HONGGUANG LIGHTING HOLDINGS COMPANY LIMITED

宏光照明控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8343)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

Characteristics of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of HongGuang Lighting Holdings Company Limited (the "Company"), together with its subsidiaries, (the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

ANNUAL RESULTS

The board of directors (the "Board") of the Company is pleased to announce the consolidated annual results of the Group for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

		2016	2015
	Notes	***RMB'000***	*RMB'000*
Revenue	*5*	**141,990**	118,706
Cost of sales		**(108,802)**	(90,781)
Gross profit		**33,188**	27,925
Other income and gains	*5*	**175**	82
Selling and distribution expenses		**(1,175)**	(1,553)
Administrative and other expenses		**(18,503)**	(12,698)
Finance costs	*6*	**(678)**	(1,439)
Profit before income tax expense	*7*	**13,007**	12,317
Income tax expense	*8*	**(7,121)**	(4,581)
Profit for the year attributable to owners of the Company		**5,886**	7,736
Other comprehensive income			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(2,370)**	(1,382)
Total comprehensive income for the year attributable to owners of the Company		**3,516**	6,354
Earnings per share attributable to owners of the Company			
— Basic and diluted (RMB cents)	*9*	**1.96**	2.58

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**14,357**	16,237
Intangible assets		**3,626**	—
Deferred tax assets		**548**	596
		18,531	16,833
Current assets			
Inventories		**11,126**	21,046
Trade and bills receivables	*11*	**89,219**	58,365
Prepayments and other receivables	*12*	**57,210**	6,991
Cash and cash equivalents		**577**	7,670
		158,132	94,072
Current liabilities			
Trade payables	*13*	**25,715**	27,661
Other payables and accruals		**19,158**	20,555
Borrowings	*14*	**14,700**	8,000
Current tax liabilities		**2,521**	1,517
		62,094	57,733
Net current assets		**96,038**	36,339
Net assets		**114,569**	53,172
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**3,580**	—
Reserves		**110,989**	53,172
Total equity		**114,569**	53,172

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL AND CORPORATE INFORMATION

HongGuang Lighting Holdings Company Limited (the "Company") was incorporated with limited liability in the Cayman Islands on 27 May 2015. Its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 December 2016 with stock code "8343" (the "Listing").

The address of the Company's registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company and its subsidiaries (collectively referred to as the "Group") is located in the People's Republic of China (the "PRC") at the North Side, 2nd Floor, No. 8 Pinggong Er Road, Nanping Technology Industrial Park, Zhuhai, the PRC.

The Company's principal activity is investment holding. The Group is principally engaged in the design, development, manufacture and sales of light-emitting diode ("LED") beads and LED lighting products in the PRC (the "Listing Business").

Pursuant to a group reorganisation, the Company became the holding company of the companies now comprising the Group on 5 October 2015 by way of share swaps with the existing ultimate Controlling Shareholders (i.e. Mr. Zhao Yi Wen, Mr. Lin Qi Jian and Mr. Chiu Kwai San) (the "Reorganisation"). Details of the Reorganisation are set out in the Company's prospectus dated 16 December 2016.

Prior to the incorporation of the Company and the completion of the Reorganisation, the Listing Business was carried on by companies now comprising the Group (hereinafter collectively referred to as the "Operating Companies").

Immediately prior to and after the Reorganisation, the Listing Business is held by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies together with the Listing Business were transferred to and held by the Company. The share swaps had no substance and do not form a business combination and, accordingly, the financial statements of the Company were consolidated with those of the operating subsidiaries using the predecessor carrying amounts. The Reorganisation was therefore merely a reorganisation of the Listing Business and did not constitute a business combination, as if the group structure under the Reorganisation had been in existence since the respective dates of incorporation of the entities now comprising the Group.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

3. ADOPTION OF HKFRSs

(a) Adoption of new/revised HKFRSs — effective 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
HKFRS 14	Regulatory Deferral Accounts

The adoption of these new or revised HKFRSs has no impact to the Group's consolidated financial statements.

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

The following new or revised HKFRSs, 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. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Lease[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2017

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

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

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

Except as described below, the Directors do not anticipate that the application of the new and revised HKFRSs will have material impact on the Group's financial performance and position and/or on the disclosures to the Group's consolidated financial statements.

HKFRS 9 (2014) — Financial Instruments

The HKFRS 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").

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

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

The Directors anticipate that the application of HKFRS 9 in the future will have an impact on amounts reported in respect of the Group's financial performance and financial assets (e.g. impairment on trade receivables) resulting from early provision of credit losses using the expected loss impairment model under HKFRS 9 instead of incurred loss model under HKAS 39. Currently, the Directors are in the midst of assessing the financial impact of the application of HKFRS 9 and a reasonable estimate of the effect will be available once the detailed review is completed.

HKFRS 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. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5 steps 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

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

The Directors anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported on revenue as the timing of revenue recognition may be affected by the new standard, and more disclosures relating to revenue is required. Currently, the Directors are in the midst of assessing the financial impact of the application of HKFRS 15 and a reasonable estimate of the effect will be available once the detailed review is completed.

HKFRS 16 — Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirement of HKAS 16 "Property, Plant and Equipment", while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

Total operating lease commitments of the Group in respect of office premises as at 31 December 2016 amounted to approximately RMB3,215,000. The Directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

4. SEGMENT INFORMATION

The chief operating decision makers are identified as Executive Directors of the Company. The Group has identified its operating segment based on the regular internal financial information reported to the Company's Executive Directors for their decisions about resources allocation and review of performance. The Executive Directors have considered the only operating segment of the Group is design, development, manufacture and sales of LED beads and LED lighting products.

No geographical information is presented as most of the Group's operations are located in the PRC.

The following customers with transactions have exceeded 10% of the Group's revenue. During the year ended 31 December 2016, revenue derived from these customers is as follows:

	2016	2015
	RMB'000	*RMB'000*
Client A	**30,544**	28,100
Client B	**44,088**	40,353

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, less discounts, returns, value added tax and other applicable local taxes during the year.

An analysis of the Group's revenue, other income and gains are as follows:

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sales of LED beads	**137,163**	114,989
Sales of LED lighting products	**4,827**	3,717
	141,990	118,706
Other income and gains		
Bank interest income	**2**	5
Government grants *(Note)*	**173**	41
Others	**—**	36
	175	82

Note: The amount represents the government subsidy for the Group's technology advancement during the year.

6. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on bank borrowings repayable within five years	**678**	935
Interest on discounted bills receivable	**—**	504
	678	1,439

7. PROFIT BEFORE INCOME TAX EXPENSE

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

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories sold	**108,802**	90,781
Depreciation of property, plant and equipment	**2,551**	2,478
Amortisation of intangible assets, included in cost of sales	**439**	—
Impairment loss on trade receivables	**392**	1,696
Auditors' remuneration	**582**	97
Operating lease rental in respect of building	**390**	386
Research and development costs	**1,032**	852
Employee costs (including Directors' remuneration)		
— Wages, salaries and other benefits	**5,251**	6,138
— Contribution to defined contribution pension plans	**1,000**	1,122
Listing expenses	**10,851**	3,805

8. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the years ended 31 December 2016 and 2015.

Provision for the enterprise income tax (the "EIT") in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the relevant income tax law in the PRC.

	2016	2015
	RMB'000	*RMB'000*
Current income tax — PRC EIT		
— tax for the year	**6,474**	4,155
— underprovision in respect of prior years	**599**	—
Deferred tax	**48**	426
	7,121	4,581

9. EARNINGS PER SHARE

The basic earnings per share for the year is calculated based on the profit attributable to owners of the Company of RMB5,886,000 (2015: RMB7,736,000), and the weighted average number of ordinary shares of 300,546,000 issued during the year ended 31 December 2016 (2015: 300,000,000 deemed to have been issued throughout the year ended 31 December 2015).

The Company did not have any potential dilutive shares for the years ended 31 December 2016 and 2015. Accordingly, the diluted earnings per share are the same as the basic earnings per share.

10. DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 December 2016 and 2015.

11. TRADE AND BILLS RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**84,302**	52,791
Bills receivable	**4,917**	5,574
	89,219	58,365

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days, extending up to 90 days for major customers. The Group seeks to maintain control over its outstanding receivables and overdue balances are reviewed regularly by senior management. There is a certain concentration of credit risk.

The aging analysis of the trade and bills receivables, based on the invoice dates, is as follows:

	2016	2015
	RMB'000	*RMB'000*
0 to 30 days	**22,865**	20,539
31 to 60 days	**23,927**	15,299
61 to 90 days	**14,425**	7,475
91 to 120 days	**8,619**	3,730
121 to 365 days	**19,398**	11,234
Over 1 year	**2,874**	2,585
	92,108	60,862
Less: Impairment of trade receivables	**(2,889)**	(2,497)
	89,219	58,365

The aging analysis of the trade and bills receivables which were past due but not impaired is as follows:

	2016	2015
	RMB'000	*RMB'000*
Past due for less than 30 days	**7,091**	4,422
Past due for more than 30 days but less than 60 days	**13,219**	1,247
Past due for more than 60 days but less than 90 days	**6,348**	413
Past due for more than 90 days but less than 120 days	**2,772**	—
Past due for more than 120 days	**2,734**	10,013
	32,164	16,095

Trade 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.

Trade 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 Group 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. The Group does not hold any collateral or other credit enhancements over these balances.

12. PREPAYMENTS AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Other receivables *(Note)*	**56,439**	155
Prepayments	**771**	6,836
	57,210	6,991

Note: The amount includes receivable of proceeds from share placing. The balance has been fully received in January 2017.

13. TRADE PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**25,715**	27,661

The credit period granted from suppliers normally ranges from 30 to 120 days. The aging analysis of trade payables, based on invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
0 to 30 days	**12,989**	5,751
31 to 60 days	**4,782**	2,667
61 to 90 days	**1,303**	3,696
91 to 120 days	**218**	4,603
121 to 365 days	**681**	7,307
Over 1 year	**5,742**	3,637
	25,715	27,661

14. BORROWINGS

	2016	2015
	RMB'000	*RMB'000*
Secured interest-bearing bank borrowings:		
— Repayable on demand or within one year	**14,700**	8,000

The Group's bank borrowings are secured by leasehold land and building held by a related company, corporate guarantee from a related company, personal guarantees from the Company's shareholders, Mr. Zhao Yi Wen and Mr. Lin Qi Jian, who are also the Directors of the Company.

The effective interest rates on the Group's bank borrowings for the year were 5.05% (2015: 5.05%).

All of the banking facilities are subject to the fulfillment of covenants commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the borrowings would become repayable on demand. The Group regularly monitors its compliance with these covenants. At the end of each of reporting period, none of the covenants related to drawn down facilities had been breached.

15. SHARE CAPITAL

The following changes in the Company's authorised and issued share capital took place during the period from 27 May 2015 (date of incorporation) to 31 December 2016.

	Number of ordinary shares	*RMB'000*
Authorised:		
Upon incorporation (10,000,000,000 shares of HK$0.01 each), 31 December 2015, 1 January 2016 and 31 December 2016	10,000,000,000	89,500
Issued and fully paid:		
Upon incorporation (1,000 shares of HK$0.01 issued and fully paid), 31 December 2015 and 1 January 2016	1,000	—
Capitalisation issue credited as fully paid on the share premium account of the Company *(Note (i))*	299,999,000	2,685
Share issued on placing *(Note (ii))*	100,000,000	895
At 31 December 2016	400,000,000	3,580

Notes:

(i) Pursuant to the resolution passed on 2 December 2016, 299,999,000 shares were allotted and issued at par to the holders of shares on the register of members of the Company at the close of business on 2 December 2016 in proportion to their respective shareholdings by way of capitalisation. All the shares issued by way of capitalisation are rank pari passu in all respects with the existing issued shares.

(ii) Pursuant to the share placing on 30 December 2016, 100,000,000 shares of HK$0.01 each were issued at a price of HK$0.63 per share. Accordingly, the Company's share capital was increased by RMB895,000 and the balance of the proceeds of RMB55,490,000 after deducting the listing expenses of RMB6,643,000 was credited to the share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the consolidated annual results of the Group for the year ended 31 December 2016 (the "Year" or "2016"), together with the comparative figures for the corresponding year ended 31 December 2015 (the "Previous Year" or "2015").

Business Activities

The Group is principally engaged in the design, development, manufacturing and sales of LED beads and LED lighting products in the PRC. Since the Listing, there has been no significant change in the business operations of the Group. During the Year, the Group generally recognised revenue from the sales of LED beads and LED lighting products upon delivery of our products to our customers with their acceptance of our products.

Business Review

During the Year, the Group achieved a promising performance with an increase of approximately 19.6% in the Group's revenue from approximately RMB118.7 million in 2015 to approximately RMB142.0 million in 2016, primarily attributable to our increase in revenue from the sales of LED beads.

Profit for the year under review amounted to approximately RMB5.9 million in 2016 (approximately RMB7.7 million in 2015), which represented a decrease of approximately RMB1.8 million or approximately 23.4% as compared to 2015. Such decrease was mainly due to the non-recurring listing expenses of RMB10.9 million recognised in administrative and other expenses in 2016, which represented an increase of approximately RMB7.1 million as compared to listing expenses of RMB3.8 million recognised in 2015.

The Group continues to be cautiously optimistic about the future of the LED lighting industry in the PRC and our goal is to maintain our position as one of the leading manufacturers of LED beads in the small and medium segment of the backlight LED product market in the PRC and on the other hand, continue to penetrate into the downstream of the value chain in the LED lighting industry in the PRC by developing and selling LED lighting products with our LED beads. Our Group intends to achieve this goal by expanding our production capacity and continuing to develop our sales channels.

Financial Highlights

Year ended 31 December (RMB'000)	2016*	2015	Percentage Change
Revenue	**141,990**	118,706	19.6%
Cost of sales	**(108,802)**	(90,781)	19.9%
Gross profit	**33,188**	27,925	18.8%
Profit before income tax expense	**13,007**	12,317	5.6%
Net profit	**5,886**	7,736	–23.9%
Earnings per share^ (RMB)	**0.0196**	0.0258	–24.0%
Total assets	**176,663**	110,905	59.3%
Total equity	**114,569**	53,172	115.5%
Key Financial Ratios			
Gross profit margin (%)	**23.4**	23.5	
Net profit margin (%)	**4.1**	6.5	
Return on equity (%)	**5.1**	14.5	
Return on assets (%)	**3.3**	7.0	
Current ratio	**2.5**	1.6	
Gearing ratio (%)	**12.8**	39.2	

* The Company was listed on GEM of the Stock Exchange on 30 December 2016
^ Assuming the Group has been in existence in 2015

Financial Review

Revenue

For the year ended 31 December 2016, total revenue was approximately RMB142.0 million, representing an increase of approximately 19.6% as compared with the Previous Year (2015: RMB118.7 million). The growth was mainly attributable to the increase in revenue from the sales of LED beads.

The following table sets forth the breakdown of our Group's revenue by segment:

	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
LED beads	**137,163**	**96.6**	114,989	96.9
LED lighting products	**4,827**	**3.4**	3,717	3.1
Total	**141,990**	**100.0**	118,706	100.0

For the year ended 31 December 2016, revenue from LED beads amounted to approximately RMB137.2 million (2015: approximately RMB115.0 million), accounting for 96.6% of our total revenue (2015: 96.9%). The increase in revenue was mainly due to an increase in sales volume during the year.

Revenue from LED lighting products during the year amounted to approximately RMB4.8 million (2015: approximately RMB3.7 million), representing 3.4% of our total revenue (2015: 3.1%).

Cost of Sales

Cost of sales of the Group primarily consisted of cost of material used, direct labour and production overheads. It was increased by approximately 19.8% from approximately RMB90.8 million for the year ended 31 December 2015 to approximately RMB108.8 million for the year ended 31 December 2016, reflecting the increase in the sale and production volume of our LED beads and LED lighting products, which mainly led to the increase in the cost of material used.

Gross Profit and Gross Profit Margin

The gross profit increased from RMB28.0 million for the year ended 31 December 2015 to RMB33.2 million for the year ended 31 December 2016. The gross profit margin remained relatively stable at 23.4% for the year ended 31 December 2016, compared to 23.5% for the year ended 31 December 2015. The following table sets forth a breakdown of our gross profit and gross profit margin by segment for the periods indicated:

	Year ended 31 December 2016		Year ended 31 December 2015	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	**%**	*RMB'000*	%
LED beads	**30,173**	**22.0**	25,621	22.3
LED lighting products	**3,015**	**62.4**	2,304	62.0
Total gross profit/gross profit margin	**33,188**	**23.4**	27,925	23.5

The gross profit margin of both LED beads and LED lighting products remained relatively stable during 2015 and 2016.

Other Income and Gains

Other income and gains of the Group increased by 125.0% from RMB0.08 million for the year ended 31 December 2015 to RMB0.18 million for the year ended 31 December 2016, which was mainly attributable to government grants.

Selling and Distribution Expenses

The selling and distribution expenses decreased by 25% from RMB1.6 million for the year ended 31 December 2015 to RMB1.2 million for year ended 31 December 2016. The selling and distribution expenses mainly comprised of staff costs, traveling expenses and entertainment expenses. The decrease in selling and distribution expenses was mainly attributable to the decrease in average headcount of the sales and marketing staff of the Group.

Administrative and Other Expenses

The Group's administrative and other expenses increased by 45.7% from RMB12.7 million for the year ended 31 December 2015 to RMB18.5 million for the year ended 31 December 2016. The administrative and other expenses mainly included administrative staff costs, research and development costs and professional services expenses. The notable increase in administrative and other expenses was mainly generated from the professional fees used in connection with the Company's listing on the Stock Exchange.

Finance Costs

The Group's finance costs decreased by 50% from RMB1.4 million for the year ended 31 December 2015 to RMB0.7 million for the year ended 31 December 2016. Such decrease was mainly a result of the decrease in the interest on discounted bills receivable by approximately RMB0.5 million during 2015 while no such discount of bank acceptance bills has been made during 2016.

Listing Expenses

For the two years ended 31 December 2015 and 31 December 2016, the Group recorded listing expenses of RMB3.8 million and RMB10.9 million, respectively.

Income Tax Expense

Income tax expense of the Group for the year was approximately RMB7.1 million (2015: RMB4.6 million). The increase in income tax expense was primarily attributable to the increase in listing expenses in 2016, which are non-deductible for tax purpose, resulted in a rise in effective tax rate for the Year.

Profit for the Year

The profit for the year decreased by approximately RMB1.8 million or approximately 23.4% from approximately RMB7.7 million for the year ended 31 December 2015 to approximately RMB5.9 million for the year ended 31 December 2016. Despite an increase in revenue and gross profit for 2016 compared to 2015, the decrease in profit for the year was mainly attributable to the non-recurring listing expenses of RMB10.9 million recognised in administrative and other expenses in 2016, which represented an increase of approximately RMB7.1 million as compared to listing expenses of RMB3.8 million recognised in 2015.

Net Profit Margin

The net profit margin was 4.1% for the year ended 31 December 2016, compared to that of 6.5% for the year ended 31 December 2015. The decrease was mainly due to the non-recurring listing expenses of RMB10.9 million recognised in administrative and other expenses in 2016.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil), in order to cope with the future business development of the Group.

Use of Proceeds

Based on the placing price of HK$0.63 per share, the net proceeds from the listing on 30 December 2016, after deducting the underwriting commission and other estimated expenses, amounted to approximately HK$37.4 million. The Group intended to apply such net proceeds in accordance with the purposes set out in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated 16 December 2016. As at the reporting date, the Group's planned application and actual utilisation of the net proceeds is set out below:

Use of proceeds	**Net proceeds**	**Utilised**	**Unutilised**
	HK$ million	*HK$ million*	*HK$ million*
Expansion of the Group's production capacity	21.7	—	21.7
Developing the Group's sales channels	0.8	—	0.8
Repayment of bank loans	11.4	—	11.4
General working capital of the Group	3.5	—	3.5
	37.4	—	37.4

As at the reporting date, the Group has not yet utilised the approximately HK$37.4 million of net proceeds.

Liquidity, Financial Resources and Capital Structure

For the year ended 31 December 2016, the Group recorded net cash used in operating activities of approximately RMB3.8 million as compared to net cash generated from operating activities of approximately RMB18.9 million for the year ended 31 December 2015, primarily due to the increase in trade and bills receivables from our customers during the year ended 31 December 2016 as compared to the decrease in trade and bills receivables in the corresponding period in 2015.

As at 31 December 2016, the Group had net current assets of approximately RMB96.0 million (2015: RMB36.3 million). The Group's current ratio as at 31 December 2016 was approximately 2.5 (2015: 1.6).

As at 31 December 2016, the Group had total cash and bank balances of approximately RMB0.6 million (2015: RMB7.7 million). The decrease in total cash and bank balances was mainly due to net cash used in operating activities and investing activities at the amounts of approximately RMB3.8 million and RMB4.7 million, respectively.

As at 31 December 2016, the Group had total available banking facilities of approximately RMB14.7 million. The total borrowing drawn down from our banking facilities as at 31 December 2016 amounted to RMB14.7 million (2015: RMB8.0 million).

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 30 December 2016, since then there was no change in the capital structure of the Group. The capital of the Company comprises only ordinary shares. As at 31 December 2016, the equity attributable to owners of the Company amounted to approximately RMB114.6 million (2015: RMB53.2 million).

Return on Equity

Return on equity (i.e. net profit for the year divided by total equity of the year and multiplied by 100%) decreased from approximately 14.5% for the year ended 31 December 2015 to approximately 5.1% for the year ended 31 December 2016. Such decrease was mainly attributable to (i) the decrease in net profit as a result of the non-recurring listing expenses of RMB10.9 million recognised in administrative and other expenses for the year ended 31 December 2016; and (ii) the increase in share capital and reserves for the year ended 31 December 2016 as a result of the Company's listing on 30 December 2016.

Return on Assets

Return on assets (i.e. net profit for the year divided by total assets of the year and multiplied by 100%) decreased from approximately 7.0% for the year ended 31 December 2015 to approximately 3.3% for the year ended 31 December 2016. Such decrease was mainly attributable to (i) the decrease in net profit as a result of the non-recurring listing expenses of RMB10.9 million recognised in administrative and other expenses for the year ended 31 December 2016; and (ii) the increase in other receivables for the year ended 31 December 2016 as a result of the increase in receivable of proceeds from share placing.

Current Ratio

Current ratio (i.e. total current assets at the end of the year divided by total current liabilities at the end of the year) increased from approximately 1.6 as at 31 December 2015 to approximately 2.5 as at 31 December 2016, primarily due to the increase in current assets of approximately 68.1% from the year ended 31 December 2015 to the year ended 31 December 2016 outweighed the increase in current liabilities of approximately 7.6% from the year ended 31 December 2015 to the year ended 31 December 2016.

Gearing Ratio

As at 31 December 2016, the Group has gearing ratio (i.e. total debt at the end of the year divided by total equity at the end of the year and multiplied by 100%) of 12.8% compared to that of 39.2% as at 31 December 2015. The decrease was mainly due to the increase in share capital and reserves.

Significant Investments

As at 31 December 2016, there was no significant investment held by the Group.

Material Acquisitions and Disposals

Save for the disposal of Zhuhai Hengqin Xinqu Hongrunda Guangdian Company Limited* in April 2016 (details of which are set out in the sub-section headed "Disposal during the Track Record Period" in the section headed "History, Reorganisation and Corporate Structure" of the Company's Prospectus dated 16 December 2016), the Group did not carry out any material acquisition nor disposal of any subsidiary during the year ended 31 December 2016.

Operating Lease Commitments

The Group leased one property in the PRC from a related party as use for office and factory during the year ended 31 December 2016. As at 31 December 2016, the Group's operating lease commitments amounted to approximately RMB3.2 million (2015: approximately RMB3.6 million).

Capital Commitments

As at 31 December 2016, the Group has capital commitments for the acquisition of property, plant and equipment, the amount contracted for amounted to RMB0.8 million (2015: RMB0.3 million).

Contingent Liabilities

As at 31 December 2016, the Group did not have any significant contingent liabilities.

Foreign Exchange Exposure

The Group's main operations are in the PRC with most of its transactions settled in RMB. The Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the year ended 31 December 2016, the Group did not hedge any exposure to foreign exchange risk.

Employees and Remuneration Policies

As at 31 December 2016, the Group employed 111 employees (2015: 110 employees). Employee costs (including Directors' remuneration, wages, salaries, performance related bonuses, other benefits and contribution to defined contribution pension plans) amounted to approximately RMB6.3 million for the year ended 31 December 2016 (2015: approximately RMB7.3 million). The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' overall remuneration is determined based on the Group's and their performance.

Purchase, Sales or Redemption of the Company's Listed Securities

During the period from the date of the Listing to 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Model Code") on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. Upon specific enquiries being made with all Directors, each of them confirmed that they have complied with the required standards set out in the Model Code since the Listing Date up to the date of this announcement.

Corporate Governance and Compliance with the Corporate Governance Code

The Company adopted the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Save for the provision A.2.1 of the CG Code, that the roles of the chairman and chief executive of the Company should be separate and should not be performed by the same individual, the Board is satisfied that the Company had complied with the CG Code during the period from the date of the Listing to 31 December 2016.

Interests of the Compliance Adviser and its Directors, Employees and Associates

As notified by the Company's compliance adviser, Lego Corporate Finance Limited (the "Compliance Adviser"), except for (i) Lego Corporate Finance Limited was the Company's sponsor in relation to the Listing; and (ii) the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 27 May 2016, which commencing on 30 December 2016, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at 31 December 2016 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the members' entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 12 May 2017, the register of members will be closed from Monday, 8 May 2017 to Friday, 12 May 2017, both days inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar, Boardroom Share Registrars (HK) Limited at 31st Floor, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Friday, 5 May 2017.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company (the "Audit Committee") has discussed and reviewed with management and the Group's independent auditor, BDO Limited, the audited consolidated financial statements of the Group for the year ended 31 December 2016. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Chan Chung Kik Lewis, Dr. Wu Wing Kuen, *B.B.S.* and Professor Chow Wai Shing, Tommy. Mr. Chan Chung Kik, Lewis is the chairman of the Audit Committee who has appropriate professional qualifications and experience as required by the GEM Listing Rules.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

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

By order of the Board
HongGuang Lighting Holdings Company Limited
Zhao Yi Wen
Chairman and Executive Director

Hong Kong, 27 March 2017

As at the date of this announcement, the Executive Directors are Mr. Zhao Yi Wen, Mr. Lin Qi Jian and Mr. Chan Wing Kin; the Non-executive Director is Mr. Chiu Kwai San; and the Independent Non-executive Directors are Professor Chow Wai Shing, Tommy, Dr. Wu Wing Kuen, B.B.S. and Mr. Chan Chung Kik, Lewis.

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk and on the "Latest Company Announcements" page for at least seven days from the date of its posting. This announcement will also be published on the Company's website at www.lighting-hg.com.

* *For identification purpose only*