雷士照明

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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2222)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

**Highlights for the year ended 31 December 2012:**

- Our revenue amounted to RMB3,546,036,000, representing a decrease of 6.6% as compared with the Corresponding Period.
- Our gross profit amounted to RMB761,347,000, representing a decrease of 21.8% as compared with the Corresponding Period.
- Our profit before tax amounted to RMB116,481,000, representing a decrease of 81.4% as compared with the Corresponding Period.
- Profit attributable to owners of the parent amounted to RMB8,416,000, representing a decrease of 98.5% as compared with the Corresponding Period.
- Basic earnings per share of the Company amounted to RMB0.27 cents.
- The Board of the Company has resolved to pay a final dividend of HK1.5 cents per share (equivalent to approximately RMB1.2 cents) (Corresponding Period of 2011: HK3.5 cents per share).

The board of Directors (the "Board") of NVC Lighting Holding Limited (the "Company") announces the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2012 (the "Reporting Period").

## CONSOLIDATED INCOME STATEMENT

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2012** | 2011 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | | *(Restated)* |
| **REVENUE** | *2* | **3,546,036** | 3,797,998 |
| Cost of sales | | **(2,784,689)** | (2,823,912) |
| **GROSS PROFIT** | | **761,347** | 974,086 |
| Other income and gains | *3* | **159,858** | 150,486 |
| Selling and distribution costs | | **(254,092)** | (241,280) |
| Administrative expenses | | **(315,580)** | (247,627) |
| Other expenses | | **(231,429)** | (7,062) |
| Finance costs | *4* | **(4,677)** | (3,233) |
| Share of profits of an associate | | **1,054** | 753 |
| **PROFIT BEFORE TAX** | | **116,481** | 626,123 |
| Income tax expense | *5* | **(67,937)** | (52,092) |
| **PROFIT FOR THE YEAR** | | **48,544** | 574,031 |
| Attributable to: | | | |
| Owners of the parent | | **8,416** | 547,835 |
| Non-controlling interests | | **40,128** | 26,196 |
| | | **48,544** | 574,031 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic | *6* | **0.27 cents** | 17.56 cents |
| Diluted | *6* | **0.27 cents** | 17.28 cents |

Details of the dividends proposed for the year ended 31 December 2012 are disclosed in note 7 to the financial statements on page 17 of this announcement.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| **PROFIT FOR THE YEAR** | **48,544** | 574,031 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Exchange differences on translation of foreign operations | **(1,132)** | (54,635) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **47,412** | 519,396 |
| Attributable to: | | |
| Owners of the parent | **7,284** | 493,200 |
| Non-controlling interests | **40,128** | 26,196 |
| | **47,412** | 519,396 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | 31 December 2012 RMB'000 | 31 December 2011 RMB'000 (Restated) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **842,756** | 821,590 |
| Prepaid land lease payments | | **52,202** | 68,560 |
| Goodwill | | **21,161** | 231,287 |
| Other intangible assets | | **307,069** | 349,030 |
| Investment in an associate | | **6,362** | 5,308 |
| Deferred tax assets | | **42,451** | 30,026 |
| Long-term deferred expenditure | | **–** | 350 |
| Prepayments for purchase of property, plant and equipment | | **23,331** | 28,959 |
| **Total non-current assets** | | **1,295,332** | 1,535,110 |
| **CURRENT ASSETS** | | | |
| Inventories | *8* | **698,400** | 702,480 |
| Trade and bills receivables | *9* | **818,890** | 884,874 |
| Prepayments, deposits and other receivables | | **94,005** | 190,424 |
| Other current assets | | **16,079** | 9,301 |
| Short-term deposits | | **379,233** | 478,579 |
| Cash and cash equivalents | | **1,214,744** | 786,012 |
| | | **3,221,351** | 3,051,670 |
| Non-current assets classified as held for sale | | **17,606** | 17,606 |
| **Total current assets** | | **3,238,957** | 3,069,276 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *10* | **431,606** | 385,781 |
| Other payables and accruals | | **282,523** | 223,769 |
| Interest-bearing loans and borrowings | *11* | **94,387** | 40,920 |
| Government grants | | **6,208** | 109,690 |
| Income tax payable | | **24,975** | 20,279 |
| **Total current liabilities** | | **839,699** | 780,439 |
| **NET CURRENT ASSETS** | | **2,399,258** | 2,288,837 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **3,694,590** | 3,823,947 |

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

| | | 31 December | |
|---|---|---|---|
| | *Note* | **2012** | 2011 |
| | | ***RMB'000*** | *RMB'000* |
| | | | *(Restated)* |
| **NON-CURRENT LIABILITIES** | | | |
| Government grants | | **15,841** | 22,049 |
| Deferred tax liabilities | | **96,016** | 90,145 |
| **Total non-current liabilities** | | **111,857** | 112,194 |
| **Net assets** | | **3,582,733** | 3,711,753 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | | **2** | 2 |
| Reserves | | **3,473,648** | 3,566,740 |
| Proposed final dividend | *7* | **38,051** | 89,607 |
| | | **3,511,701** | 3,656,349 |
| **Non-controlling interests** | | **71,032** | 55,404 |
| **Total equity** | | **3,582,733** | 3,711,753 |

**CONDENSED STATEMENT OF CASH FLOWS**

| | Year ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| Net cash flows from operating activities | **619,169** | 156,645 |
| Net cash flows used in investing activities | **(59,035)** | (511,261) |
| Net cash flows used in financing activities | **(133,054)** | (67,232) |
| Net increase/(decrease) in cash and cash equivalents | **427,080** | (421,848) |
| Cash and cash equivalents at beginning of year | **786,012** | 1,210,404 |
| Effect of foreign exchange rate changes, net | **1,652** | (2,544) |
| Cash and cash equivalents at end of year | **1,214,744** | 786,012 |
| Bank overdraft | **(14,387)** | (1,469) |
| Cash and cash equivalents as stated in the statement of cash flows | **1,200,357** | 784,543 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital *(RMB'000)* | Share premium *(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** | **2,063,163** | **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** | **1,961,124** | **6,416** | **85,873** | **14,608** | **(88,022)** | **1,493,649** | **38,051** | **3,511,701** | **71,032** | **3,582,733** |

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

| | Attributable to owners of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital *(RMB'000)* *(Restated)* | Share premium *(RMB'000)* *(Restated)* | Shareholders' contribution *(RMB'000)* *(Restated)* | Statutory reserve *(RMB'000)* *(Restated)* | Employee equity benefit reserve *(RMB'000)* *(Restated)* | Foreign currency translation reserve *(RMB'000)* *(Restated)* | Retained profits *(RMB'000)* *(Restated)* | Proposed final dividend *(RMB'000)* *(Restated)* | Total *(RMB'000)* *(Restated)* | Non-controlling interests *(RMB'000)* *(Restated)* | Total equity *(RMB'000)* *(Restated)* |
| **At 1 January 2011** | 2 | 2,175,799 | 6,416 | 66,235 | 14,118 | (32,255) | 957,036 | 78,221 | 3,265,572 | 25,049 | 3,290,621 |
| Profit for the year | – | – | – | – | – | – | 547,835 | – | 547,835 | 26,196 | 574,031 |
| Other comprehensive income: | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | – | – | (54,635) | – | – | (54,635) | – | (54,635) |
| Total comprehensive income for the year | – | – | – | – | – | (54,635) | 547,835 | – | 493,200 | 26,196 | 519,396 |
| Transfer to statutory reserve | – | – | – | 18,688 | – | – | (18,688) | – | – | – | – |
| Acquisition of non-controlling interest | – | (4,159) | – | – | – | – | – | – | (4,159) | 4,159 | – |
| Exercise of share options | – | 43,094 | – | – | (6,474) | – | – | – | 36,620 | – | 36,620 |
| Employee share option arrangements | – | – | – | – | 5,301 | – | – | – | 5,301 | – | 5,301 |
| Adjustment to final 2010 dividend declared | – | 2,289 | – | – | – | – | – | (78,221) | (75,932) | – | (75,932) |
| Interim 2011 dividend *(note 7)* | – | (65,536) | – | – | – | – | – | – | (65,536) | – | (65,536) |
| Proposed final 2011 dividend *(note 7)* | – | (89,607) | – | – | – | – | – | 89,607 | – | – | – |
| Other | – | 1,283 | – | – | – | – | – | – | 1,283 | – | 1,283 |
| **At 31 December 2011** | 2 | 2,063,163 | 6,416 | 84,923 | 12,945 | (86,890) | 1,486,183 | 89,607 | 3,656,349 | 55,404 | 3,711,753 |

# NOTES TO FINANCIAL STATEMENTS

## 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 Board 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 for the year ended 31 December 2012 are presented in Renminbi ("RMB"), which is different from the presentation currency of the consolidated financial statements for the year ended 31 December 2011 of United States dollars ("US$"). These financial statements are presented in RMB because management considers that a substantial majority of the Group's transactions are denominated in RMB and the Group primarily generates and expends cash in RMB. Accordingly, the change of presentation currency from US$ to RMB presents reliable and more relevant information about the Group's transaction. The comparative amounts to these consolidated financial statements have been adjusted to achieve comparability with the current year. The change of presentation currency and restatement of the comparative amounts from US$ to RMB had no material impact on the Group's consolidated financial statements for the years presented.

### BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2012. 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 of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

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.

### CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following 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 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* |
| IFRS 7 Amendments | Amendments to IFRS 7 *Financial Instruments: Disclosures -Transfers of Financial Assets* |
| IAS 12 Amendments | Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* |

Other than as further explained below regarding the impact of amendments to IFRS 7, the adoption of the revised IFRSs has had no significant financial effect on these financial statements.

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

The IFRS 7 Amendments require additional disclosures about financial assets that have been transferred but not derecognised to enable users of the Group's financial statements to understand the relationship of those assets that have not been derecognised with their associated liabilities. In addition, the amendments require disclosures about the entity's continuing involvement in derecognised assets to enable users to evaluate the nature of, and risks associated with, such involvement.

**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 1 Amendments | Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*[2] |
| IFRS 7 Amendments | Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2] |
| IFRS 9 | *Financial Instruments*[4] |
| IFRS 10 | *Consolidated Financial Statements*[2] |
| IFRS 11 | *Joint Arrangements*[2] |
| IFRS 12 | *Disclosure of Interests in Other Entities*[2] |
| IFRS 10, IFRS 11 and IFRS 12 Amendments | Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*[2] |
| IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments | Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities*[3] |
| IFRS 13 | *Fair Value Measurement*[2] |
| IAS 1 Amendments | Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1] |
| IAS 19 Amendments | *Employee Benefits*[2] |
| IAS 27 (Revised) | *Separate Financial Statements*[2] |
| IAS 28 (Revised) | *Investments in Associates and Joint Ventures*[2] |
| IAS 32 Amendments | Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3] |
| IFRIC 20 | *Stripping Costs in the Production Phase of a Surface Mine*[2] |
| *Annual Improvements 2009-2011 Cycle* | Amendments to a number of IFRSs issued in May 2012[2] |

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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

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

The IFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for *all recognised financial instruments* that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The Group expects to adopt the amendments from 1 January 2013.

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.

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.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgment to determine which entities are controlled, compared with the requirements in IAS 27 and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contribution by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

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

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In June 2012, the IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12 which clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC 12 at the beginning of the annual period in which IFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

The amendments to IFRS 10 issued in October 2012 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.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, IAS 27 (Revised), IAS 28 (Revised) and the subsequent amendments to these standards issued in June and October 2012 from 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 provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

The IAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

The IAS 19 Amendments include a number of amendments that range from fundamental changes to simple clarifications and re-wording. The amendments introduce significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt the IAS 19 Amendments from 1 January 2013.

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 *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2013. 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.

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

Those amendments that are expected to have a significant impact on the Group's policies are as follows:

– IAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies, makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

– IAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

## 2. REVENUE AND SEGMENT INFORMATION

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

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

(a) Luminaire products segment:

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

(b) Lamp products segment:

Lamp products represent a range of light bulbs and tubes for compact fluorescent lamps, high intensity discharge ("HID") lamps, fluorescent lamps, halogen lamps and light emitting diode ("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.

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

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

| | **Revenue year ended 31 December** | | **Gross profit year ended 31 December** | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* | | *(Restated)* |
| Luminaire products | **1,940,435** | 2,148,782 | **456,036** | 544,653 |
| Lamp products | **1,311,542** | 1,268,612 | **252,013** | 367,175 |
| Lighting electronic products | **294,059** | 380,604 | **53,298** | 62,258 |
| Total | **3,546,036** | 3,797,998 | **761,347** | 974,086 |
| **Unallocated items:** | | | | |
| Other income and gains | | | **159,858** | 150,486 |
| Selling and distribution costs | | | **(254,092)** | (241,280) |
| Administrative expenses | | | **(315,580)** | (247,627) |
| Other expenses | | | **(231,429)** | (7,062) |
| Finance costs | | | **(4,677)** | (3,233) |
| Share of profits of an associate | | | **1,054** | 753 |
| Profit before tax | | | **116,481** | 626,123 |
| Income tax expense | | | **(67,937)** | (52,092) |
| Profit for the year | | | **48,544** | 574,031 |

During the Reporting Period, depreciation and amortisation of other intangible assets recorded in the consolidated income statement amounted to RMB122,780,000, as compared to RMB98,050,000 for 2011.

## 3. OTHER INCOME AND GAINS

| | Year ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| Other income | | |
| Government grants | **46,422** | 20,370 |
| Compensation for production halts, machinery relocation and installation | **33,286** | 459 |
| Trademark licence fees | **15,268** | 25,488 |
| Distribution commission | **6,430** | 51,280 |
| Bank interest income | **19,751** | 20,760 |
| Other interest income | **259** | 261 |
| Rental income | **2,176** | 3,069 |
| Others | **8,629** | 13,182 |
| | **132,221** | 134,869 |
| Gains | | |
| Exchange gain, net | **11,034** | 11,059 |
| Gain on disposal of items of property, plant and equipment in relocation | **13,986** | – |
| Gain on sales of scrap materials | **2,617** | 4,558 |
| | **27,637** | 15,617 |
| | **159,858** | 150,486 |

## 4. FINANCE COSTS

| | Year ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| Interest on bank loans | **4,144** | 1,352 |
| Other interest expenses | **533** | 1,881 |
| | **4,677** | 3,233 |

## 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 2012 (2011: Nil).

## 5. INCOME TAX *(continued)*

The Group's subsidiaries located in Mainland China are subject to enterprise income tax ("EIT") at the statutory tax rate of 25%. Pursuant to the then effective PRC income tax laws and regulations, when these subsidiaries were established, some subsidiaries were eligible to enjoy a two-year EIT exemption followed by a three-year 50% EIT reduction holiday and other preferential tax policies (for example, the tax incentives for high-tech enterprises and a western development enterprise). The table below sets out the applicable tax rates for the Group's PRC subsidiaries:

| | **2012** | 2011 |
|---|---|---|
| Huizhou NVC | **25.0%** | 15.0% |
| Chongqing NVC | **15.0%** | 7.5% |
| Zhejiang NVC | **25.0%** | 25.0% |
| Jiangshan Phoebus | **15.0%** | 12.5% |
| Zhangpu Phoebus | **25.0%** | 12.5% |
| Sunny | **15.0%** | 15.0% |
| Shanghai Arcata | **12.5%** | 12.5% |
| Chongqing Lighting | **N/A*** | N/A |

* Chongqing Lighting has not commenced normal operation by the reporting date of the consolidated financial statements.

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

| | **Year ended 31 December** | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| Current – Mainland China | | |
| – Charge for the year | **74,373** | 79,335 |
| – Underprovision/(overprovision) in prior years | **236** | (4,354) |
| Deferred | **(6,672)** | (22,889) |
| Total tax charge for the year | **67,937** | 52,092 |

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

| | **Mainland China** | | **Others** | | **Total** | |
|---|---|---|---|---|---|---|
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| Profit before tax | 130,824 | | (14,343) | | 116,481 | |
| Tax at the statutory tax rates | 32,706 | 25.0 | 228 | (1.6) | 32,934 | 28.3 |
| Tax exemption | (1,729) | (1.3) | – | – | (1,729) | (1.5) |
| Lower tax rates enacted by local authority | (33,120) | (25.3) | – | – | (33,120) | (28.4) |
| Income not subject to tax | (263) | (0.2) | – | – | (263) | (0.2) |
| Expenses not deductible for tax | 62,676 | 47.9 | 147 | (1.0) | 62,823 | 53.9 |
| Adjustments in respect to current income tax of previous years | 246 | 0.2 | (10) | 0.1 | 236 | 0.2 |
| Effect on opening deferred tax of change in tax rates | 7,056 | 5.4 | – | – | 7,056 | 6.1 |
| Tax charge at the Group's effective rate | 67,572 | 51.7 | 365 | (2.5) | 67,937 | 58.4 |

## 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 attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 3,150,396,000 in issue during the year, as adjusted to reflect the rights issued 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 or conversion of all dilutive potential ordinary shares into ordinary shares. No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 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 calculation of basic and diluted earnings per share are based on:

| | **Year ended 31 December** | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| Earning: | | |
| Profit attributable to ordinary equity holders of the parent | **8,416** | 547,835 |

| | **Year ended 31 December** | |
|---|---|---|
| | **2012** | 2011 |
| | ***'000*** | *'000* |
| | **Shares** | Shares |
| | | *(Restated)* |
| Shares: | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | **3,150,396** | 3,120,083 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | **–** | 49,380 |
| | **3,150,396** | 3,169,463 |

## 7. DIVIDEND

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| Interim – HK1 cent (2011: HK2.5 cents) per ordinary share | **25,793** | 65,536 |
| Proposed final – HK1.5 cents (2011: HK3.5 cents) per ordinary share | **38,051** | 89,607 |
| | **63,844** | 155,143 |

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 | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| Raw materials | **179,911** | 271,855 |
| Work in progress | **11,963** | 22,322 |
| Finished goods | **506,526** | 408,303 |
| Total | **698,400** | 702,480 |
| Turnover of average inventories (in days)[1] | **91.8** | 75.0 |

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

The write-down of inventories recognised as an expense for the year ended 31 December 2012 amounted to RMB16,494,000 (2011: RMB11,678,000), which was recorded in "Cost of sales" in the consolidated income statements.

## 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 | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| Trade receivables | **710,739** | 750,831 |
| Provision | **(18,393)** | (16,350) |
| Trade receivables, net | **692,346** | 734,481 |
| Bills receivables | **126,544** | 150,393 |
| Total | **818,890** | 884,874 |
| Turnover of average trade and bills receivables (in days)[1] | **89.5** | 79.2 |

[1] Average trade and bills receivables equal the trade and bills receivables at the beginning of the year plus trade and bills receivables at the end of the year (before provision), divided by two. Turnover of average trade and bills receivables (in days) equals the average trade and bills receivables divided by revenue and then multiplied by 365.

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

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

| | 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| Within 3 months | **532,034** | 611,558 |
| 4 to 6 months | **85,397** | 76,941 |
| 7 to 12 months | **26,390** | 38,670 |
| 1 to 2 years | **45,037** | 6,337 |
| Over 2 years | **3,488** | 975 |
| | **692,346** | 734,481 |

Trade receivables of the Group represent proceeds receivable from the sales 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 120 days for major customers. Each customer has a maximum credit limit. 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. The Group does not hold any collateral or other credit enhancements over our trade receivables balance. Trade receivables are non-interest-bearing.

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

| | 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| Within 6 months | **126,544** | 150,393 |

## 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 | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| Trade payables to third parties | **404,561** | 368,420 |
| Trade payables to related parties | **27,045** | 17,361 |
| Total | **431,606** | 385,781 |
| Turnover of average trade payables (in days)[1] | **53.6** | 46.9 |

[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 follow:

| | 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| Within 3 months | **376,469** | 371,361 |
| 4 to 6 months | **11,548** | 10,952 |
| 7 to 12 months | **26,494** | 538 |
| 1 to 2 years | **16,109** | 652 |
| Over 2 years | **986** | 2,278 |
| | **431,606** | 385,781 |

As at 31 December 2012, the fair value of trade payables approximates to their carrying amounts largely due to the short-term maturity.

## 11. INTEREST-BEARING LOANS AND BORROWINGS

| | 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2012** | | | 2011 | | |
| | ***Contractual interest rate (%)*** | **Maturity** | ***RMB'000*** | *Contractual interest rate (%)* | Maturity | *RMB'000 (Restated)* |
| **Current** | | | | | | |
| Bank loans – unsecured [1] | **5.488-5.880** | **February– April 2013** | **80,000** | 4.525-7.015 | April 2012 | 39,451 |
| Bank overdraft – unsecured [2] | **Base*+2.30** | **On demand** | **14,387** | Base*+2.10 | On demand | 1,469 |
| Total | | | **94,387** | | | 40,920 |

1 The bank loans included RMB-denominated loans of RMB20,000,000 at an interest rate of 5.600% per annum, RMB15,000,000 at an interest rate of 5.488% per annum, RMB25,000,000 at an interest rate of 5.824% per annum and RMB20,000,000 at an interest rate of 5.880% per annum.

2 The bank overdraft represents a GBP-denominated overdraft facility. The Group's overdraft facility, which is due for review in April 2013, amounted to GBP2,200,000 (2011: GBP2,200,000), of which GBP1,416,000 (2011: GBP151,000) had been utilised as the end of reporting period.

* Base means the Bank of England base rate.

The interest-bearing loans and borrowings are repayable within 1 year.

As at 31 December 2012, the fair value of interest-bearing loans approximates to their carrying amount largely due to the short-term maturity.

## MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

In 2012, the global economy was on a slow, post-crisis recovery path, going forward against severe headwinds. Despite that the quantitative easing policies pursued by major economies including the European countries and the U.S. had prevented a potential crisis from happening at critical moments, the risk of economic downturn remains high, and the global economy has entered into a period of unsteady and tepid growth.

Affected by the weak global demand caused by weak global economy and under the pressure of domestic inflation and increasing labor costs, China's advantage in economic performance was undercut to some extent. According to the information published by China National Bureau of Statistics, the growth rate of China's GDP for 2012 reduced to 7.8%, the lowest level since 1999. In 2012, China continued with its proactive fiscal policies and prudent monetary policies, and adopted a series of control measures. As a result, infrastructure investment, which is closely related to the lighting industry, dropped significantly. National infrastructure investment in 2012 amounted to RMB36.48 trillions, the growth rate of which was declined by 3.4% compared to 2011. At the same time, the growth rate of the property market, another industry which is closely related to the lighting industry, was effectively controlled and limited. In 2012, the growth rate of national investment in property development decreased by 11.7% compared with that of 2011.

Looking back into 2012, the lighting industry was affected as a whole by the above factors and resulted in obvious slowdown in growth as compared with previous years. From January to December 2012, the electronic lamps production of China's lighting electronic industry amounted to 21.147 billion units, increased by 1.5% as compared with the Corresponding Period of the previous year (versus a growth rate of 4.0% for 2011), and a total of 2.631 billion sets of luminaire products and lighting devices were produced, relatively flat as compared with the Corresponding Period of the previous year (versus a growth rate of 6.4% for 2011). (sources: National Bureau of Statistics)

However, the LED industry kept on its rapid growth pace. With substantial supports from the government, we saw an active year with numerous tender invitations and various favorable policies came into effect. On 16 May 2012, the Standing Committee of the State Council reviewed and approved The 12th Five-year Plan of Public Service, whereby a resolution was made to arrange for a total of RMB2.2 billion in subsidies targeted at energy-saving lights and LED lamps. In the Semiconductor Lighting Technology Development Five-year Special Plan published by the Ministry of Science and Technology on 11 July 2012, a clear objective of the industry was put forward as follows: By 2015, the total investments of the LED industry will reach RMB500 billion. 20 to 30 enterprises will be promoted as the major leaders which are expected to possess key technologies, owning a higher number of proprietary intellectual property rights and self-developed brands. Also 40 to 50 innovative hi-tech enterprises will receive major supports, while 50 pilot cities for the (LED) Lighting Application Pilot Project will be designated and 20 industrialized bases with high innovative power and distinctive features will be established. Furthermore, the plan targets at enhancing the industry chain, optimizing industry structure, expanding market shares and significantly improving the international competitive power of the semiconductor lighting industry of China.

## BUSINESS REVIEW

2012 was one of the difficult years that the Group went through. The sales growth of the Group was inevitably affected by the retarded growth of the lighting industry brought by the reduction in infrastructure investments amid the government's economic control policy. While changes in management during 2012 and the strikes occurred at two of its factories located in Wanzhou, Chongqing and Huizhou, Guangdong as well as the Group's Chongqing Office which lasted for about two weeks (the "Strikes") and a temporary suspension of orders with the Group by 36 of the Group's tier-one distributors (the "Order Suspension") (please refer to the announcements of the Company published on 18 July 2012, 14 August 2012 and 21 August 2012) had even caused interruptions to operations. Though stabilized, the current price of fluorescent powders remains significantly higher than previous years due to the impact of price fluctuations in 2011. Our products' selling prices, however, failed keeping up correspondingly because of the global economic downturn and price competition from new products, which led to a reduced profitability for some of our products and thus had a negative impact on the gross profit margin of the Group.

While confronted with all these internal and external troubles, the Group has endeavoured to create a competitive advantage through persisting sales channel consolidation and development, enhancing the NVC brand value, focusing on product research and development, strengthening technical innovation and understanding the direction of government policies. After re-building the management team, we swiftly shift our focus back on resuming production and supply, and reassuring our customers and distributors about our status. And we increased market inputs in the subsequent months, which enabled our operating profits increased rapidly within a short period of time.

### Sales and distribution

With respect to NVC brand sales in the PRC market, during the Reporting Period, the Group retained 36 exclusive regional distributors and aggressively expanded its sales network with a net increase of 263 outlets. As at 31 December 2012, the Group had a total of 3,231 outlets, covering 2,249 cities (31 provincial capitals with a 100% coverage rate; 276 municipal cities with a 97.18% coverage rate; 1,285 counties or county-level cities with a 65% coverage rate; 657 towns and townships with a 1.92% coverage rate). During the Reporting Period, the Group managed to retain existing professional engineering customers and chain stores customers that can bring repeat sales, while gradually infiltrating sales of LED products into the first and second tier markets, exploring development potential of the third and fourth tier markets, expanding NVC store area and improving store image and business quality. After two consecutive years of successful bid for state-subsidized high efficiency lighting product projects, the Group once again successfully won the bid for the 2012 state-subsidized high efficiency lighting products (energy-saving lamps) promotion project and the 2012 state-subsidized semiconductor (LED) lighting products promotion project, in respect of which we will provide approximately 3,000,000 energy-saving lighting products and 300,000 LED lighting products. During the Reporting Period, under the influence of the shrinking demand caused by domestic macro-control policies, as well as operational uncertainty caused by special events (such as the Strikes and the Order Suspension), sales to the professional engineering customers amounted to RMB184,630,000 and sales to the chain store customers that can bring repeat sales amounted to RMB316,330,000 respectively, representing a decrease of approximately 34.8% in total as compared with 2011.

Regarding the non-NVC brand sales in the PRC market, the Group mainly provided energy-saving lamp tubes and accessories to energy-saving lamp manufacturers. During the Reporting Period, our sales revenue declined as sales prices fluctuated which was caused by prices adjustment of major raw material, and the domestic market demand shrank as a result of the gradual penetration of LED concept.

**Sales and distribution** *(Continued)*

Regarding NVC brand sales in the international market, the Group continued to pursue the development strategy which mainly focused on promoting the sales of NVC brand products supplemented by the production of famous brand products on an ODM/OEM basis and gradually expanding our share in the overseas market. During the Reporting Period, UK NVC held an inauguration ceremony for its premises, and a variety of the products it distributed were used in the supporting facilities for the 2012 Olympic Games. During the Reporting Period, revenue from the international brand market recorded steady growth, mainly due to the rising of the brand awareness, broad sales channels and refined product lines. For example, on the development of sales channel, the Group developed its own market by sending management staff to Qatar, Saudi Arabia, Brazil, New Zealand and other countries, and opened nine new stores during the Reporting Period.

As to non-NVC brand sales in the international market, sales were generally conducted on ODM basis. During the Reporting Period, the Group continued to strengthen long-term cooperative relationship with its customers. The steady growth of demand from the large customers had brought up the revenue for such sector.

**Production Capacity**

The Group currently has five production bases, located in Huizhou City in Guangdong Province, Wanzhou District in Chongqing, two in Jiangshan City in Zhejiang Province, and Qingpu District in Shanghai respectively. The breakdown of the production capacity of each production base is as follows:

| | Luminaire production facilities | | Lamp production facilities | | Lighting electronic production facilities |
|---|---|---|---|---|---|
| **Location** | **Huizhou, Guangdong** | **Wanzhou, Chongqing** | **Jiangshan, Zhejiang**[(1)] | **Jiangshan, Zhejiang**[(2)] | **Qingpu, Shanghai** |
| Date of commencement of production | November 1998 | December 2006 | September 1994 | September 2007 | March 2006 |
| Design capacity (units) as at 31 December 2012 | 69,787,870 | 68,000,000 | 273,126,250 | 115,440,000 | 11,880,000 |
| Actual production (units) as at 31 December 2012 | 58,055,193 | 57,232,777 | 165,791,067 | 100,973,071 | 11,049,050 |
| Average utilisation rate as at 31 December 2012 | 83.2% | 84.2% | 60.7% | 87.5% | 93.0% |
| Standardised hours of operation | 8 hours | 8 hours | 12 hours | 8 hours | 8 hours |

*Notes:*

(1) Mainly for production of light tubes for energy-saving lamps;

(2) Mainly for production of energy-saving lamps.

## Product Research and Development and Design

The Group has two research and development centres, with one in Huizhou, Guangdong Province, (mainly focusing on research and development of new product design of luminaire products) and the other in Shanghai (mainly focusing on research and development of energy-saving technology for lamps and research and development of lighting electronic products).

During the Reporting Period, the Group invested a total of RMB70,029,000 in research and development projects, representing 2.0% of the Group's total revenue. The Group attached great importance to the improvement of product quality and was devoted to building a highly competent research and development team. New products, especially new LED products were launched to accommodate the market trend. A total of more than one hundred products were successfully developed in 2012, including various LED products, luminaire products and lighting electronic products. During the Reporting Period, 56 new patent applications were filed, and 79 applications had been approved and granted patents.

As at 31 December 2012, the Group had a workforce of 349 in design and research and development, of which 140 worked in our Huizhou Research and Development Centre, 74 worked in the Shanghai Research and Development Centre, and the others worked in other production bases.

## Brand promotion

During the Reporting Period, our brand promotion strategy was mainly promoting the NVC brand awareness, strengthening the Group's control over the brand and achieving a well-established brand management system. And by leveraging on the opportunity deriving from the development of LED lighting, we had been devoted to promoting our LED development strategy and our innovations in LED area, so as to improve our position in LED industry.

During the Reporting Period, the Group maintained its NVC brand's awareness by launching a series of brand promotion activities including advertising, media coverage, public relation activities and participation in famous competition events at home and abroad. For instance, in March, we signed a contract to become an "Official Partner of the Olympic Committee of Hong Kong, Macau and Chinese Taipei". And following UK NVC's factory expansion and the application of its various products into the infrastructures in London Olympic Games, we rolled out our marketing strategy for London Olympic Games accordingly. In May, we became the exclusive supplier to provide lighting products and services for "2014 Asia Beach Games in Thailand". In July and August, we organized "Bright Future Summer Volunteer Education Assistance in Shangluo, Shaanxi" and "Bright Future Free Lunch and Lighting Improvement in Hefeng County, Hubei", through which, we put corporate social responsibility into practice and promoted a sound public image. In December, we successfully bid for the 2012 Financial Subsidized Project for Semiconductor (LED) Lighting Products Promotion and began to implement our strategic plan for the LED sector through the cooperation with Elec-Tech International Co., Ltd. Meanwhile, the NVC Lighting brand also received widespread recognition. For example, in the domestic use market, it was awarded "Popular Household Brand Award" by People's Daily Online. In the professional market, NVC has been the top preferred lighting brand selected by the top 500 real estate developers in China for three consecutive years and received the Hexun Financial Annual Champion Awards for its best quality provided for buildings organized by Hexun website. As a result, the popularity and influence of the NVC Lighting brand were solidified and enhanced in the minds of both ordinary and professional consumers.

## FINANCIAL REVIEW

### Revenue

Revenue represents the invoiced value of goods sold, after allowance for returns and trade discounts. During the Reporting Period, the Group recorded revenue of RMB3,546,036,000, representing a decrease of 6.6% compared with the Corresponding Period. In particular, revenue of NVC brand products in the PRC market decreased by 13.7% compared with the Corresponding Period, primarily attributable to slower domestic economic growth and special events including the Strikes and the Order Suspension. However, revenue of NVC brand products in overseas market increased by 17.0% compared with the Corresponding Period, due to the stable expansion of its brand in overseas market, increasing popularity of NVC brand as well as the steady growing sales results of UK NVC.

***Revenue by product segment***

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

| | Year ended 31 December | | |
|---|---|---|---|
| | **2012** | 2011 | Growth rate |
| | ***RMB'000*** | *RMB'000* | |
| | | *(Restated)* | |
| Luminaire products | **1,940,435** | 2,148,782 | -9.7% |
| Lamp products | **1,311,542** | 1,268,612 | 3.4% |
| Lighting electronic products | **294,059** | 380,604 | -22.7% |
| Total | **3,546,036** | 3,797,998 | -6.6% |

During the Reporting Period, the sales of luminaire products decreased by 9.7%, primarily attributable to the effect of the macro-economic control policy, less construction projects and special events including the Strikes and the Order Suspension in the course of the Group's operation. The sales of lamp products increased by 3.4%, primarily due to the increased demand from major customers during the Reporting Period. The sales of lighting electronic products decreased by 22.7%, mainly due to the global economic slowdown and 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.

| | Year ended 31 December | | |
|---|---|---|---|
| | **2012** | 2011 | Growth rate |
| | ***RMB'000*** | *RMB'000* | |
| | | *(Restated)* | |
| **NVC brand** | | | |
| Luminaire products | **1,817,786** | 2,046,755 | -11.2% |
| Lamp products | **430,228** | 425,518 | 1.1% |
| Lighting electronic products | **138,070** | 203,977 | -32.3% |
| *Subtotal* | **2,386,084** | 2,676,250 | -10.8% |
| **Non-NVC brand** | | | |
| Luminaire products | **122,649** | 102,027 | 20.2% |
| Lamp products | **881,314** | 843,094 | 4.5% |
| Lighting electronic products | **155,989** | 176,627 | -11.7% |
| *Subtotal* | **1,159,952** | 1,121,748 | 3.4% |
| Total | **3,546,036** | 3,797,998 | -6.6% |

***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.

| | Year ended 31 December | | |
|---|---|---|---|
| | **2012** | 2011 | Growth rate |
| | ***RMB'000*** | *RMB'000* | |
| | | *(Restated)* | |
| **Revenue from PRC sales** | | | |
| Luminaire products | **1,567,463** | 1,830,572 | -14.4% |
| Lamp products | **782,293** | 892,868 | -12.4% |
| Lighting electronic products | **147,087** | 212,737 | -30.9% |
| *Subtotal* | **2,496,843** | 2,936,177 | -15.0% |
| **Revenue from international sales** | | | |
| Luminaire products | **372,972** | 318,210 | 17.2% |
| Lamp products | **529,249** | 375,744 | 40.9% |
| Lighting electronic products | **146,972** | 167,867 | -12.4% |
| *Subtotal* | **1,049,193** | 861,821 | 21.7% |
| **Total** | **3,546,036** | 3,797,998 | -6.6% |

During the Reporting Period, revenue from PRC sales decreased by 15.0%, of which the revenue from NVC brand products decreased by 13.7% and the revenue from non-NVC brand products decreased by 20.7%. Revenue from international sales increased by 21.7%, of which revenue from NVC brand products increased by 17.0% and non-NVC brand products increased by 23.7%.

***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.

| | Year ended 31 December | | |
|---|---|---|---|
| | **2012** | 2011 | Growth rate |
| | ***RMB'000*** | *RMB'000* | |
| | | *(Restated)* | |
| Energy-saving products | **2,309,034** | 2,298,522 | 0.5% |
| Non-energy-saving products | **1,237,002** | 1,499,476 | -17.5% |
| Total | **3,546,036** | 3,797,998 | -6.6% |

**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 and electronics components. Outsourced manufacturing costs primarily include the cost of purchased semi-finished products and finished products produced by other manufacturers and used in the production of our products. Indirect costs primarily include water, electricity, depreciation and amortisation and others. The table below sets forth the composition of our cost of sales:

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2012** | | 2011 | |
| | ***RMB'000*** | ***Percentage in income (%)*** | *RMB'000 (Restated)* | *Percentage in income (%)* |
| Raw materials | **1,893,716** | **53.4%** | 1,945,189 | 51.2% |
| Outsourced manufacturing costs | **365,884** | **10.3%** | 427,000 | 11.2% |
| Labour costs | **333,177** | **9.4%** | 294,994 | 7.8% |
| Indirect costs | **191,912** | **5.4%** | 156,729 | 4.1% |
| Total cost of sales | **2,784,689** | **78.5%** | 2,823,912 | 74.4% |

During the Reporting Period, the Group's cost of sales decreased by 1.4%, which primarily reflected the decrease in sales volume of the products. The Group's cost of sales as a percentage to revenue increased from 74.4% to 78.5%, resulting in a decrease in gross profit margin from 25.6% to 21.5%, mainly due to combined influence from the changes of product structure, the increase of labour costs and decrease of capacity ustilization rate.

**Gross profit and gross profit margin**

Gross profit is calculated as revenue less cost of sales.

During the Reporting Period, gross profit was RMB761,347,000, representing a decrease of 21.8% compared with the Corresponding Period, primarily reflecting the decrease in sales volume and the increase of cost. The Group's gross profit and gross profit margin by segment 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):

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2012** | | 2011 | |
| | ***RMB'000*** | *(%)* | *RMB'000 (Restated)* | *(%)* |
| Luminaire products | **456,036** | **23.5%** | 544,653 | 25.3% |
| Lamp products | **252,013** | **19.2%** | 367,175 | 28.9% |
| Lighting electronic products | **53,298** | **18.1%** | 62,258 | 16.4% |
| Total | **761,347** | **21.5%** | 974,086 | 25.6% |

During the Reporting Period, gross profit of luminaire products was RMB456,036,000, representing a decrease of 16.3% compared with the Corresponding Period. Gross profit margin for luminaire products decreased by 1.8% to 23.5%. Gross profit of lamp products was RMB252,013,000, representing a decrease of 31.4% compared with the Corresponding Period. Gross profit margin of lamp products decreased by 9.7% to 19.2% compared with the Corresponding Period. The decrease in gross profit margin of luminaire products and lamp products was mainly due to high initial inventory cost, decrease of capacity utilization rate and the adjustments on selling prices and product structure. Gross profit of lighting electronic products was RMB53,298,000, representing a decrease of 14.4% compared with the Corresponding Period. Gross profit margin of lighting electronic products increased by 1.7% to 18.1%, primarily attributable to the combined influence from the stablization of commodities prices, technology updates and improving production management.

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

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2012** | | 2011 | |
| | ***RMB'000*** | *(%)* | *RMB'000 (Restated)* | *(%)* |
| NVC brand | **575,751** | **24.1%** | 722,533 | 27.0% |
| Non-NVC brand | **185,596** | **16.0%** | 251,553 | 22.4% |
| Total | **761,347** | **21.5%** | 974,086 | 25.6% |

During the Reporting Period, gross profit of NVC brand products was RMB575,751,000, representing a decrease of 20.3% compared with the Corresponding Period, while gross profit margin decreased by 2.9% compared with the Corresponding Period. Gross profit of non-NVC brand products was RMB185,596,000, representing a decrease of 26.2% compared with the Corresponding Period, and gross profit margin decreased by 6.4% compared with the Corresponding Period, which was mainly attributable to the decrease of price of certain lamp products caused by the fall of fluorescent powder price while the relevant initial cost remain high. In addition, the rising labor costs and higher unit manufacturing cost caused by decline in operating rate also contributed to the decrease of the gross profit and gross profit margin.

**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:

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2012** | | 2011 | |
| | ***RMB'000*** | *(%)* | *RMB'000* *(Restated)* | *(%)* |
| **Gross profit from PRC sales:** | | | | |
| Luminaire products | **365,719** | **23.3%** | 465,375 | 25.4% |
| Lamp products | **151,704** | **19.4%** | 291,960 | 32.7% |
| Lighting electronic products | **28,487** | **19.4%** | 41,564 | 19.5% |
| *Subtotal* | **545,910** | **21.9%** | 798,899 | 27.2% |
| **Gross profit from international sales:** | | | | |
| Luminaire products | **90,317** | **24.2%** | 79,278 | 24.9% |
| Lamp products | **100,309** | **19.0%** | 75,215 | 20.0% |
| Lighting electronic products | **24,811** | **16.9%** | 20,694 | 12.3% |
| *Subtotal* | **215,437** | **20.5%** | 175,187 | 20.3% |
| Total | **761,347** | **21.5%** | 974,086 | 25.6% |

During the Reporting Period, gross profit generated from PRC sales was RMB545,910,000, representing a decrease of 31.7% compared with the Corresponding Period, of which gross profit of NVC brand products was RMB501,978,000, representing a decrease of 24.3% compared with the Corresponding Period, and gross profit of non-NVC brand products was RMB43,932,000, representing a decrease of 67.7% compared with the Corresponding Period.

During the Reporting Period, gross profit generated from international sales was RMB215,437,000, representing an increase of 23.0% compared with the Corresponding Period, of which gross profit of NVC brand products was RMB73,773,000, representing an increase of 23.6% compared with the Corresponding Period, and gross profit of non-NVC brand products was RMB141,664,000, representing an increase of 22.7% 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 our energy-saving products and non-energy-saving products:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2012** | | 2011 | |
| | ***RMB'000*** | ***(%)*** | *RMB'000* *(Restated)* | *(%)* |
| Energy-saving products | **501,265** | **21.7%** | 636,458 | 27.7% |
| Light tubes for CFL | **26,097** | **8.1%** | 116,077 | 27.4% |
| T4/T5 battens | **203,545** | **31.6%** | 252,565 | 33.2% |
| Compact fluorescent lamp (CFL) | **162,136** | **20.4%** | 184,397 | 28.4% |
| Electronic ballasts | **25,383** | **13.8%** | 22,974 | 11.2% |
| HID lamps | **22,965** | **58.2%** | 23,462 | 48.9% |
| Fluorescent lamps | **16,425** | **21.3%** | 17,194 | 21.9% |
| LED products | **44,714** | **18.0%** | 19,789 | 14.9% |
| Non-energy-saving products | **260,082** | **21.0%** | 337,628 | 22.5% |
| Total gross profit | **761,347** | **21.5%** | 974,086 | 25.6% |

During the Reporting Period, the Group's gross profit margin of energy-saving products decreased by 6.0% to 21.7% compared with the Corresponding Period, among which decline in the gross profit margin of light tubes for CFL as well as T4/T5 battens, which made up a significant part of sales and compact fluorescent lamps (CFL) was primarily due to decrease of capacity utilization rate and rising labor costs.

**Other income and gains**

Other income and gains mainly consist of trademark license fees, distribution commission, gain on sales 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 subsidies as an incentive for export sales, science and technology research and development, expansion of production for energy-saving lamp products and the compensation for production halts, machinery relocation and installation. Government subsidies are provided by relevant authorities at their discretion, but may not necessarily be recurring in nature. We licensed our trademark to a limited number of the lighting product manufacturers in the PRC and received three percent of the licensees' annual revenue as trademark licence fees. In addition, we received distribution commission of six to eight percent from these licensees on revenue generated when products were sold through our distribution network. Since April 2012, we have stopped providing our distribution network for selling products and ceased to receive distribution commission. During the Reporting Period, other income and gains were RMB159,858,000, representing an increase of 6.2% compared with the Corresponding Period, primarily due to the government subsidy for the relocation of World Through being credited as revenue for the year.

**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, selling and distribution costs were RMB254,092,000, representing an increase of 5.3% compared with the Corresponding Period. The Group's selling and distribution costs as a percentage to revenue increased from 6.4% for the year ended 31 December 2011 to 7.2% for the Corresponding Period in 2012. The increase was caused by the expansion of sales force and the increase of labor cost.

**Administrative expenses**

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

During the Reporting Period, administrative expenses were RMB315,580,000, representing an increase of 27.4% compared with the Corresponding Period. This increase was primarily attributable to the provision of bad debts for certain receivables and prepayments and increased consultancy fees and labor costs. The proportion of administrative costs to revenue increased from 6.5% for the year ended 31 December 2011 to 8.9% for the year ended 31 December 2012.

Included in the provisions for receivables and prepayments is a total of RMB30,095,000 in respect of parties connected to Mr Wu Changjiang, representing the total outstanding amounts at the date of this results announcement. Information on these parties was provided in our announcement dated 14 August 2012 and the Board will consider the appropriate action to recover these amounts.

**Other expenses**

Other expenses mainly consist of asset impairment losses, loss on disposal of items of property, plant and equipment and scrap materials and donations. During the Reporting Period, other expenses recorded a substantial increase compared with the Corresponding Period which was primarily attributable to impairment losses amounting to RMB221,997,000 caused by the acquisition of World Through and its wholly-owned subsidiaries by the Group on 29 August 2008.

**Finance costs**

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

**Share of profits 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 RMB67,937,000, representing an increase of 30.4% compared with the Corresponding Period. The increase in income tax expense was mainly attributable to the expiry of preferential tax rates for certain subsidiaries and increase in earnings of subsidiaries with higher tax rate.

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

Due to the factors mentioned above, our net profit (including profit attributable to non-controlling interests) for the year was RMB48,544,000 during the Reporting Period.

**Exchange differences on translation of foreign operations**

During the Reporting Period, our exchange differences on translation of foreign operations were RMB1,132,000. This revenue primarily arose from the translation of the financial statements of the overseas subsidiaries which are denominated in foreign currency.

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

Due to the factors mentioned above, profit attributable to owners of the parent was RMB8,416,000 during the Reporting Period.

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

During the Reporting Period, profit attributable to non-controlling interests was RMB40,128,000.

## 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, (ii) short-term bank loans, and (iii) proceeds from the exercise of share options by our employees. The table below sets out selected cash flow data from our consolidated statement of cash flows.

| | **Year ended 31 December** | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| Net cash flows from operating activities | **619,169** | 156,645 |
| Net cash flows used in investing activities | **(59,035)** | (511,261) |
| Net cash flows used in financing activities | **(133,054)** | (67,232) |
| Net increase/(decrease) in cash and cash equivalents | **427,080** | (421,848) |
| Cash and cash equivalents at beginning of year | **786,012** | 1,210,404 |
| Effect of foreign exchange rate changes, net | **1,652** | (2,544) |
| Cash and cash equivalents at end of year | **1,214,744** | 786,012 |
| Bank overdraft | **(14,387)** | (1,469) |
| Cash and cash equivalents as stated in the statement of cash flows | **1,200,357** | 784,543 |

*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 RMB619,169,000, while our cash flows before changes in working capital were RMB402,969,000. The changes in working capital included (i) an increase of RMB8,848,000 in inventories; (ii) a decrease of RMB126,344,000 in trade and bills receivables, other receivables, prepayments and other current assets; (iii) income tax paid amounting to RMB69,913,000; (iv) an increase of RMB109,053,000 in trade payables, as well as other payables and accruals; and (v) receipt of government grants of RMB59,564,000.

*Net cash flows used in investing activities*

Our cash flows used in investing activities mainly consist of payments for purchases of property, plant and equipment, intangible assets other than goodwill and investment in short-term deposits. During the Reporting Period, our net cash flows used in investing activities amounted to RMB59,035,000, which mainly included payment of RMB178,014,000 for purchases of property, plant and equipment and intangible assets other than goodwill and proceeds of RMB3,000 from sales of intangible assets other than goodwill; such expenses was offset by interests income of RMB19,418,000 and decrease of RMB99,278,000 in short-term deposits.

*Net cash flows used in financing activities*

Our cash flows from financing activities included the proceeds from exercise of share options and the proceeds from new bank loans. Our cash flows used in financing activities consisted of payment of dividends, bank loan principal and interest and repurchase of shares.

During the Reporting Period, our net cash outflows used in financing activities amounted to RMB133,054,000. Our cash outflows mainly include (i) RMB39,009,000 for repurchase of shares, (ii) RMB24,500,000 for dividends paid to a non-controlling shareholder, (iii) RMB118,955,000 for the payment of dividends, and (iv) RMB114,028,000 for the payment of the principal and interest of bank loan. Such expenses were offset by new bank loans of RMB162,589,000 and proceeds of RMB849,000 due to the exercise of share options.

**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 | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| **CURRENT ASSETS** | | |
| Inventories | **698,400** | 702,480 |
| Trade and bills receivables | **818,890** | 884,874 |
| Prepayments, deposits and other receivables | **94,005** | 190,424 |
| Other current assets | **16,079** | 9,301 |
| Short-term deposits | **379,233** | 478,579 |
| Cash and cash equivalents | **1,214,744** | 786,012 |
| | **3,221,351** | 3,051,670 |
| Non-current assets classified as held for sale | **17,606** | 17,606 |
| **Total current assets** | **3,238,957** | 3,069,276 |
| **CURRENT LIABILITIES** | | |
| Trade payables | **431,606** | 385,781 |
| Other payables and accruals | **282,523** | 223,769 |
| Interest-bearing loans and borrowings | **94,387** | 40,920 |
| Government grants | **6,208** | 109,690 |
| Income tax payable | **24,975** | 20,279 |
| **Total current liabilities** | **839,699** | 780,439 |
| **NET CURRENT ASSETS** | **2,399,258** | 2,288,837 |

As at 31 December 2012 and 31 December 2011, net current assets of the Group totalled RMB2,399,258,000 and RMB2,288,837,000, respectively, and the current ratio was 3.86 and 3.93, respectively. In light of our current liquidity position, and the net proceeds available to the Company from the initial public offering 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 | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| Interest-bearing loans and borrowings | **94,387** | 40,920 |
| Total debt | **94,387** | 40,920 |
| Less: cash and short-term deposits | **(1,593,977)** | (1,264,591) |
| Net debt | **N/A** | N/A |
| Total equity attributable to owners of the parent | **3,511,701** | 3,656,349 |
| Gearing ratio | **–** | – |

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 less cash and short-term deposits.

**Capital expenditure**

We funded our capital expenditure with cash generated from operations and bank loans as well as proceeds from exercise of share options by our employees. Our capital expenditure primarily related to expenditure on property, plant and equipment and intangible assets other than goodwill. During the Reporting Period, our capital expenditure amounted to RMB182,411,000, mainly included (i) RMB40,475,000, which was mainly used in construction of Huizhou NVC phase-5 plant and the new Sunny industrial park complex; and (ii) RMB118,371,000, which was mainly used for increasing the investment in new production lines, non-production equipments and moulds and technology improvement.

**Pledge of assets**

As at 31 December 2012, the Group had pledged time deposits of RMB4,695,000 to secure the issuance of letters of credit or as guarantee for product quality as well as fulfilling contractual obligations.

**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 2012, the Group had no material contingent liabilities.

**Capital commitments**

As at 31 December 2012, we had capital commitments of RMB180,043,000 for the acquisition of property, plant and equipment, intangible assets other than goodwill and capital contributions. The details are set out below:

| | 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| **Contracted, but not provided for** | | |
| Property, plant and equipment | **16,272** | 54,476 |
| **Authorised, but not contracted for** | | |
| Property, plant and equipment | **163,721** | 141,186 |
| Intangible assets other than goodwill | **50** | 60 |
| Capital contributions to a joint venture | **–** | 24,500 |
| Total | **180,043** | 220,222 |

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**

We have entered into some non-cancellable operating leases. The table below sets forth our future minimum rental payments under non-cancellable operating leases falling due as at the end of the Reporting Period.

| | 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| Within one year | **10,925** | 8,845 |
| In the second to fifth years, inclusive | **12,361** | 13,923 |
| After five years | **–** | 1,455 |
| Total | **23,286** | 24,223 |

As a lessor, we leased plant and office under operating lease arrangements with lease 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 prevailing market conditions. As at the end of the Reporting Period, our total future minimum lease receivables under non-cancellable operating leases with its tenants falling due are as follows.

| | 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | | *(Restated)* |
| Within one year | **2,881** | 2,146 |
| In the second to fifth years, inclusive | **1,743** | 826 |
| Total | **4,624** | 2,972 |

## PROSPECTS

Survived through all the challenges in 2012, the Group shook off the reins and set up a strong professional management team based on its original strengths, representing a great leap towards the goal of being a world-class lighting company. Comprised of pure industry elite, the new leadership will follow the Group's consistent business strategy, i.e. furthering the channel development, expanding overseas markets and delving into the LED application technology, so as to re-create a more professional and more distinctive corporate image for the Group. The Group will make a new start in 2013.

While the prospect of the European economy is expected to remain uncertain in the short term, and the Chinese government has forecasted its gross domestic product (GDP) growth in 2013 of about 7.5%, a slight slow-down as compared with 2012, but the good news is, the central government launched a series of effective subsidy policies to support the energy-efficient lighting industry last year, setting out the direction for future development for the industry. With such background, the management remained cautiously optimistic of the business growth of the Group in 2013 and has set three principal objectives for the Group, i.e. stabilising the market, ensuring quality and integrating upstream and downstream resources. Specifically, these measures of the Group will be implemented in the following three aspects.

### Parallel development in domestic and overseas market, building a solid market base

In the domestic market, the Group will continue to identify suitable region for expansion of its sales network, so as to drive the NVC Lighting brand penetration into the county-level cities and towns for a greater coverage. The key regions for development include Jiangsu, Zhejiang, Guangdong, Shandong, Hubei, Hunan, Jiangxi, Fujian, Hebei and Chongqing. Meanwhile, the Group plans to set up LED stores in the first and second tier cities, open 600 new sales outlets in the third and fourth tier cities, and 1,000 new hardware and city distribution outlets within the hardware channels, so as to increase sales of circulation products. We will also explore other emerging channels, develop e-commerce and introduce the EMC model.

As for overseas markets, with the UK NVC premises completed in 2012, the Group expects to further expand its sales network in the UK. At the same time, the Group will continue to increase the number of stores and offices through mergers and acquisitions, so as to expand its business territory. The Group's key regions of development in 2013 include India, Brazil, Saudi Arabia, United Arab Emirates, Vietnam, Romania, Mongolia, Russia and the United States, and it will dispatch representatives to some of the markets to help the dealers there.

**Research and development and technology marching abreast, with strict control over product quality**

With the steady implementation of the government's plan to eliminate incandescent lights from the market, China's energy-saving products are facing tremendous business opportunities. As a pioneer in energy-efficient lighting, LED will meet its "Golden Age" of development in the long run. The Group will focus on the promotion of LED products in 2013, devote more resources to strengthen research and innovation and technological upgrade, and steadily increase its market share in the LED market by offering new products of excellent quality. We are confident of the target of increasing the percentage of revenue generated from LED to 50% in 2015.

**Extending upstream and downstream and integrating industry resources**

In the long run, the industry resource integration will enhance the overall competitiveness of the lighting enterprises, and the Group will accelerate related deployment accordingly. In 2012, Elec-Tech International Co., Ltd. entered into an agreement to take up shares of the Company, which opened up the door to long-term cooperation between the two parties, and enabled the Group to access the upstream industry technology, product resources, and to achieve industrial upgrading of LED lighting. We believe that the co-operation between the Group and Elec-Tech International Co., Ltd. will continue. Following the Group's earlier introduction of Schneider Electric (China) Co., Ltd., cooperation projects between the two sides are under active planning, whereby we are to share downstream resources and integrate each other's strengths in the future.

The Group will also continue to implement the strategy of sports-related marketing, arranging for NVC Lighting brands to appear in various major sports events. The Group will become the exclusive supplier of lighting and services for the 2013 East Asian Games in Tianjin and the 2013 Nanjing Asian Youth Games, and will participate as a supplier in the 17th Asian Games in Incheon, South Korea in 2014 and the 4th Asian Beach Games in 2014 in Thailand.

Looking ahead, the professional management team of the Group will continue to pursue the goal of "Becoming a World Famous Brand and the Best Player in the Industry", and strive to establish NVC as a national famous lighting enterprise which are well regarded by Chinese people.

## 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 difficulty or negative impact 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 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, however, we increased our inventories of certain key raw materials to ensure adequate supplies.

## 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 prepayment, deposits and other receivables from debtors. We have policies in place to ensure that the sales of products are made to customers with an appropriate credit limit, and we have strict control over credit limits of trade receivables. Our cash and short-term deposits are mainly deposited with registered banks in China and Hong Kong. We also have policies that limit our credit risk exposure to any financial institutions. The amounts of trade and bills receivables, prepayments, deposits and other receivables, cash and cash equivalents and short-term deposits included in the consolidated balance sheet 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 2012, we entered into a number of one-year insurance contracts with China Export & Credit Insurance Corporation, which covered up to 90% uncollectible receivables from international sales between the period from 1 December 2012 to 30 November 2013 subject to a maximum compensation amount of US$30 million. At present, insurance contracts for domestic sales is under renewal. We purchased such insurance in order to minimise our exposure to credit risk as we expand our business. We plan to renew such insurance contracts as they become due.

## FINAL DIVIDEND

The Board has proposed to declare a final dividend of HK1.5 cents (equivalent to approximately RMB1.2 cents) per share payable to the shareholders whose names appear on the register of members of the Company on Thursday, 4 July 2013. Based on the 3,128,448,000 shares in issue as at 31 December 2012, it is expected that the final dividend payable will amount to approximately HKD46,927,000 (equivalent to approximately RMB38,051,000) (before tax).

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 18 June 2013 to Friday, 21 June 2013 (both days inclusive) and from Friday, 28 June 2013 to Thursday, 4 July 2013 (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, 17 June 2013. 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, 27 June 2013.

## EMPLOYEES

As at 31 December 2012, the Group had approximately 9,767 employees in total (31 December 2011: 9,868). 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

During the Reporting Period, the Company repurchased a total of 30,065,000 shares at prices ranging from HK$1.38 to HK$1.90 per share on the Stock Exchange, with an aggregate consideration of approximately HK$47,478,765. All of the repurchased shares were subsequently cancelled by the Company in December 2012, and accordingly the issued share capital of the Company was reduced by the par value of these shares. The premium paid on the repurchase was charged to the share premium account. The Company considered that it is the best way of increase shareholder value and that it is in the best interest of the shareholders by returning a substantial part of the surplus fund to the shareholders.

Details of the repurchases by the Company on the Stock Exchange during the Reporting Period were as follows:

| | Number of Shares Repurchased | Price per share Highest | Price per share Lowest | Total paid |
|---|---|---|---|---|
| | | *HK$* | *HK$* | *HK$* |
| September 2012 | 21,532,000 | 1.60 | 1.38 | 31,372,243 |
| October 2012 | 8,533,000 | 1.90 | 1.80 | 16,106,522 |
| | 30,065,000 | | | 47,478,765 |

Save as disclosed above, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

## CORPORATE GOVERNANCE

At the end of 2011, the Stock Exchange revised the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (renamed as the Corporate Governance Code and Corporate Governance Report after amendments) (the "Code") with the amendments effective from 1 April 2012. The Directors are of the opinion that, the Company had complied with the provisions of the principles and codes set out in the Code before amendments during the period from 1 January 2012 to 31 March 2012 in the Reporting Period, except for the Code Provision A.2.1 which requires that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. Save as disclosed below, the Company had fully complied with the provisions of the principles and codes set out in the Code after amendments during the period from 1 April 2012 to 31 December 2012.

Under the Code Provision A.2.1, the role of chairman and chief executive officer should be separated and should not be performed by the same individual. As the duties of chairman of the Company and chief executive officer of the Company had been performed by Mr. Wu Changjiang until 24 May 2012, the Company deviated from the Code. However, Mr. Wu Changjiang resigned as the Chairman, Executive Director and chief executive officer of the Company, and resigned from all positions in committees of the Board with effect from 24 May 2012. Since then, the roles of the chairman and chief executive officer have been separated and the requirement under the Code Provision A.2.1 has been complied with. Following the resignation of Mr. Wu Changjiang, Mr. YAN Andrew Y holds the position of chairman of the Company. Mr. Zhang Kaipeng takes the place of Mr. Wu Changjiang for the position of chief executive officer of the Company. As of 25 November 2012, Mr. Zhang Kaipeng resigned as the chief executive officer of the Company, and Mr. Wu Changjiang was appointed again as the chief executive officer of the Company with effect from 11 January 2013. At present, the Chairman of the Company is Mr. YAN Andrew Y and the chief executive officer of the Company is Mr. Wu Changjiang.

Moreover, during the Reporting Period, Mr. Karel Robert Den Daas and Mr. Alan Russell Powrie resigned as Independent Non-executive Directors of the Company with effect from 9 August 2012 and 29 August 2012 respectively. As a result, they ceased to be the members of the nomination committee since the respective date, which made the Company not in compliance with the requirement of Code Provision A.5.1. Thereafter, the Board has appointed Mr. Yung Tse Kwong, Steven and Mr. Lee Kong Wai, Conway as Independent Non-executive Directors of the Company with effect from 8 November 2012 and 28 November 2012 respectively. Mr. Yung Tse Kwong, Steven has also joined in the nomination committee. Accordingly, the Company is in compliance with the requirement of Code Provision A.5.1.

In addition, the chairman of the Board of the Company, Mr. Yan Andrew Y, did not attend the shareholders' annual general meeting held on 19 June 2012 as he was not in Hong Kong, resulting in the Company's non-compliance with the requirement under the Code Provision E.1.2.

## 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. New written terms of reference of the audit committee were adopted on 26 March 2012. 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. Karel Robert Den Daas and Mr. Alan Russell Powrie resigned as Independent Non-executive Directors of the Company with effect from 9 August 2012 and 29 August 2012 respectively. As a result, they ceased to be the member and chairman of the audit committee since the respective date, which made the Company not in compliance with the requirement of Rule 3.10, 3.10A and 3.21 of the Listing Rules. Thereafter, the Board appointed Mr. Yung Tse Kwong, Steven as Independent Non-executive Director of the Company and member of the Audit Committee with effect from 8 November 2012; and appointed Mr. Lee Kong Wai, Conway as Independent Non-executive Director of the Company and chairman of the Audit Committee with effect from 28 November 2012. Accordingly, the Company is in compliance with the requirement of Rule3.10, 3.10A and 3.21 of the Listing Rules. At present, the audit committee has three members who are all Independent Non-executive Directors, namely Mr. Wang Jinsui, Mr. Yung Tse Kwong, Steven and Mr. Lee Kong Wai, Conway. Mr. Lee Kong Wai, Conway has been appointed as the chairman of the audit committee. The audit committee has reviewed and discussed the final results for the Reporting Period.

## REMUNERATION COMMITTEE

The Company established a remuneration committee in compliance with the Listing Rules. New written terms of reference of the remuneration committee were adopted on 26 March 2012. 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. Karel Robert Den Daas and Mr. Alan Russell Powrie resigned as Independent Non-executive Directors of the Company with effect from 9 August 2012 and 29 August 2012 respectively. As a result, they ceased to be the chairman and member of the remuneration committee since the respective date, which made the Company not in compliance with the requirement of Rule 3.25 of the Listing Rules. Thereafter, the Board appointed Mr. Yung Tse Kwong, Steven and Mr. Lee Kong Wai, Conway as Independent Non-executive Directors of the Company with effect from 8 November 2012 and 28 November 2012 respectively. They also joined in the remuneration committee. Accordingly, the Company is in compliance with the requirement of Rule 3.25 of the Listing Rules. In addition, Mr. Wang Jinsui was appointed as the chairman of the remuneration committee on 8 November 2012. At present, the remuneration committee has five members, namely Mr. Yan Andrew Y, Mr. Zhu Hai, Mr. Wang Jinsui, Mr. Yung Tse Kwong, Steven and Mr. Lee Kong Wai, Conway. Mr. Wang Jinsui is the chairman of the remuneration committee.

## NOMINATION COMMITTEE

The Board of the Company approved the establishment of a nomination committee on 26 March 2012 with written terms of reference. The primary duties of the nominees 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. Karel Robert Den Daas and Mr. Alan Russell Powrie resigned as Independent Non-executive Directors of the Company with effect from 9 August 2012 and 29 August 2012 respectively. As a result, they ceased to be the members of the nomination committee since the respective date, which made the Company not in compliance with the requirement of Code Provision A.5.1. Thereafter, the Board appointed Mr. Yung Tse Kwong, Steven and Mr. Lee Kong Wai, Conway as Independent Non-executive Directors of the Company with effect from 8 November 2012 and 28 November 2012 respectively. Mr. Yung Tse Kwong, Steven has also participated in the nomination committee. Accordingly, the Company is in compliance with the requirement of Code Provision A.5.1. In addition, Mr. Wang Jinsui resigned as the chairman of the nomination committee on 8 November 2012, but will remain as the member of the nomination committee. At present, the nomination committee has three members, namely Mr. Lin Ho-Ping, Mr. Wang Jinsui and Mr. Yung Tse Kwong, Steven. Mr. Yung Tse Kwong, Steven has been appointed as the chairman of the nomination committee.

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

From 1 January 2012 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. Wu Changjiang resigned as the Chairman and Executive Director of the Company with effect from 24 May 2012.

Mr. Karel Robert Den Daas resigned as an Independent Non-executive Director of the Company with effect from 9 August 2012.

Ms. Hui Ming Yunn, Stephanie resigned as a Non-executive Director of the Company with effect from 24 August 2012.

Mr. Alan Russell Powrie resigned as an Independent Non-executive Director of the Company with effect from 29 August 2012.

Mr. Yung Tse Kwong, Steven has been appointed as an Independent Non-executive Director of the Company with effect from 8 November 2012.

Mr. Lee Kong Wai, Conway has been appointed as an Independent Non-executive Director of the Company with effect from 28 November 2012.

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

In addition, Mr. Yan Andrew Y (being a Non-executive Director of the Company) has been appointed as an independent non-executive director of China Petroleum & Chemical Corporation since 11 May 2012, has held the position of non-executive director of Guodian Technology & Environment Group Corporation Limited since 8 June 2012 and has held the position of independent non-executive director of China Mengniu Dairy Company Limited since 10 January 2013.

China TransInfo Technology Corp., of which Mr. Lin Ho-Ping (being our company's Non-Executive Director) serves as a director has completed privatization and delisted from the NASDAQ Global Market since 31 October 2012.

Mr. Wang Jinsui (being our company's independent non-executive director) has held the position of the honorable chairman of the sixth Council of China Illuminating Engineering Society since June 2012.

## 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

On behalf of the Board, I would like to take this opportunity to express our appreciation to the management team and staff of the Group for their contribution during the Reporting Period and also to give our sincere gratitude to all our shareholders 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. |

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| "Code" | the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, renamed as Corporate Governance Code and Corporate Governance Report with effect from 1 April 2012. |
| "Company" or "our Company" | NVC Lighting Holding Limited * (雷士照明控股有限公司), a company incorporated in the BVI on 2 March 2006 and subsequently redomiciled to the Cayman Islands on 30 March 2010 as an exempted company with limited liability under the laws of the Cayman Islands. |
| "Corresponding Period" | means the year ended 31 December 2011 or year ended 31 December 2012 (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. |
| "HK$" or "Hong Kong dollars" | Hong Kong dollars, the lawful currency of Hong Kong. |
| "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. |
| "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. |
| "HID" | high intensity discharge. |
| "LED" | light-emitting diode. |
| "Listing Rules" | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. |

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| "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. |
| "OEM" | original equipment manufacturing whereby products are manufactured in accordance with the customer's design and specification and are marketed under the customer's brand name. |
| "Professional Engineering Customers" | professional engineering customers mainly represent professional engineering projects in connection with railways, highways, airports, subways, tunnels, bridges, municipal lighting, energy efficiency remodification and reconstruction and construction of urban infrastructures. |
| "Reporting Period" | the year ended 31 December 2012. |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). |
| "Shandong NVC" | Shandong NVC Lighting Development Co., Ltd.* (山東雷士照明發展有限公司), a limited liability company incorporated in the PRC and is owned as to 48% by Ms. Chen Min, Mr Wu Changjiang's mother in law. |
| "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. |
| "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. |
| "RMB" | Renminbi, the lawful currency of the PRC. |

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|---|---|
| “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 BVI on 5 August 2005 and our wholly-owned subsidiary. |
| “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**
**YAN Andrew Y**
*Chairman*

Hong Kong, 27 March 2013

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

*Executive Director:*
MU Yu

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

*Independent Non-executive Directors:*
WANG Jinsui
YUNG Tse Kwong, Steven
LEE Kong Wai, Conway