Mr. WU Jiannong holds an 86% equity interest.
˜ ê † ¾ q ™	ê † 9 ¾ q Ú Û Þ " ® ! d S • ¯ • 7 Ó m Y Þ " ª , ® ! d I 80% p Æ _ * È ó û $ k ü Þ " ® ! 5 Þ d þ N 5 ‹ [5 Þ * È ó û $ k ü Þ " ® ! Y 39% p Æ e ê • { - • U « Þ " ® ! 5 Þ * È ó û $ k ü Þ " ® ! Y 51% p Æ f N 5 ‹ [5 Þ ê • { - • U « Þ " ® ! Y86% p Æ f
“LED”	Light-Emitting Diode.
˜ LED ™	ï ˆ Z = M f

“Lei Li Jie”	Chongqing Lei Li Jie Industrial Development Co., Ltd.* (E d m ¼ 8 ï • Þ " ® !), a limited liability company incorporated in the PRC which may potentially be associated with Mr. WU Changjiang.
˜ d m ™	E d m ¼ 8 ï • Þ " ® ! d S • ¯ • 7 W Ó m (ò • ~ N — ê ‹ [Þ ë ¹ Y Þ " ® ! f
“Listing Date”	20 May 2010.
˜ j 9 Ú ™	2010 Ë5 Ü20 Ú f
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.
˜• j 9 • Æ ™	• 0 ¥ L ¥ t ø Ô Þ " ® ! Ç N j 9 • Æ f
“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.
˜ • 7 ™	• 6 [O • q 7 d (Ã 1 I Ë S ¿ ® # ý þ d ð Ö $ Þ Ô 8 . d I Ë S • m d ˜ • 7 ™˜ ˆ i ” < (D e æ ˜ $ 9 A ¿ 0 ¥ f
“Mianyang Leici”	Mianyang Leici Electronic Technology Co., Ltd.* (g ¢ d > e • Å ¦ Þ " ® !), a limited liability company incorporated in the PRC, 35% of its equity interest being held by Huizhou NVC and its remaining equity interest being held by China Electronics Technology Group Corporation No. 9 Academy* (• 7 e • Å ¦ « K X ¼ ú Ô) (as to 36%), Mr. WEN Jiatao (Ö • ù ‹ [) (as to 15%) and Mr. ZHAO Qiyi (» V S ‹ [) (as to 14%).
˜ g ¢ d > ™	g ¢ d > e • Å ¦ Þ " ® ! d S • ¯ • 7 W Ó m Y Þ " ª , ® ! d _ I È d { 5 Þ I 35% p Æ d I q h p Æ ± 9 _ • 7 e • Å ¦ « K X ¼ ú Ô (36%) e Ö • ù ‹ [(15%) q » V S ‹ [(14%) 5 Þ f
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.
˜ z _ Â Æ ™	• j 9 • Æ ‘• } d ˜• j 9 ï [è + † Ç N t ø Y z _ Â Æ f

"NVC Brazil" NVC Lighting (Brazil) 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 Brazil Technology Co., Ltd.

˜Ë d { ™ Ë d { k ü q ø † y Þ " ® ! d S • ¯ Ë W Ó m Y Þ " ª , ® ! d I • ¢ A Y Œ • n ® ! 0 ¥ Â û Å ¦ Þ " ® ! 5 Þ 51% Y p Æ d q h Y 49% p Æ _ Ë d { k ü ¦ " Þ " ® ! 5 Þ f

"NVC China" NVC Lighting (China) Co., Ltd.* (d { k ü€ • 7 •Þ " ® !) (formerly known as NVC Lighting (Chongqing) Co., Ltd* (E d { ¼ 8 Þ " ® !)), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 7 November 2011 and our indirect wholly-owned subsidiary.

˜ d { • 7 ™ d { k ü€ • 7 •Þ " ® !€ a ¤ ‰ E d { ¼ 8 Þ " ® ! •d S • õ 2011 Ë11 Ü 7 Ú ¯ • 7 W Ó m Y . ù Þ " ª , ® ! d J ¢ A Y œ Ÿ Œ • n ® ! f

"NVC Kitchenware" Huizhou NVC Kitchenware Co., Ltd.* (I È d { † e œ Þ " ª , ® !), a limited liability company incorporated in the PRC on 15 April 2016, 51% equity interest of which is held by Huizhou NVC.

˜ d { † ™ I È d { † e œ Þ " ª , ® ! d S • õ 2016 Ë4 Ü15 Ú ¯ • 7 W Ó m Y Þ " ª , ® ! d I È d { 5 Þ I51% p Æ f

"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.

˜ ODM ™ a £ ¡ ¿ d ì ½ ä G ¡ ¿ d ¡ ¿ ª * Ü Y £ q [* d þ * Ü Æ ø Ò Ü Ð V q V / f

"O2O" Online to Offline, referring to the combination of business opportunity offline and internet to enable internet to become the platform of offline transactions.

˜ O2O ™ Online To Offline€ ¯ Þ N Þ J Þ j Q Þ h •d J 8 Z Þ h Y Ú 6 ~ • L c ¥ d + • L c Ó ‰ Þ h t ø Y Ã (f

"Pledge and Guarantee Agreements" or "Purported Pledge and Guarantee Agreements" certain pledge and guarantee agreements entered into by Mr. WU Changjiang, on behalf of NVC China or purportedly on behalf of NVC China, without the Board's knowledge, to secure bank loans of other companies.

˜ / å ¿ Ä - X D ™Ð ˜ Ô W / å ¿ Ä - X D ™ _ N — ê ‹ [þ Œ d { • 7 Ð Ô W þ Œ d { • 7 ¯ è + "] ‹ Y ‹ 1 h m Y ð • / å ¿ Ä - X D ø Ä - I ü ® ! Y Õ r › f

"Quzhou Aushite" Quzhou Aushite Illumination Co., Ltd.* (˚È ó û $ k ü Þ " ® !), a limited liability company incorporated in the PRC, 39% equity interest of which is owned by Mr. WU Jiannong and 51% equity interest of which is owned by Zhejiang Tonking New Energy Group Co., Ltd.* (ê • { - • U « Þ " ® !).

˜ * È ó û $ ™ * È ó û $ k ü Þ " ® ! d S • ¯ • 7 Ó m Y Þ " ª , ® ! d N 5 ‹ [5 Þ I 39% p Æ e ê • { - • U « Þ " ® ! 5 Þ I51% p Æ f

"Relevant Purported Pledge and Guarantee Agreements" certain pledge and guarantee agreements entered into by Mr. WU Changjiang purportedly on behalf of NVC China relating to bank loans borrowed by Chongqing En Wei Xi, Lei Li Jie, Wu Ji and Jiang Te in 2013 and 2014.

˜ ´ ë Ô W / å ¿ Ä - X D ™ _ N — ê ‹ [¯ 2013 Ë ¿2014 Ë Ô W þ Œ d { • 7 1 E ¸ × e d m e Ì = q ê $ X > Y Õ r › m Y ð • / å ¿ Ä - X D f

"Reporting Period" the year ended 31 December 2017.

˜ S Ë ™ Ú 2017 Ë 12 Ü31 Ú ß Ë f

"RMB" Renminbi, the lawful currency of the PRC.

˜ [O Æ ™ [O Æ d • 7 , › ¬ Æ f

"SFO" the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

˜ • Ç N ¿ , ¬ â 7 ™ • Ç N ¿ , ¬ â 7€ 0 ¥ , 7 K571Ý•

"Shanghai Arcata" Shanghai Arcata Electronics Co., Ltd.* (› { e • Þ " ® !), a limited liability company incorporated in the PRC on 22 September 2005 and our indirect wholly-owned subsidiary.

˜ j › { ™ j › { e • Þ " ® ! d S • õ 2005 Ë9 Ü22 Ú ¯ • 7 W Ó m Y Þ " ª , ® ! d J ¢ A Y œ Ÿ Œ • n ® ! f

"Stock Exchange" The Stock Exchange of Hong Kong Limited.

˜ L t Ô ™ 0 ¥ L ¥ t ø Ô Þ " ® ! f

"Sunny" Zhejiang Jiangshan Sunny Electron Co., Ltd.* (ê ê † g ¾ e • Þ " ® !), a limited liability company incorporated in the PRC on 2 July 1994 and our indirect wholly-owned subsidiary.

˜ g ¾ ™ ê ê † g ¾ e • Þ " ® ! d S • õ 1994 Ë7 Ü2 Ú ¯ • 7 W Ó m Y Þ " ª , ® ! d J ¢ A Y œ Ÿ Œ • n ® ! f

“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.
˜ õ 7 d { ™	NVC Lighting Limited€ a ¤ ‰NVC (Manufacturing) Limited •d S • õ2007 Ë 5 Ü 31 Ú ¯ õ ø † ¿ þ ' { W Ó m Y ÷ [® ! d J ¢ A Y \ Ÿ Œ • n ® ! f
“U.S.A.” or “U.S.”	the United States of America, its territories, its possessions and all was subject to its jurisdiction.
˜ Õ 7 ™	Õ ; : ¥ : 7 d I ï z e n ® ¿ I M • Y Ô Þ ® f
“US$”, “USD” or “US Dollar”	United States dollars, the lawful currency of the United States.
˜ Õ © ™	Õ © d Õ 7 , › ¬ Æ f
“we”, “us” or “our”	the Company or the Group (as the context may require).
˜ ¢ A ™	I ® ! Ð I « € V ÷ Ö È þ › f
“World Bright”	Jiangshan World Bright Crystal Co., Ltd.* (ê † ð ü å z š ¨ Þ " ® !), a limited liability company incorporated in the PRC, 100% equity interest of which is owned by Quzhou Aushite.
˜ ð ü ™	ê † ð ü å z š ¨ Þ " ® ! d S • ¯ • 7 Ó m Y Þ " ª , ® ! d * È ó û $ 5 Þ ® !100% Y p Æ f
“World Through”	World Through Investments Limited* (ð · ³ Þ " ® !), a limited liability company incorporated in the British Virgin Islands on 5 August 2005 and our wholly-owned subsidiary.
˜ ð · ™	ð · ³ Þ " ® ! d S • õ 2005 Ë8 Ü5 Ú ¯ õ n j / Ê ¥ W Ó m Y Þ " ª , ® ! d J ¢ A Y Œ • n ® ! f
“Wu Ji”	Chongqing Wu Ji Real Estate Development Co., Ltd.* (E Ì = Ò ® * š ï Þ " ® !), a limited liability company incorporated in the PRC which may potentially be associated with Mr. WU Changjiang.
˜ Ì = ™	E Ì = Ò ® * š ï Þ " ® ! d S • ¯ • 7 W Ó m (ò • ~ N ‹ [´ ë L Y Þ " ® ! f
“Zhangpu Phoebus”	Zhangpu Phoebus Lighting Co., Ltd.* (? w v k ü Þ " ® !), a limited liability company incorporated in the PRC on 9 May 2004 and our indirect wholly-owned subsidiary.
˜ ? w v ™	? w v k ü Þ " ® ! d S • õ 2004 Ë5 Ü9 Ú ¯ • 7 W Ó m Y Þ " ª , ® ! d J ¢ A Y œ Ÿ Œ • n ® ! f

“Zhejiang NVC” Zhejiang NVC Lamps Co., Ltd.* (ê d { ñ H Þ " ® !), 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.* (ê • { - • U « Þ " ® !).

˜ ê d { ™ ê d { ñ H Þ " ® ! d S • õ 2007 Ë9 Ü28 Ú ¯ • 7 W Ó m Y Þ " ª , ® ! d I È d { 5 Þ I 51% p Æ d q h Y 49% p Æ _ ê • { - • U « Þ " ® ! 5 Þ f

“Zhongshan NVC” Zhongshan NVC Decorative Lighting Technology Co., Ltd.* (• † d { ñ t Å ¦ Þ " ® !), a limited liability company incorporated in the PRC on 26 January 2015 and our indirect wholly-owned subsidiary.

˜ • † d { ™ • † d { ñ t Å ¦ Þ " ® ! d S • õ 2015 Ë1 Ü26 Ú ¯ • 7 W Ó m Y Þ " ª , ® ! d J ¢ A Y œ Ÿ Œ • n ® ! f

“Convertible Bonds” the convertible bonds denominated in Hong Kong dollar in an aggregate principal amount of HK$500,000,000 issued on 7 June 2016 by the Company.

˜ I p À N ™ I ® ! õ2016 Ë6 Ü7 Ú ï ˜ I – X ¥ •500,000,000 ¥ © ø ¥ © = Y I p À N f

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

[redacted]