NVC LIGHTING HOLDING LIMITED
雷士照明控股有限公司
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 2222)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

**Highlights for the year ended 31 December 2013:**

- The Group's revenue amounted to RMB3,773,816,000, representing an increase of 6.4% as compared with the Corresponding Period.
- The Group's gross profit amounted to RMB797,403,000, representing an increase of 4.7% as compared with the Corresponding Period.
- The Group's profit before tax amounted to RMB354,458,000, representing an increase of 204.3% as compared with the Corresponding Period.
- Profit attributable to owners of the parent amounted to RMB244,884,000, representing an increase of 2,809.7% as compared with the Corresponding Period.
- Basic earnings per share of the Company amounted to RMB7.83 cents.
- The Board of the Company has proposed a final dividend of HK$2 cents per share (equivalent to approximately RMB1.6 cents) (Corresponding Period of 2012: HK$1.5 cents per share).

The board of Directors (the "Board") of NVC Lighting Holding Limited (the "Company") is pleased to announce the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 (the "Reporting Period").

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | Years ended 31 December | |
|---|---|---|---|
| | | **2013** | 2012 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| **REVENUE** | *2* | **3,773,816** | 3,546,036 |
| Cost of sales | | **(2,976,413)** | (2,784,689) |
| **GROSS PROFIT** | | **797,403** | 761,347 |
| Other income and gains | *3* | **91,611** | 159,858 |
| Selling and distribution costs | | **(270,855)** | (254,092) |
| Administrative expenses | | **(258,783)** | (315,580) |
| Other expenses | | **(2,618)** | (231,429) |
| Finance costs | *4* | **(2,701)** | (4,677) |
| Share of profit of an associate | | **401** | 1,054 |
| **PROFIT BEFORE TAX** | | **354,458** | 116,481 |
| Income tax expense | *5* | **(72,351)** | (67,937) |
| **PROFIT FOR THE YEAR** | | **282,107** | 48,544 |
| Attributable to: | | | |
| Owners of the parent | | **244,884** | 8,416 |
| Non-controlling interests | | **37,223** | 40,128 |
| | | **282,107** | 48,544 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic | *6* | **RMB7.83 cents** | RMB0.27 cents |
| Diluted | *6* | **RMB7.83 cents** | RMB0.27 cents |

Details of the dividends proposed for the year ended 31 December 2013 are disclosed in note 7 to the financial statements on page 18 of this announcement.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Years ended 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| **PROFIT FOR THE YEAR** | **282,107** | 48,544 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Exchange differences on translation of foreign operations | **(17,295)** | (1,132) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **264,812** | 47,412 |
| Attributable to: | | |
| Owners of the parent | **227,589** | 7,284 |
| Non-controlling interests | **37,223** | 40,128 |
| | **264,812** | 47,412 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 31 December | |
|---|---|---|---|
| | | **2013** | 2012 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **882,133** | 842,756 |
| Prepaid land lease payments | | **56,108** | 52,202 |
| Goodwill | | **21,161** | 21,161 |
| Other intangible assets | | **301,751** | 307,069 |
| Investment in an associate | | **6,763** | 6,362 |
| Deferred tax assets | | **41,322** | 42,451 |
| Prepayments for purchase of property, plant and equipment | | **3,078** | 23,331 |
| **Total non-current assets** | | **1,312,316** | 1,295,332 |
| **CURRENT ASSETS** | | | |
| Inventories | *8* | **651,707** | 698,400 |
| Trade and bills receivables | *9* | **1,268,212** | 818,890 |
| Prepayments, deposits and other receivables | | **81,176** | 94,005 |
| Other current assets | | **16,919** | 16,079 |
| Short-term deposits | | **89,492** | 379,233 |
| Cash and cash equivalents | | **1,349,152** | 1,214,744 |
| | | **3,456,658** | 3,221,351 |
| Non-current assets classified as held for sale | | **–** | 17,606 |
| **Total current assets** | | **3,456,658** | 3,238,957 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *10* | **510,352** | 431,606 |
| Other payables and accruals | | **319,754** | 282,523 |
| Interest-bearing loans and borrowings | *11* | **47,117** | 94,387 |
| Government grants | | **1,909** | 6,208 |
| Income tax payable | | **21,147** | 24,975 |
| **Total current liabilities** | | **900,279** | 839,699 |
| **NET CURRENT ASSETS** | | **2,556,379** | 2,399,258 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **3,868,695** | 3,694,590 |

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

| | | 31 December | |
|---|---|---|---|
| | | **2013** | 2012 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **NON-CURRENT LIABILITIES** | | | |
| Government grants | | **13,576** | 15,841 |
| Deferred tax liabilities | | **94,494** | 96,016 |
| **Total non-current liabilities** | | **108,070** | 111,857 |
| **Net assets** | | **3,760,625** | 3,582,733 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | | **2** | 2 |
| Reserves | | **3,627,676** | 3,473,648 |
| Proposed final dividend | *7* | **49,192** | 38,051 |
| | | **3,676,870** | 3,511,701 |
| **Non-controlling interests** | | **83,755** | 71,032 |
| **Total equity** | | **3,760,625** | 3,582,733 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Years ended 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Net cash flows from operating activities | **76,938** | 619,169 |
| Net cash flows from/(used in) investing activities | **199,713** | (59,035) |
| Net cash flows used in financing activities | **(138,916)** | (145,743) |
| Net increase in cash and cash equivalents | **137,735** | 414,391 |
| Cash and cash equivalents at beginning of year | **1,200,357** | 784,544 |
| Effect of foreign exchange rate changes, net | **(6,057)** | 1,422 |
| Cash and cash equivalents as stated in the condensed consolidated statement of cash flows | **1,332,035** | 1,200,357 |
| Bank overdraft | **17,117** | 14,387 |
| Cash and cash equivalents as stated in the consolidated statement of financial position | **1,349,152** | 1,214,744 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Issued capital** *RMB'000* | **Share premium** *RMB'000* | **Equity reserve** *RMB'000* | **Shareholders' contribution** *RMB'000* | **Statutory reserve** *RMB'000* | **Employee equity benefit reserve** *RMB'000* | **Foreign currency translation reserve** *RMB'000* | **Retained profits** *RMB'000* | **Proposed final dividend** *RMB'000* | **Total** *RMB'000* | **Non-controlling interests** *RMB'000* | **Total equity** *RMB'000* |
| **At 1 January 2013** | 2 | 1,965,282 | (4,158) | 6,416 | 85,873 | 14,608 | (88,022) | 1,493,649 | 38,051 | 3,511,701 | 71,032 | 3,582,733 |
| Profit for the year | – | – | – | – | – | – | – | 244,884 | – | 244,884 | 37,223 | 282,107 |
| Other comprehensive income: | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | – | – | – | (17,295) | – | – | (17,295) | – | (17,295) |
| Total comprehensive income for the year | – | – | – | – | – | – | (17,295) | 244,884 | – | 227,589 | 37,223 | 264,812 |
| Transfer to statutory reserve | – | – | – | – | 11,666 | – | – | (11,666) | – | – | – | – |
| Lapse of share options | – | 1,158 | – | – | – | (1,158) | – | – | – | – | – | – |
| Employee share option arrangements | – | – | – | – | – | 486 | – | – | – | 486 | – | 486 |
| Dividend paid to a non-controlling shareholder | – | – | – | – | – | – | – | – | – | – | (24,500) | (24,500) |
| Adjustment to final 2012 dividend declared *(note 7)* | – | 25 | – | – | – | – | – | – | (38,051) | (38,026) | – | (38,026) |
| Interim 2013 dividend *(note 7)* | – | (24,880) | – | – | – | – | – | – | – | (24,880) | – | (24,880) |
| Proposed final 2013 dividend *(note 7)* | – | (49,192) | – | – | – | – | – | – | 49,192 | – | – | – |
| **At 31 December 2013** | 2 | 1,892,393 | (4,158) | 6,416 | 97,539 | 13,936 | (105,317) | 1,726,867 | 49,192 | 3,676,870 | 83,755 | 3,760,625 |

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

| | Attributable to owners of the parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital *RMB'000* | Share premium *RMB'000* | Equity reserve *RMB'000* | Shareholders' contribution *RMB'000* | Statutory reserve *RMB'000* | Employee equity benefit reserve *RMB'000* | Foreign currency translation reserve *RMB'000* | Retained profits *RMB'000* | Proposed final dividend *RMB'000* | Total *RMB'000* | Non-controlling interests *RMB'000* | Total equity *RMB'000* |
| **At 1 January 2012** | 2 | 2,067,321 | (4,158) | 6,416 | 84,923 | 12,945 | (86,890) | 1,486,183 | 89,607 | 3,656,349 | 55,404 | 3,711,753 |
| Profit for the year | – | – | – | – | – | – | – | 8,416 | – | 8,416 | 40,128 | 48,544 |
| Other comprehensive income: | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | – | – | – | (1,132) | – | – | (1,132) | – | (1,132) |
| Total comprehensive income for the year | – | – | – | – | – | – | (1,132) | 8,416 | – | 7,284 | 40,128 | 47,412 |
| Transfer to statutory reserve | – | – | – | – | 950 | – | – | (950) | – | – | – | – |
| Repurchase of shares | – | (39,009) | – | – | – | – | – | – | – | (39,009) | – | (39,009) |
| Exercise of share options | – | 986 | – | – | – | (137) | – | – | – | 849 | – | 849 |
| Employee share option arrangements | – | – | – | – | – | 1,800 | – | – | – | 1,800 | – | 1,800 |
| Dividend paid to a non-controlling shareholder | – | – | – | – | – | – | – | – | – | – | (24,500) | (24,500) |
| Adjustment to final 2011 dividend declared | – | (172) | – | – | – | – | – | – | (89,607) | (89,779) | – | (89,779) |
| Interim 2012 dividend *(note 7)* | – | (25,793) | – | – | – | – | – | – | – | (25,793) | – | (25,793) |
| Proposed final 2012 dividend *(note 7)* | – | (38,051) | – | – | – | – | – | – | 38,051 | – | – | – |
| **At 31 December 2012** | 2 | 1,965,282 | (4,158) | 6,416 | 85,873 | 14,608 | (88,022) | 1,493,649 | 38,051 | 3,511,701 | 71,032 | 3,582,733 |

# NOTES TO FINANCIAL STATEMENTS

## 1.1 BASIS OF PREPARATION

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

## 1.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

## 1.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| IFRS 1 Amendments | Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans* |
| IFRS 7 Amendments | Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* |
| IFRS 10 | *Consolidated Financial Statements* |
| IFRS 11 | *Joint Arrangements* |
| IFRS 12 | *Disclosure of Interests in Other Entities* |
| IFRS 10, IFRS 11 and IFRS 12 Amendments | Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance* |
| IFRS 13 | *Fair Value Measurement* |
| IAS 1 Amendments | Amendments to IAS 1 *Presentation of Financial Statements – Presentation of items of Other Comprehensive Income* |
| IAS 19 Amendments | Amendments to IAS 19 *Employee Benefits* |
| IAS 27 (Revised) | *Separate Financial Statements* |
| IAS 28 (Revised) | *Investments in Associates and Joint Ventures* |
| IAS 36 Amendments | Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted) |
| IFRIC 20 | *Stripping Costs in the Production Phase of a Surface Mine* |
| *Annual Improvements 2009-2011 Cycle* | Amendments to a number of IFRSs issued in May 2012 |

Other than as further explained below regarding the impact of IFRS 10, IFRS 13 and IAS 36 Amendments, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

IFRS 10 replaces the portion of IAS27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in SIC 12 *Consolidation Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in IFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled. The application of IFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investee as at 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. IFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in IFRS 13, the policies for measuring fair value have been amended.

## 1.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

## 1.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

| | |
|---|---|
| IFRS 9 | *Financial Instruments*[4] |
| IFRS 9, IFRS 7 and IAS 39 Amendments | *Hedge Accounting and amendments to IFRS 9, IFRS 7 and IFRS 39*[4] |
| IFRS 10, IFRS 12 and IAS 27 (revised) | Amendments to IFRS 10, IFRS 12 and IAS 27 (revised) – *Investment Entities*[1] |
| IFRS 14 | *Regulatory Deferral Accounts*[3] |
| IAS 19 Amendments | Amendments to IAS 19 *Employee Benefits-Defined Benefit Plans: Employee Contributions*[2] |
| IAS 32 Amendments | Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1] |
| IAS 39 Amendments | Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1] |
| IFRIC 21 | *Levies*[1] |
| IFRSs Amendments | *Annual Improvements to IFRSs 2010-2012 Cycle*[2] |
| IFRSs Amendments | *Annual Improvements to IFRSs 2011-2013 Cycle*[2] |

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

## 1.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In November 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in November 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counter-party as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The Group expects that the amendments will not have any impact on the Group as hedge accounting does not apply to the Group.

## 1.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The Group expects to adopt the interpretation from 1 January 2014.

The *Annual Improvements to IFRSs 2010-2012 Cycle* and *Annual Improvements to IFRSs 2011-2013 Cycle* set out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 July 2014. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

## 2. REVENUE AND SEGMENT INFORMATION

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

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

(a) Luminaire products segment:

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

(b) Lamp products segment:

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

(c) Lighting electronic products segment:

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

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

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

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

## 2. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

| | **Revenue years ended 31 December** | | **Results years ended 31 December** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Luminaire products | **2,122,477** | 1,940,435 | **446,582** | 414,341 |
| Lamp products | **1,379,551** | 1,311,542 | **263,354** | 229,193 |
| Lighting electronic products | **271,788** | 294,059 | **51,947** | 56,849 |
| Total | **3,773,816** | 3,546,036 | **761,883** | 700,383 |
| **Reconciliation** | | | | |
| Elimination of intersegment results | | | **(9,370)** | (10,524) |
| Interest income | | | **28,407** | 20,010 |
| Unallocated income and gains | | | **63,204** | 139,848 |
| Corporate and other unallocated expenses | | | **(487,366)** | (729,613) |
| Finance costs | | | **(2,701)** | (4,677) |
| Share of profit of an associate | | | **401** | 1,054 |
| Profit before tax | | | **354,458** | 116,481 |

During the Reporting Period, depreciation and amortisation recorded in the consolidated statement of profit or loss amounted to RMB120,196,000, as compared to RMB122,780,000 for the Corresponding Period of 2012.

## 3. OTHER INCOME AND GAINS

| | Years ended 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| **Other income** | | |
| Government grants | **38,444** | 46,422 |
| Compensation for production halts, machinery relocation and installation | **–** | 33,286 |
| Trademark licence fees | **14,791** | 15,268 |
| Distribution commission | **–** | 6,430 |
| Bank interest income | **28,115** | 19,751 |
| Other interest income | **292** | 259 |
| Rental income | **2,235** | 2,176 |
| Others | **7,276** | 8,629 |
| | **91,153** | 132,221 |
| **Gains** | | |
| Gain on disposal of items of property, plant and equipment in relocation | **–** | 13,986 |
| Gain on sale of scrap materials | **443** | 2,617 |
| Exchange gain, net | **15** | 11,034 |
| | **458** | 27,637 |
| | **91,611** | 159,858 |

## 4. FINANCE COSTS

| | Years ended 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Interests on bank loans | **2,461** | 4,144 |
| Other interest expenses | **240** | 533 |
| | **2,701** | 4,677 |

## 5. INCOME TAX

The Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which 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 year ended 31 December 2013 (Corresponding Period of 2012: Nil).

## 5. INCOME TAX *(continued)*

The Company's subsidiaries located in Mainland China are subject to enterprise income tax ("EIT") at the statutory tax rate of 25%. According to the preferential tax policies in Mainland China, two of our subsidiaries, Chongqing NVC and Chongqing Lighting, were recognised as western development enterprises by the local tax authorities and are entitled to the preferential tax rate of 15%, while three of our subsidiaries, Jiangshan Phoebus, Sunny and Shanghai Arcata, were recognised as high-tech enterprises by PRC tax authorities and were entitled to the preferential tax rate of 15%. The table below sets out the applicable tax rates for the Group's PRC subsidiaries:

| | **2013** | 2012 |
|---|---|---|
| Huizhou NVC | **25.0%** | 25.0% |
| Chongqing NVC | **15.0%** | 15.0% |
| Zhejiang NVC | **25.0%** | 25.0% |
| Jiangshan Phoebus | **15.0%** | 15.0% |
| Zhangpu Phoebus | **25.0%** | 25.0% |
| Sunny | **15.0%** | 15.0% |
| Shanghai Arcata | **15.0%** | 12.5% |
| Chongqing Lighting | **15.0%** | N/A |

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

| | **Years ended 31 December** | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Current – Mainland China | | |
| – Charge for the year | **74,304** | 74,373 |
| – (Overprovision)/underprovision in prior years | **(1,416)** | 236 |
| Deferred | **(537)** | (6,672) |
| Total tax charge for the year | **72,351** | 67,937 |

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the statutory rate to the effective tax rate, is as follows:

| | **Years ended 31 December** | | | |
|---|---|---|---|---|
| | **2013** | | 2012 | |
| | ***RMB'000*** | **%** | *RMB'000* | % |
| Profit before tax | **354,458** | | 116,481 | |
| Tax at the statutory tax rate | **88,615** | **25.0** | 29,120 | 25.0 |
| Tax exemption | **–** | **–** | (1,729) | (1.5) |
| Lower tax rates enacted by local authority | **(21,452)** | **(6.1)** | (29,306) | (25.2) |
| Income not subject to tax | **(100)** | **–** | (263) | (0.2) |
| Expenses not deductible for tax | **3,722** | **1.1** | 62,823 | 53.9 |
| Adjustments in respect to current income tax of previous periods | **(1,416)** | **(0.4)** | 236 | 0.2 |
| Tax losses not recognised | **3,659** | **1.0** | – | – |
| Tax losses utilised from previous periods | **(4,803)** | **(1.4)** | – | – |
| Effect on opening deferred tax of change in tax rates | **4,126** | **1.2** | 7,056 | 6.1 |
| Tax charge at the Group's effective rate | **72,351** | **20.4** | 67,937 | 58.3 |

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 3,128,448,000 (2012: 3,150,396,000) in issue during the year. The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of share options or conversion of all dilutive potential ordinary shares into ordinary shares. No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

| | **Years ended 31 December** | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Earnings: | | |
| Profit attributable to ordinary equity holders of the parent | **244,884** | 8,416 |

| | **Years ended 31 December** | |
|---|---|---|
| | **2013** | 2012 |
| | ***'000*** | *'000* |
| | **Number of shares** | Number of shares |
| Shares: | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | **3,128,448** | 3,150,396 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | **–** | – |
| | **3,128,448** | 3,150,396 |

## 7. DIVIDENDS

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interim – HK$1 cent (2012: HK$1 cent) per ordinary share | **24,880** | 25,793 |
| Proposed final – HK$2 cents (2012: HK$1.5 cents) per ordinary share | **49,192** | 38,051 |
| | **74,072** | 63,844 |

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

## 8. INVENTORIES

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

| | **31 December** | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Raw materials | **130,146** | 179,911 |
| Work in progress | **20,211** | 11,963 |
| Finished goods | **501,350** | 506,526 |
| Total | **651,707** | 698,400 |
| Turnover of average inventories (in days)[(1)] | **82.8** | 91.8 |

(1) Average inventories equal the inventories at the beginning of the year plus the inventories at the end of the year (after provision), divided by two. Turnover of average inventories (in days) equals the average inventories divided by the cost of sales and then multiplied by 365.

The write-down of inventories recognised by the Group as an expense for the Reporting Period amounted to RMB26,981,000 (Corresponding Period of 2012: RMB16,494,000), which was recorded in "Cost of sales" in the consolidated statement of profit or loss.

## 9. TRADE AND BILLS RECEIVABLES

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

| | 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **1,159,667** | 710,739 |
| Impairment | **(18,847)** | (18,393) |
| Trade receivables, net | **1,140,820** | 692,346 |
| Bills receivable | **127,392** | 126,544 |
| Total | **1,268,212** | 818,890 |
| Turnover of average trade and bills receivables (in days)[1] | **102.7** | 89.5 |

[1] Average trade and bills receivables equal the trade and bills receivables at the beginning of the year plus the 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 the average trade and bills receivables divided by revenue and then multiplied by 365.

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

| | 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **787,893** | 532,034 |
| 4 to 6 months | **234,106** | 85,397 |
| 7 to 12 months | **84,184** | 26,390 |
| 1 to 2 years | **9,357** | 45,037 |
| Over 2 years | **25,280** | 3,488 |
| | **1,140,820** | 692,346 |

Trade receivables of the Group represented proceeds receivable from the sale of goods. Our trading terms with our customers are mainly on credit, except for new customers where payment in advance is normally required. The credit periods generally range from 30 to 180 days for major customers. We seek to maintain strict control over our outstanding receivables and have a credit control management system to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that our trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

## 9. TRADE AND BILLS RECEIVABLES *(Continued)*

The following table sets forth the maturity profile of our bills receivable as at the end of the Reporting Period.

| | 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Within 6 months | **127,392** | 126,544 |

As at 31 December 2013, the fair value of trade and bills receivables approximated to their carrying amounts largely due to the short-term maturity.

## 10. TRADE PAYABLES

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

| | 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Trade payables to third parties | **501,965** | 404,561 |
| Trade payables to related parties | **8,387** | 27,045 |
| Total | **510,352** | 431,606 |
| Turnover of average trade payables (in days)[1] | **57.8** | 53.6 |

[1] Average trade payables equal the trade payables at the beginning of the year plus the trade payables at the end of the year, divided by two. Turnover of average trade payables (in days) equals average trade payables divided by cost of sales and then multiplied by 365.

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

| | 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **498,434** | 376,469 |
| 4 to 6 months | **5,783** | 11,548 |
| 7 to 12 months | **1,596** | 26,494 |
| 1 to 2 years | **4,034** | 16,109 |
| Over 2 years | **505** | 986 |
| | **510,352** | 431,606 |

As at 31 December 2013, the fair value of trade payables approximated to their carrying amounts largely due to the short-term maturity.

## 11. INTEREST-BEARING LOANS AND BORROWINGS

| | 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2013** | | | 2012 | | |
| | ***Contractual interest rate (%)*** | **Maturity** | ***RMB'000*** | *Contractual interest rate (%)* | Maturity | *RMB'000* |
| **Current** | | | | | | |
| Bank loans – unsecured [1] | **4.98** | **April 2014** | **30,000** | 5.488-5.880 | February-April 2013 | 80,000 |
| Bank overdraft – unsecured [2] | **Base*+2.30** | **On demand** | **17,117** | Base*+2.30 | On demand | 14,387 |
| Total | | | **47,117** | | | 94,387 |

[1] The bank loans included RMB-denominated loans of RMB30,000,000 with an interest rate of 4.98% per annum;

[2] The bank overdraft represents a GBP-denominated overdraft facility with limit amounted to GBP2,200,000 (2012: GBP2,200,000). The overdraft facility will be terminated on demand. As at 31 December 2013, we have utilised the facility amount of GBP1,702,000 (31 December 2012: GBP1,416,000).

* "Base" means the Bank of England base rate.

As at 31 December 2013, the fair value of interest-bearing loans and borrowings approximated to their carrying amounts largely due to the short-term maturity.

## MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

In 2013, the global economy continued to recover. The United States (the "U.S.") economy was reviving gradually. The economy of the Euro zone rebounded from bottom indicating a slight growth. The growth rate of the emerging economy was slowing down. The announcement of U.S. Federal Reserve System of retreating from the Quantitative Easing Monetary Policy increased the uncertainty of the prospects of other markets, especially the emerging markets.

China's economic policy for 2013 focused on "the adjustment of structure and promotion of reform" as well as the on-going implementation of stable monetary policy. The economic growth slowed down. In 2013, the growth rate of China's gross domestic product dropped to 7.7% (Source: National Bureau of Statistics of the PRC).

At present, the global lighting industry is in the LED transitional period. Motivated by the demand of domestic and international markets as well as the domestic industrial policy, the LED lighting product market in China has expedited its development. The center of the global LED production capacity has also shifted to China gradually. China has become the region with the fastest development of semi-conductor lighting industry in the world.

The LED lighting market in China experienced strong growth in 2013. As the concept of energy saving and environmental protection became widely acknowledged by people, the "green" nature of LED lighting has been extensively accepted in the market. Coupled with the significant decrease in price of lighting products, the strong support and promotion by the government and the gradual implementation of the plan to eliminate the incandescent lamps, the LED lighting industry stood out with its extensive growth in 2013 amidst many industries having stagnant market demand. In addition, a market penetration rate of the LED lighting products continued to be on the rise with an obvious trend to become the mainstream lighting products. However, as the LED lighting industry is still an emerging industry, particularly in the lighting application market, with the intensifying price competition among a large number of enterprises, most LED lighting application enterprises were not able to increase their profit despite an increase of revenue. Besides, LED lighting product market is awaiting further industry integration due to the great variation in respect of the quality levels and the prices of LED lighting products. On the other hand, impacted by the LED lighting market, the domestic demand in the traditional lighting market has decreased significantly.

## BUSINESS REVIEW

Following the strong upsurge of the LED lighting market, the Group also had corresponding adjustment of the strategic deployment in 2013. In China market, we continued to enhance the existing channels and develop the sales modes including e-commerce and EMC so as to make them become our new growth momentum. In the international market, we made proactive exploration in the major markets (such as Brazil, India and Australia, etc), with vigorous promotion of LED lighting products. At the same time, we gradually built up the image of NVC LED brand to further enhance our stronghold brands and channels. During the Reporting Period, the Group made greater investment in the research and development of LED products, reinforced the technical reform, increased the product varieties and manufactured more competitive LED products to cope with the intensified competition in the LED lighting market. During the Reporting Period, the sales revenue of the Group's LED products was RMB740,589,000, representing a growth of 197.4% compared with the Corresponding Period, accounting for 19.6% of the total revenue. However, the profitability of LED products was lower than that of the traditional lighting products due to the fierce price competition in the LED lighting market. At present, the comprehensive LED product portfolio of the Group is able to fully satisfy the various requirements of the clients. Moreover, the Group has gradually launched the strategic cooperation with Elec-Tech International Co., Ltd. to fulfil the integration of upstream and downstream products in order to enhance the product competitiveness.

## SALES AND DISTRIBUTION

In respect of the NVC brand in the PRC market, the Group had 37 exclusive regional distributors during the Reporting Period with one additional distributor compared with the Corresponding Period. As at 31 December 2013, the exclusive regional distributors of the Group had a total of 3,299 exclusive shops (31 in the provincial capital cities with a 100% coverage rate, 278 in the prefecture-level cities with a 96.5% coverage rate, 1,284 in the county-level cities with a 65.9% coverage rate, 679 in the town centres with a 2.3% coverage rate). There was an increase of 68 shops compared with the Corresponding Period, with most of the new shops located in the town centres. Apart from the exclusive shops, the exclusive regional distributors also had 632 display counter/display wall outlets (an increase of 286 outlets compared with the Corresponding Period) and 1,199 metalware outlets mainly located in the county-level cities and town centres. Therefore, the exclusive regional distributors have developed a total of 5,130 effective outlets. While continuing to develop market potential in the county-level cities and town centres and expand outlets coverage, the Group has also set up and optimized gradually the sales modes of e-commerce and EMC. During the Reporting Period, the total turnover of NVC brand products was RMB2,127,066,000 in the PRC, at the growth rate of 1.8% compared with the Corresponding Period, of which turnover of LED products was RMB677,228,000 at the growth rate of 200% compared with the Corresponding Period, representing 31.8% of the sales revenue of the NVC brand products in the PRC. In the contrary, the turnover of other traditional lighting products decreased at different degrees.

As for the non-NVC brands in the PRC market, the Group has focused on providing the energy-saving lamp enterprises with the products including energy-saving light tubes and accessories. During the Reporting Period, the market price and the sales revenue of the fluorescent lighting products were affected by the impact from the LED lighting market. By virtue of the further price drop of fluorescent powder, the decrease of the cost of the fluorescent lighting products exceeded the decrease of the market price, resulting in the rebounding gross profit and gross profit margin to certain extent.

## SALES AND DISTRIBUTION *(Continued)*

For the NVC brand in the international market, the Group made a greater effort to explore the emerging markets during the Reporting Period, for instance, establishing a subsidiary in Brazil, developing the new market in Mongolia, and increasing market investment in Indonesia, Emirates, Brazil, and Saudi Arabia, etc. The Group newly set up six exclusive shops, enhanced the building of distribution channels (the engineering channel in particular) and the NVC exclusive shops, in line with more vigorous promotion of LED products under the NVC brand. During the Reporting Period, the total turnover of NVC brand products in international market was RMB365,962,000 at the growth rate of 23.7% compared with the Corresponding Period, of which the turnover of LED products was RMB62,802,000 at a growth rate of 191.9% compared with the Corresponding Period, representing 17.2% (a rapid rise from 7.3%) of the sales revenue of NVC brand products from international sales revenue.

For the non-NVC brands in the international market, the Group has mainly provided the famous international lighting enterprises with energy-saving lamps, energy-saving light tubes and accessories in the form of ODM. During the Reporting Period, the Group enhanced its cooperation with the international clients and consolidated the cooperation relationship, leading to the continuing increase of the demand from big clients. The total turnover of non-NVC brands products was RMB890,962,000 in the international market, representing a growth rate of 18.3% compared with the Corresponding Period.

### Product Research, Development and Design

The Group owns two research and development centres respectively located in Chongqing City (specializing in the research and development of new product design for luminaire products) and Shanghai City (specializing in the research and development of energy-saving technology for lamps and the research and development of lighting electric products).

During the Reporting Period, the Group invested RMB50,980,000 in the research and development project, representing 1.4% of the revenue of the Group. The Group continued to invest in the research and development, and launch new products particularly in line with the LED lighting market demand, coupled with the on-going upgrade of product quality and improvement in product techniques. The Group concluded successful research and development of more than a hundred product models including various types of LED lighting products, smart control project, lamps and electric products. During the Reporting Period, 107 new patent applications were filed, and 70 applications had been approved and granted patents.

As at 31 December 2013, the Group had a workforce of 277 engaged in design, research and development, with 139 of them working in the Chongqing Research and Development Center, 52 in the Shanghai Research and Development Center, and the others working in other production bases.

### Brand Promotion

During the Reporting Period, the brand promotion strategy of the Group was mainly to continue to improve the NVC brand awareness in the PRC and upgrade the brand influence in the PRC market by launching a series of domestic brand promotion activities, as well as keeping on enhancing the brand promotion on international basis following the gradual deepening of internationalization. Meanwhile, by virtue of the rapid development of the LED market, we also reinforced the publicity and promotion of LED products in order to increase our influence in the LED domain and build up our brand image.

**Brand Promotion** *(Continued)*

During the Reporting Period, the Group kept on increasing the influence of the NVC brand through a series of activities including advertising, media coverage, public relation activities and participation in famous domestic and overseas competition events. As for advertising, we encouraged and supported the distributors to launch advertisements of major products on the local media platforms so as to directly promote the sales of the products, and also further reinforced the print advertisement via high-end media and professional media, as well as the large-scale outdoor advertisement at the traffic hub such as the airport and the railway station. In respect of the media publicity, we enhanced the financial, economic and mass media awareness and vigorously strengthened the media coverage by taking the opportunity of entering into a contract to become the official cooperation partner of International Swimming Federation, participating in Autumn Fair Birmingham UK and setting up a subsidiary in Brazil. During the Reporting Period, the Group launched the professional and general public brand promotion activities on occasions covering design companies, decoration companies, real estates and hotels, and sponsored many public relation activities. For instance, in March 2013, we sponsored the 2013 (10th) China Commercial Real Estate Industry Development Forum cum the Award Ceremony of "NVC Night"; in October 2013, we sponsored the 4th "Hanlin Cup" Guangdong Universities Golf Tournament. During the Reporting Period, the Group continued implementing the public welfare activities such as Bright Future series. The public welfare project of NVC Bright Future covered Qian Jiang, Liang Shan, Bei Chuan, Nu Jiang and Ye Cheng.

The NVC brand has also received widespread recognition. For instance, the "Best Product Award for 2012 Planteng Engineering China" was granted to the NVC industrial lighting products. NVC has become the top preferred lighting brand selected by the top 500 real estate developers in China for four consecutive years. With the brand value of RMB8,216,000,000, the NVC brand has taken the lead in China's Top 500 Most Valuable Brands and once again continued to rank No. 1 in the lighting industry. The "Eagle Eye" LED spot light presented by NVC Lighting was granted the "Red Star Award". As a matter of fact, the popularity and influence of the NVC Lighting brand were reinforced and continuously improved in the minds of both the general public and the professional consumers.

## FINANCIAL REVIEW

### Revenue

Revenue represents the invoiced value of goods sold, after allowances for returns and trade discounts. During the Reporting Period, the Group recorded revenue of RMB3,773,816,000, representing an increase of 6.4% compared with the Corresponding Period. In particular, revenue of NVC brand products in the PRC market increased by 1.8% compared with the Corresponding Period, primarily attributable to the adjustments in policies to vigorously promote the LED products according to the changes of the market needs. Revenue of NVC brand products in international market increased by 23.7% compared with the Corresponding Period, which was primarily benefited from active development of international market as well as increased brand awareness.

*Revenue by product segments*

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

| | Years ended 31 December | | |
|---|---|---|---|
| | **2013** | 2012 | Growth rate |
| | ***RMB'000*** | *RMB'000* | |
| Luminaire products | **2,122,477** | 1,940,435 | 9.4% |
| Lamp products | **1,379,551** | 1,311,542 | 5.2% |
| Lighting electronic products | **271,788** | 294,059 | (7.6%) |
| Total | **3,773,816** | 3,546,036 | 6.4% |

During the Reporting Period, the sales of luminaire products increased by 9.4%, primarily attributable to vigorous promotion of the LED products and the rapid growth in revenue of LED products. The sales of lamp products increased by 5.2%, primarily due to the close cooperation with major customers and the increased demand thereof. The sales of lighting electronic products decreased by 7.6%, mainly due to the impact of decline in the demand for traditional lighting products such as halogen lamps and inductive products.

*Revenue by NVC brand sales and non-NVC brand sales*

The following table sets forth the revenue for sales of 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.

| | Years ended 31 December | | |
|---|---|---|---|
| | **2013** | 2012 | Growth rate |
| | ***RMB'000*** | *RMB'000* | |
| **NVC brand** | | | |
| Luminaire products | **2,014,655** | 1,817,786 | 10.8% |
| Lamp products | **386,958** | 430,228 | (10.1%) |
| Lighting electronic products | **91,415** | 138,070 | (33.8%) |
| *Subtotal* | **2,493,028** | 2,386,084 | 4.5% |
| **Non-NVC brand** | | | |
| Luminaire products | **107,822** | 122,649 | (12.1%) |
| Lamp products | **992,593** | 881,314 | 12.6% |
| Lighting electronic products | **180,373** | 155,989 | 15.6% |
| *Subtotal* | **1,280,788** | 1,159,952 | 10.4% |
| Total | **3,773,816** | 3,546,036 | 6.4% |

***Revenue by geographical location***

The table below sets forth the Group's revenue from PRC sales and international sales and the growth rate of each item.

| | Years ended 31 December | | |
|---|---|---|---|
| | **2013** | 2012 | Growth rate |
| | ***RMB'000*** | *RMB'000* | |
| **Revenue from PRC sales** | | | |
| Luminaire products | **1,724,202** | 1,567,463 | 10.0% |
| Lamp products | **688,031** | 782,293 | (12.0%) |
| Lighting electronic products | **104,659** | 147,087 | (28.8%) |
| *Subtotal* | **2,516,892** | 2,496,843 | 0.8% |
| **Revenue from international sales** | | | |
| Luminaire products | **398,275** | 372,972 | 6.8% |
| Lamp products | **691,520** | 529,249 | 30.7% |
| Lighting electronic products | **167,129** | 146,972 | 13.7% |
| *Subtotal* | **1,256,924** | 1,049,193 | 19.8% |
| Total | **3,773,816** | 3,546,036 | 6.4% |

During the Reporting Period, revenue from PRC sales increased by 0.8%, of which the revenue from NVC brand products increased by 1.8% and the revenue from non-NVC brand products decreased by 4.1%. Revenue from international sales increased by 19.8%, of which revenue from NVC brand products increased by 23.7% and non-NVC brand products increased by 18.3%.

***Revenue by energy-saving products and non-energy-saving products***

The table below sets forth our revenue by energy-saving products and non-energy-saving products and the growth rate of each item.

| | Years ended 31 December | | |
|---|---|---|---|
| | **2013** | 2012 | Growth rate |
| | ***RMB'000*** | *RMB'000* | |
| Energy-saving products | **2,741,109** | 2,309,034 | 18.7% |
| Non-energy-saving products | **1,032,707** | 1,237,002 | (16.5%) |
| Total | **3,773,816** | 3,546,036 | 6.4% |

**Cost of sales**

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

| | Years ended 31 December | | | |
|---|---|---|---|---|
| | **2013** | | 2012 | |
| | ***RMB'000*** | ***Percentage in revenue (%)*** | *RMB'000* | *Percentage in revenue (%)* |
| Raw materials | **2,233,877** | **59.2%** | 1,893,716 | 53.4% |
| Outsourced manufacturing costs | **208,412** | **5.5%** | 365,884 | 10.3% |
| Labour costs | **336,621** | **8.9%** | 333,177 | 9.4% |
| Indirect costs | **197,503** | **5.3%** | 191,912 | 5.4% |
| Total cost of sales | **2,976,413** | **78.9%** | 2,784,689 | 78.5% |

During the Reporting Period, the cost of sales as a percentage in revenue increased from 78.5% to 78.9%, resulting in a decrease in gross profit margin from 21.5% to 21.1%, mainly due to combined influence from the changes in product structure and decrease of capacity ustilisation rate.

**Gross profit and gross profit margin**

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

During the Reporting Period, gross profit was RMB797,403,000, representing an increase of 4.7% compared with the Corresponding Period, gross profit margin of sales decreased from 21.5% for the Corresponding Period of 2012 to 21.1%. The gross profit and gross profit margin by segments are as follows:

**Gross profit and gross profit margin** *(Continued)*

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

| | **Years ended 31 December** | | | |
|---|---|---|---|---|
| | **2013** | | 2012 | |
| | ***RMB'000*** | ***(%)*** | *RMB'000* | *(%)* |
| Luminaire products | **467,122** | **22.0%** | 456,036 | 23.5% |
| Lamp products | **281,422** | **20.4%** | 252,013 | 19.2% |
| Lighting electronic products | **48,859** | **18.0%** | 53,298 | 18.1% |
| Total | **797,403** | **21.1%** | 761,347 | 21.5% |

During the Reporting Period, gross profit of luminaire products was RMB467,122,000, representing an increase of 2.4% compared with the Corresponding Period. Gross profit margin of luminaire products decreased by 1.5% to 22.0%, which was mainly attributable to increased proportion of the sales of LED products with lower gross profit margin. Gross profit of lamp products was RMB281,422,000, representing an increase of 11.7% compared with the Corresponding Period. Gross profit margin of lamp products increased by 1.2% to 20.4% compared with the Corresponding Period, which was mainly attributable to the combined influences of decline in raw material prices and increased efficiency due to enhanced production management. Gross profit of lighting electronic products decreased by 8.3% to RMB48,859,000. Gross profit margin of lighting electronic products decreased by 0.1% to 18.0%, which was primarily attributable to the impact from the changes in product structure.

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

| | **Years ended 31 December** | | | |
|---|---|---|---|---|
| | **2013** | | 2012 | |
| | ***RMB'000*** | ***(%)*** | *RMB'000* | *(%)* |
| NVC brand | **556,138** | **22.3%** | 575,751 | 24.1% |
| Non-NVC brand | **241,265** | **18.8%** | 185,596 | 16.0% |
| Total | **797,403** | **21.1%** | 761,347 | 21.5% |

During the Reporting Period, gross profit of NVC brand products was RMB556,138,000, representing a decrease of 3.4% compared with the Corresponding Period, and gross profit margin decreased by 1.8% compared with the Corresponding Period, which was mainly attributable to increased proportion of the sales of LED products with lower gross profit margin. Gross profit of non-NVC brand products was RMB241,265,000, representing an increase of 30.0% compared with the Corresponding Period, and gross profit margin increased by 2.8% compared with the Corresponding Period, which was mainly attributable to the combined influences of the decrease of raw material prices and enhanced production efficiency.

**Gross profit and gross profit margin** *(Continued)*

(iii) The table below shows the gross profit and gross profit margin by PRC sales and international sales:

| | Years ended 31 December | | | |
|---|---|---|---|---|
| | **2013** | | 2012 | |
| | ***RMB'000*** | ***(%)*** | *RMB'000* | *(%)* |
| **Gross profit from PRC sales:** | | | | |
| Luminaire products | **375,816** | **21.8%** | 365,719 | 23.3% |
| Lamp products | **150,247** | **21.8%** | 151,704 | 19.4% |
| Lighting electronic products | **21,929** | **21.0%** | 28,487 | 19.4% |
| *Subtotal* | **547,992** | **21.8%** | 545,910 | 21.9% |
| **Gross profit from international sales:** | | | | |
| Luminaire products | **91,306** | **22.9%** | 90,317 | 24.2% |
| Lamp products | **131,175** | **19.0%** | 100,309 | 19.0% |
| Lighting electronic products | **26,930** | **16.1%** | 24,811 | 16.9% |
| *Subtotal* | **249,411** | **19.8%** | 215,437 | 20.5% |
| Total | **797,403** | **21.1%** | 761,347 | 21.5% |

During the Reporting Period, gross profit generated from PRC sales was RMB547,992,000, representing an increase of 0.4% compared with the Corresponding Period, of which gross profit of NVC brand products was RMB472,621,000, representing a decrease of 5.8% compared with the Corresponding Period, and gross profit of non-NVC brand products was RMB75,371,000, representing an increase of 71.6% compared with the Corresponding Period.

During the Reporting Period, gross profit generated from international sales was RMB249,411,000, representing an increase of 15.8% compared with the Corresponding Period, of which gross profit of NVC brand products was RMB83,517,000, representing an increase of 13.2% compared with the Corresponding Period, and gross profit of non-NVC brand products was RMB165,894,000, representing an increase of 17.1% compared with the Corresponding Period.

**Gross profit and gross profit margin** *(Continued)*

(iv) The table below sets forth the gross profit and gross profit margins of energy-saving products and non-energy-saving products:

| | Years ended 31 December | | | |
|---|---|---|---|---|
| | **2013** | | 2012 | |
| | ***RMB'000*** | *(%)* | *RMB'000* | *(%)* |
| Energy-saving products | **593,127** | **21.6%** | 501,265 | 21.7% |
| Light tubes for CFL | **46,280** | **15.1%** | 26,097 | 8.1% |
| T4/T5 battens | **181,234** | **34.9%** | 203,545 | 31.6% |
| Compact fluorescent lamp (CFL) | **184,154** | **20.8%** | 162,136 | 20.4% |
| Electronic ballasts | **31,323** | **15.4%** | 25,383 | 13.8% |
| HID lamps | **13,783** | **59.9%** | 22,965 | 58.2% |
| Fluorescent lamps | **15,113** | **23.8%** | 16,425 | 21.3% |
| LED products | **121,240** | **16.4%** | 44,714 | 18.0% |
| Non-energy-saving products | **204,276** | **19.8%** | 260,082 | 21.0% |
| Total gross profit | **797,403** | **21.1%** | 761,347 | 21.5% |

During the Reporting Period, the Group's gross profit margin of energy-saving products decreased by 0.1% to 21.6% compared with the Corresponding Period, which was mainly attributable to the changes in product structure, among which, the increase in the gross profit margin of light tubes for CFL which benefited from the decrease of fluorescent powder price and enhanced production efficiency.

**Other income and gains**

Other income and gains mainly consist of trademark license fees, gain on sale of scrap materials, government grants and interest income (please refer to note 3 to the consolidated financial statements on page 15 of this announcement for the composition of other income and gains). We received various types of government grants as tax subsidies and incentives for research and development activities and expansion of production capacity of energy-saving lamps. Government subsidies are provided by relevant authorities at their discretion, and may not necessarily be recurring in nature. We licensed our trademark to a limited number of related companies at one to three percent of the related companies' sales as trademark licence fees. During the Reporting Period, other income and gains were RMB91,611,000, representing a decrease of 42.7% compared with the Corresponding Period. The decrease was primarily due to the higher extraordinary government subsidy for the relocation of the production base in Jiangshan, Zhejiang province during the Corresponding Period of 2012.

**Selling and distribution costs**

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

During the Reporting Period, our selling and distribution costs were RMB270,855,000, representing an increase of 6.6% compared with the Corresponding Period. The increase was resulted from the expansion of sales force and the increase of labor cost. Our selling and distribution costs as a percentage in revenue remained at the same level of 7.2% for the year ended 31 December 2013 and 31 December 2012.

**Administrative expenses**

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

During the Reporting Period, our administrative expenses were RMB258,783,000, representing a decrease of 18.0% compared with the Corresponding Period. The proportion of administrative costs in revenue decreased from 8.9% for the year ended 31 December 2012 to 6.9% for the year ended 31 December 2013. The decrease was primarily attributable to the decrease in the provision of bad debts, professional fees as well as depreciation and amortisation.

**Other expenses**

Other expenses mainly consist of losses on disposal of items of property, plant and equipment and donations. During the Reporting Period, our other expenses were RMB2,618,000, representing a decrease of 98.9% compared with the Corresponding Period. Our other expenses recorded a substantial decrease compared with the Corresponding Period, which was primarily attributable to that an impairment loss of RMB210,126,000 was made against goodwill during the Corresponding Period of 2012, which was resulted from the acquisition of World Through and its wholly-owned subsidiaries by us on 29 August 2008.

**Finance costs**

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

**Share of profit of an associate**

This item represents the Group's share of net profit in the associate, Mianyang Leici during the Reporting Period.

**Income tax expense**

During the Reporting Period, the Group's income tax expense was RMB72,351,000, representing an increase of 6.5% compared with the Corresponding Period.

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

Due to the factors mentioned above, our net profit for the year (including profit attributable to non-controlling interests) was RMB282,107,000 during the Reporting Period.

### Exchange differences on translation of foreign operations

During the Reporting Period, our exchange differences on translation of foreign operations were RMB17,295,000. These exchange differences primarily arose from the translation of the financial statements of the Company and the overseas subsidiaries which are denominated in foreign currencies.

### Profit attributable to owners of the parent for the year

Due to the factors mentioned above, profit attributable to owners of the parent was RMB244,884,000 during the Reporting Period.

### Profit attributable to non-controlling interests for the year

During the Reporting Period, profit attributable to non-controlling interests was RMB37,223,000.

## CASH FLOW AND LIQUIDITY

### Cash flow

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

| | **Years ended 31 December** | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Net cash flows from operating activities | **76,938** | 619,169 |
| Net cash flows from/(used in) investing activities | **199,713** | (59,035) |
| Net cash flows used in financing activities | **(138,916)** | (145,743) |
| Net increase in cash and cash equivalents | **137,735** | 414,391 |
| Cash and cash equivalents at beginning of year | **1,200,357** | 784,544 |
| Effect of foreign exchange rate changes, net | **(6,057)** | 1,422 |
| Cash and cash equivalents as stated in the condensed consolidated statement of cash flows | **1,332,035** | 1,200,357 |
| Bank overdraft | **17,117** | 14,387 |
| Cash and cash equivalents as stated in the consolidated statement of financial position | **1,349,152** | 1,214,744 |

*Net cash flows from operating activities*

We derived our cash flows from operating activities, which were principally from the receipt of payments for the sale of our products. Our cash used in operating activities is mainly used to pay for goods purchased, costs and expenses relating to operating activities.

During the Reporting Period, our net cash flows from operating activities were RMB76,938,000, while our cash flows before changes in working capital were RMB431,335,000. The changes in working capital included (i) a decrease of RMB19,307,000 in inventories; (ii) an increase of RMB443,837,000 in trade and bills receivables, other receivables, prepayments and other current assets; (iii) income tax paid amounting to RMB76,716,000; (iv) an increase of RMB114,969,000 in trade payables as well as other payables and accruals; and (v) receipt of government grants of RMB31,880,000.

*Net cash flows from investing activities*

Our cash flows used in investing activities mainly consist of payments for purchases of property, plant and equipment and other intangible assets. During the Reporting Period, our net cash flows from investing activities amounted to RMB199,713,000, which mainly included proceeds of RMB8,208,000 from disposal of property, plant and equipment, prepaid land lease payments and other intangible assets, interest income of RMB31,908,000 and a decrease of RMB289,741,000 in short-term deposits; such income was partly offset by purchases of property, plant and equipment as well as other intangible assets with a total amount of RMB130,144,000.

*Net cash flows used in financing activities*

Our cash flows from financing activities include the proceeds from new bank loans. Our cash flows used in financing activities consist of payment of dividends, bank loan principal and interest.

During the Reporting Period, our net cash flows used in financing activities amounted to RMB138,916,000. Our cash outflows mainly include (i) RMB61,715,000 for the payment of dividends; (ii) RMB24,500,000 for dividend paid to a non-controlling shareholder; and (iii) RMB82,701,000 for the payment of the principal and interest of bank loans. Such expenses were offset by new bank loans of RMB30,000,000.

## Liquidity

### *Net current assets and working capital sufficiency*

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

| | 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| **CURRENT ASSETS** | | |
| Inventories | **651,707** | 698,400 |
| Trade and bills receivables | **1,268,212** | 818,890 |
| Prepayments, deposits and other receivables | **81,176** | 94,005 |
| Other current assets | **16,919** | 16,079 |
| Short-term deposits | **89,492** | 379,233 |
| Cash and cash equivalents | **1,349,152** | 1,214,744 |
| | **3,456,658** | 3,221,351 |
| Non-current assets classified as held for sale | **–** | 17,606 |
| **Total current assets** | **3,456,658** | 3,238,957 |
| **CURRENT LIABILITIES** | | |
| Trade payables | **510,352** | 431,606 |
| Other payables and accruals | **319,754** | 282,523 |
| Interest-bearing loans and borrowings | **47,117** | 94,387 |
| Government grants | **1,909** | 6,208 |
| Income tax payable | **21,147** | 24,975 |
| **Total current liabilities** | **900,279** | 839,699 |
| **NET CURRENT ASSETS** | **2,556,379** | 2,399,258 |

As at 31 December 2013 and 31 December 2012, net current assets of the Group totalled RMB2,556,379,000 and RMB2,399,258,000, respectively, and the current ratio was 3.84 and 3.86, respectively. In light of our current liquidity position, the unutilised banking facilities available to the Group and our projected cash flows generated from operations, the Directors believe that we have sufficient working capital for our present requirements and for the next 12 months.

**Capital Management**

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

| | 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Interest-bearing loans and borrowings | **47,117** | 94,387 |
| Total debt | **47,117** | 94,387 |
| Less: cash and short-term deposits | **(1,438,644)** | (1,593,977) |
| Net debt | **N/A** | N/A |
| Total equity attributable to owners of the parent | **3,676,870** | 3,511,701 |
| Gearing ratio | **N/A** | N/A |

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

**Capital expenditure**

We funded our capital expenditure with cash generated from operations and bank loans. Our capital expenditure primarily related to expenditure on property, plant and equipment, prepaid land lease payments and other intangible assets. During the Reporting Period, our capital expenditure amounted to RMB150,535,000, mainly included (i) investment of RMB78,279,000 in plant and equipment, which mainly used for investment in Huizhou LED production equipments, non-productive equipments and moulds; and (ii) investment of RMB46,229,000 in buildings, which was mainly used in construction of Huizhou NVC plant and the new Sunny industrial park complex.

**Pledge of assets**

As at 31 December 2013, the Group had pledged time deposits of RMB6,192,000 to secure the issuance of letters of credit and as guarantee for fulfilling contractual obligations at the requests of customers.

**Off-balance sheet arrangement**

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

**Contingent liabilities**

As at 31 December 2013, the Group had no material contingent liabilities.

**Capital commitments**

As at 31 December 2013, we had capital commitments of RMB8,682,000 for the acquisition of property, plant and equipment. The details are set out below:

| | **31 December** | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| **Contracted, but not provided for** | | |
| Property, plant and equipment | **8,682** | 16,272 |
| **Authorised, but not contracted for** | | |
| Property, plant and equipment | **–** | 163,721 |
| Other intangible assets | **–** | 50 |
| Total | **8,682** | 180,043 |

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

**Operating lease**

As a lessee, we leased certain of our office properties under operating lease arrangements, with leases negotiated for terms ranging from one to five years. There are no restrictions placed on us by entering into these leases. As at the end of the Reporting Period, our total future minimum lease payments under non-cancellable operating lease falling due are as follows.

| | 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Within one year | **7,772** | 10,925 |
| In the second to fifth years, inclusive | **7,278** | 12,361 |
| Total | **15,050** | 23,286 |

As a lessor, we leased plant and office under operating lease arrangements with leases negotiated for terms ranging from one to five years. The terms of the leases generally require tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. As at the end of the Reporting Period, our total future minimum lease receivables under non-cancellable operating leases with our tenants falling due as follows.

| | 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Within one year | **2,064** | 2,881 |
| In the second to fifth years, inclusive | **100** | 1,743 |
| Total | **2,164** | 4,624 |

## PROSPECTS

In 2013, the era of LED lighting commenced officially. Following the technological improvement and the aggravated market competition, the price difference between LED lighting products and the traditional lighting products will decrease further. Following the recognition of LED lighting by the consumers expedites, the commercial and civil LED lighting markets will continue to grow extensively. Furthermore, the current LED lighting remains at the energy-saving and on-going lighting quality improvement stage. The smart lighting is the trend of the semi-conductor lighting development. In future, in line with the gradual mature of the LED lighting technology, the smart lighting market will be opened gradually. At present, various provincial governments of China have required the new construction of the public lighting projects to adopt the LED lighting and will fulfil the full coverage of the LED lighting in the public domain before 2015. It is expected that more provinces and cities will join the array of full LED lighting coverage. As referred to in the "Twelfth Five-year Project Plan for the Development of Semi-conductor Technology", promulgated by the Ministry of Technology of the PRC, it is expected that the LED lighting products will secure 30% market share of the general lighting market by 2015. In addition, according to the PRC timetable for prohibiting the use of the incandescent lamps, the import and sales of the incandescent lamps above 60W for ordinary lighting purpose will be prohibited in October 2014, and the import and sales of the incandescent lamps above 15W for ordinary lighting purpose will be prohibited in October 2016. It will also provide even greater potential for the development of the LED lighting market. Closely following the market development, we will also further explore the channels and the products and continue to promote and upgrade the brand awareness, so as to grasp the trend of the LED lighting market.

### Concurrent Exploration of Domestic and Overseas Markets

For the PRC market, we will continue to consolidate the existing channels and expand the channel construction in the markets of county-level cities and town centres, particularly the market exploration in the county-level cities and the town centres of the economically developed regions, in line with the development trend of urban-rural integration, as well as keeping on optimizing the sales modes of e-commerce, EMC and developing the online market and the large-scale energy-saving renovations market for the LED lighting in order to make it impetus for the further growth of our results.

For the international market, our previous development mode featuring extensive exploration of new markets will be replaced by the mode for exploration focusing on the existing markets. Certain nations and regions such as Brazil, the Middle East, India, Australia and the Southeast Asia having big markets or rapid economic growth have been selected for in-depth exploration of market potentials by means of setting up branches, increasing the number of exclusive shops and constructing the engineering sales channels, and made a greater effort for the international promotion of the LED products in order to increase the proportion of our international sales revenue obtained from the LED products.

**On-going Consolidation of NVC LED Brand Image and Speeding up Internationalization Strategy**

In future, we will continue to consolidate the NVC LED Brand image through advertising, media coverage, public relation and public welfare activities, grasp the opportunity for the LED development, interact with the end users directly and organize the promotion activities with the purpose and the target for the "Exclusive Venue of NVC Series". We will also continue to launch and participate in the theme activities including the forum, the annual meeting, the exhibition, the salon and so on, and launch various kinds of promotion activities within the region such as the grand opening promotion, the community promotion and the group purchase, so as to directly enhance the local influence of NVC brand and increase the sales volume of the products. We will enhance our influence in the LED domain by vigorous and extensive application of the LED development strategy as well as the development innovation in the LED domain. In virtue of the top-class competition events of International Swimming Federation, we have promoted the NVC Brand through the advertisement for the competition events, terminal activities and dissemination of public relations, resulting in the enhancement of the international image of the NVC Brand. We will continue to seek cooperation with the large-scale domestic and overseas sports events to foster the exploration of our international business.

**On-going Enhancement of Market Competitiveness of LED Lighting Products**

We will continue to enhance the research and development of the LED lighting products and the electric products, place emphasis on the development of the electronic ballast and the LED driver and power supply suitable for the U.S. and the European markets, and make further in-depth exploration in the lighting smart control domain, in particular the research and development of the LED driver with brightness and color temperature adjustment. At the same time, we plan to gradually optimize the product series of the high-power LED driver and power supply and the product series of the LED emergency lighting. On the other hand, we apply new technology to further optimize the function, improve the technique and lower the cost of products already in mass production. Furthermore, we expect to fulfil the upstream-downstream integration through cooperation with LED chip maker Elec-Tech International Co., Ltd., so as to make our LED products with greater market competitiveness.

## CONTINUING CONNECTED TRANSACTIONS

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

## MERGER, ACQUISITION AND INVESTMENT

During the Reporting Period, the Group made no acquisition, merger or sale of subsidiaries or associates.

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

## MARKET RISKS

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

### Foreign Currency Risk

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

### Commodity Price Risk

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

### Liquidity Risk

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

### Credit Risk

Our major credit risk arises from exposure to a substantial number of trade and bills receivables and prepayments, deposits and other receivables from debtors. We have policies in place to ensure that the sales of products are made to customers with an appropriate credit limit, and we have strict control over credit limits of trade receivables. Our cash and short-term deposits are mainly deposited with registered banks in Mainland China and Hong Kong. We also have policies that limit our credit risk exposure to any financial institutions. The carrying amounts of trade and bills receivables, prepayments, deposits and other receivables, cash and cash equivalents and short-term deposits included in the consolidated statement of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have no other financial assets which carry significant exposure to credit risk. In 2013, we entered into a number of one-year insurance contracts with China Export & Credit Insurance Corporation, which covered up to 85% of uncollectible receivables from PRC sales and 90% uncollectible receivables from international sales between the period from 1 December 2013 to 30 November 2014 with a maximum compensation amount of RMB42,000,000 for PRC sales and US$30,000,000 (equivalent to RMB182,907,000) for international sales. We purchased such insurance in order to minimise our exposure to credit risk as we expand our business. We plan to renew such insurance contracts when they become due.

## FINAL DIVIDEND

The Board has proposed to declare a final dividend of HK$2 cents (equivalent to approximately RMB1.6 cents) per share payable to the shareholders whose names appear on the register of members of the Company on Tuesday, 10 June 2014 at the close of business hours. Based on the 3,128,448,000 shares in issue as at 31 December 2013, it is expected that the final dividend payable will amount to approximately HK$62,569,000 (equivalent to approximately RMB49,192,000) (before tax).

## ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 29 May 2014. A notice convening the annual general meeting will be published and dispatched to shareholders of the Company in due course.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 27 May 2014 to Thursday, 29 May 2014 (both days inclusive) and from Friday, 6 June 2014 to Tuesday, 10 June 2014 (both days inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer of shares accompanied by share certificates and transfer forms must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 26 May 2014. In order to qualify for the proposed final dividend (subject to the approval by shareholders at the forthcoming annual general meeting), all transfer of shares accompanied by share certificates and transfer forms must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited at the abovementioned address before 4:30 p.m. on Thursday, 5 June 2014.

## EMPLOYEES

As at 31 December 2013, the Group had approximately 8,785 employees in total (31 December 2012: 9,767). The Group regularly reviews remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contributions, employee provident fund schemes, and discretionary incentive and share option schemes.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## CORPORATE GOVERNANCE

The Directors are of the opinion that, during the Reporting Period, the Company had complied with the principles and codes provisions set out in the Code, except for Code Provision A.5.1 during the period starting from 21 June 2013 to 30 July 2013 which requires that the nomination committee should be chaired by the chairman of the board or an independent non-executive director and the majority of its members should be independent non-executive directors. Mr. YUNG Tse Kwong, Steven retired as an Independent Non-executive Director of the Company on 21 June 2013. Therefore, he was no longer the chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee. His retirement resulted in the Company's non-compliance with Code Provision A.5.1 and Rule 3.21 of the Listing Rules. On 30 July 2013, the Board re-appointed the members of the Board Committees to comply with Code Provision A.5.1 and Rule 3.21 of the Listing Rules. Save as disclosed above, the Company had fully complied with the principles and code provisions set out in the Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

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

## AUDIT COMMITTEE

The Company established an audit committee in compliance with the Listing Rules with written terms of reference. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. During the Reporting Period, Mr. YUNG Tse Kwong, Steven retired as an Independent Non-executive Director with effective from 21 June 2013. As a result, he ceased to be a member of the Audit Committee. The Board re-appointed the members of the Audit Committee on 30 July 2013. Currently, the Audit Committee consists of three members, namely Independent Non-executive Director Mr. WANG Jinsui, Independent Non-executive Director Mr. LEE Kong Wai, Conway and Non-executive Director Mr. LIN Ho-Ping, respectively. Mr. LEE Kong Wai, Conway has been appointed as the chairman of the Audit Committee. The Audit Committee has reviewed and discussed the annual results for the Reporting Period.

## REMUNERATION COMMITTEE

The Company established a remuneration committee in compliance with the Listing Rules with written terms of reference. The primary duties of the remuneration committee are to establish and review the policy and structure of remuneration for the directors and senior management. During the Reporting Period, Mr. YAN Andrew Y and Mr. YUNG Tse Kwong, Steven resigned and retired as Non-executive Director and Independent Non-executive Director with effective from 3 April 2013 and 21 June 2013, respectively. As a result, they ceased to be members of the Remuneration Committee. The Board re-appointed the members of the Remuneration Committee on 30 July 2013. Currently, the Remuneration Committee consists of five members, namely Non-executive Director Mr. ZHU Hai, Independent Non-executive Director Mr. WANG Jinsui, Independent Non-executive Director Mr. LEE Kong Wai, Conway, Executive Director Mr. WU Changjiang and Independent Non-executive Director Ms. WU Ling, respectively. Mr. WANG Jinsui has been appointed as the chairman of the Remuneration Committee.

## NOMINATION COMMITTEE

The Company established a nomination committee in compliance with the Code with written terms of reference. The primary duties of the nomination committee are to review the structure and composition of the Board, make recommendation to the Board on the appointment, re-appointment of directors and succession planning for directors and assess the independence of independent non-executive directors. During the Reporting Period, Mr. YUNG Tse Kwong, Steven retired as an Independent Non-executive Director with effective from 21 June 2013. As a result, he ceased to be the chairman of the Nomination Committee. The Board re-appointed the members of the Nomination Committee on 30 July 2013. Currently, the Nomination Committee consists of three members, namely Non-executive Director Mr. WANG Donglei, Independent Non-executive Director Mr. LEE Kong Wai, Conway and Independent Non-executive Director Ms. WU Ling, respectively. Mr. WANG Donglei has been appointed as the chairman of the Nomination Committee.

## STRATEGY AND PLANNING COMMITTEE

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

## APPOINTMENT AND RESIGNATION OF DIRECTORS AND CHANGE IN DIRECTORS' INFORMATION

From 1 January 2013 to the date of this announcement, the appointment and resignation of Directors and changes in the Directors' information of the Company are as follows:

Mr. WANG Donglei has been appointed as a Non-executive Director of the Company with effective from 11 January 2013.

Mr. YAN Andrew Y has resigned as the Chairman and Non-executive Director of the Company with effective from 3 April 2013.

Mr. WANG Donglei has been appointed as the Chairman of the Company with effective from 3 April 2013.

Mr. YUNG Tse Kwong, Steven has retired as an Independent Non-executive Director of the Company with effective from 21 June 2013.

Mr. WU Changjiang has been appointed as an Executive Director of the Company with effective from 21 June 2013.

Mr. WANG Dongming has been appointed as an Executive Director of the Company with effective from 21 June 2013.

Ms. WU Ling has been appointed as an Independent Non-executive Director of the Company with effective from 21 June 2013.

In addition, Mr. LEE Kong Wai, Conway, an Independent Non-executive Director of the Company, ceased to be the independent non-executive director of China Taiping Insurance Holdings Company Limited (中國太平保險控股有限公司) (a company listed on the main board of the Hong Kong Stock Exchange) with effective from 27 August 2013.

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

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

## REVIEW OF ACCOUNTS

The Audit Committee has reviewed with management and the Company's external auditor, the consolidated financial statements of the Group for the Reporting Period including the accounting principles and practices adopted by the Group.

## APPRECIATION

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

## DEFINITIONS

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

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| "China" or "PRC" | the People's Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to "China" and the "PRC" do not apply to Taiwan, the Macau Special Administrative Region and the Hong Kong Special Administrative Region. |
| "Chongqing Lighting" | NVC Lighting (Chongqing) Co., Ltd.* (重慶雷士實業有限公司), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 7 November 2011 and our indirect wholly-owned subsidiary. |
| "Chongqing NVC" | Chongqing NVC Lighting Co., Ltd.* (重慶雷士照明有限公司), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 1 December 2006 and our direct wholly-owned subsidiary. |
| "Code" | Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. |
| "Company" or "our Company" | NVC Lighting Holding Limited* (雷士照明控股有限公司), a company incorporated in the British Virgin Islands on 2 March 2006 and subsequently redomiciled to the Cayman Islands on 30 March 2010 as an exempted company with limited liability under the laws of the Cayman Islands. |

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| "Corresponding Period" | means the year ended 31 December 2012 or year ended 31 December 2013 (as the context may require). |
| "Director(s)" | the director(s) of the Company. |
| "EMC model" | EMC model, i.e. contract energy management, an energy-saving investment model which uses the fees for energy saved to pay for all of the costs in an energy-saving project. This model enables users to apply the income from energy saving in the future to upgrade the factories and facilities, lower current operation costs and increase the energy utilization efficiency. |
| "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. |
| "Group" | our Company and its subsidiaries. |
| "GBP" | Great Britain Sterling Pound, the lawful currency of the United Kingdom |
| "HK$" or "Hong Kong dollars" | Hong Kong dollars, the lawful currency of Hong Kong. |
| "Hong Kong" | the Hong Kong Special Administrative Region of People Republic of China. |
| "Huizhou NVC" | Huizhou NVC Lighting Technology Co., Ltd.* (惠州雷士光電科技有限公司), a wholly foreign-owned enterprise with limited liability incorporated in the PRC on 29 April 2006 and our direct wholly-owned subsidiary. |
| "HID" | high intensity discharge. |
| "Jiangshan Phoebus" | Jiangshan Phoebus Lighting Electron Co., Ltd.* (江山菲普斯照明有限公司), a limited liability company incorporated in the PRC on 8 March 2006 and our indirect wholly-owned subsidiary. |
| "LED" | light-emitting diode. |

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| "Listing Rules" | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. |
| "Mianyang Leici" | Mianyang Leici Electronic Technology Co., Ltd.* (綿陽雷磁電子科技有限公司), 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* (中國電子科技集團第九研究所) (as to 36%), Wen Jiatao (文家濤) (as to 15%) and Zhao Qiyi (趙七一) (as to 14%). |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. |
| "ODM" | original design manufacturing, a type of manufacturing under which the manufacturer is responsible for the design and production of the products and the products are marketed and sold under the customer's brand name. |
| "Reporting Period" | the year ended 31 December 2013. |
| "RMB" | Renminbi, the lawful currency of the PRC. |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). |
| "Shanghai Arcata" | Shanghai Arcata Electronics Co., Ltd.* (上海阿卡得電子有限公司), a limited liability company incorporated in the PRC on 22 September 2005 and our indirect wholly-owned subsidiary. |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited. |
| "Sunny" | Zhejiang Jiangshan Sunny Electron Co., Ltd.* (浙江江山三友電子有限公司), a limited liability company incorporated in the PRC on 2 July 1994 and our indirect wholly-owned subsidiary. |
| "US$" or "US dollars" | United States dollars, the lawful currency of the United States. |
| "UK NVC" | NVC Lighting Limited (formerly known as NVC (Manufacturing) Limited), a private company incorporated in England and Wales on 31 May 2007, and our direct wholly-owned subsidiary. |
| "we", "us" or "our" | our Company or our Group (as the context may require). |
| "World Through" | World Through Investments Limited* (世通投資有限公司), a limited liability company incorporated in the British Virgin Islands on 5 August 2005 and our direct wholly-owned subsidiary. |

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| “Zhangpu Phoebus” | Zhangpu Phoebus Lighting Co., Ltd.* (漳浦菲普斯照明有限公司), a limited liability company incorporated in the PRC on 9 May 2004 and our indirect wholly-owned subsidiary. |
| “Zhejiang NVC” | Zhejiang NVC Lamps Co., Ltd.* (浙江雷士燈具有限公司), a limited liability company incorporated in the PRC on 28 September 2007, a 51% equity interest of which is held by Huizhou NVC and the remaining 49% equity interest of which is held by Zhejiang Tonking Investment Co., Ltd.* (浙江同景投資有限公司). |

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

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

Hong Kong, 26 March 2014

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

*Executive Directors:*
MU Yu
WU Changjiang
WANG Dongming

*Non-executive Directors:*
LIN Ho-Ping
ZHU Hai
WANG Donglei

*Independent Non-executive Directors:*
WANG Jinsui
LEE Kong Wai, Conway
WU Ling