Analysis of Acquisitions of Lighting Industry: Evidence from FSL Lighting's Acquisition of Nanning Liaowang

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Abstract. After the third wave of acquisitions and mergers in China, acquisitions have become an important means for firms to increase profitability. A proper acquisition decision can reduce a firm's operating costs, protect it against business risks, and significantly improve its profitability. In an active market full of acquisitions and mergers, firms often experience high risks of acquisitions due to information asymmetries. They need relevant case studies to help their managers make appropriate decisions. Thus, through the methodologies of theoretical and case analysis, this paper takes the case (i.e., FSL Lighting's acquisition of Nanning Liaowang) as a starting point, exploring problems in the acquisitions of listed companies and providing suggestions for related financial regulators. The paper is of great importance to the firms in the electric lighting industry. Meanwhile, we find the company's path to internalization beset with many difficulties. The firm faced a relatively slow pace of upgrading its product mix, as well as lower-than-expected increases in operations and profitability after the acquisition. It is believed that companies cannot sustain their competitive advantages based on scales alone in the future. The only way for companies to capture a larger market share is to continuously perfect sales channels, to transform and upgrade their products and to actively expand their businesses in the overseas market. These results shed light on guiding further exploration of post-acquisition reorganization and integration of enterprises.

Keywords: Acquisitions and mergers (M&A); theoretical analysis; case study.

1. Introduction

Contemporarily, Chinese companies increasingly adopt acquisitions to acquire talents and resources at minimal costs, introduce business models, and improve their contribution marginal both financially and strategically. Meanwhile, the number of acquisitions of listed companies in China continues to grow annually with good prospects, despite the various risks that companies face (e.g., as legal risks, operational liabilities, and enterprise valuation) [1]. According to the PwC China M&A 2021 mid-year review and outlook, China's M&A transaction volume in H1 2021 rose by 11% compared to H2 2020, reaching the highest record level at 6,177 deals [2]. China has gradually become a dominant player in the global market, given its growing share of the global M&A market.

In 2021, the lighting industry of China continued to grow tenaciously after the epidemic, price increases and national policy adjustments. Its strong vitality and resilience were developed by the continuous optimization of several new lighting sectors. Gao classifies the main focused areas into smart, healthcare, agriculture, automotive, and cultural tourism lighting. When companies merge or acquire firms in such sectors, they need to particularly make their decisions more compatible with scientific development [3]. As for the government, it is also important to explore and optimise M&A industries and integrate resources accordingly [4]. Recently, entrepreneurs in the lighting industry have optimized industrial structures through integration and reorganization, thus enhancing their core competitiveness and achieving strategic development. By studying M&A cases as well as the issues arising from the cases, this study offers useful guidance on how to deal with increasingly fierce competition and ongoing reshuffling of the lighting industry.

In addition, Gao states that at present, most studies, conducted both in China and abroad, primarily focuses on M&A performance [5]. For example, Yu provides a detailed analysis on whether firms generate revenues after M&A, and offers suggestions for the future development of the M&A market [6]. Thus, complete case studies are required in order to effectively optimize the allocation of resources and promote the adjustments of industrial structures. This paper analyses the acquiring and the acquired companies through theoretical and case study approaches, to reveal the limitations and prospects of the electric lighting industry. Problems in this case are presented in objective data, together with possible solutions. This study first begins with a theoretical analysis of the motives and characteristics of the acquisition, followed by an introduction of the advantages of both sides and an analysis of financial statements. Then, he risks of the acquisition is evaluated, which is the core section of this study. Finally, we give recommendations to acquirers and regulators based on the previous sections.

2. Case Description

2.1 The Acquiring Company: Foshan Electrical And Lighting Co., Ltd. (FSL Lighting)

FSL Lighting has greatly optimized its industrial layout with close attention to market demand. The firm has gradually expanded its business segments from general, electric, and automotive lighting to smart, animal and plant, healthcare, and marine lighting, in order to build a competitive cluster of lighting products. FSL Lighting now cooperates with Alibaba, Huawei, Tencent, Baidu, and other companies in the field of intelligent products.

2.2 The Acquired Company: Nanning Liaowang Automotive Lamps Co., Ltd. (Nanning Liaowang)

Nanning Liaowang, established in 1956, has long specialized in the design and production of automotive lamps. The company's total revenue in 2021 was CNY 1.518 billion, including approximately CNY 6.6 billion from its automotive lighting business in the consolidated financial statements. In terms of the new energy automotive lighting business, Nanning Liaowang's 2021 revenue in this area was about CNY 2.2 million, representing a year-on-year growth of 131.58% and an operating profit margin of 3.98%. Clients of the company's new energy automotive lamps mainly include Wuling, Celes, etc.

2.3 The Acquisition

With the acquisition of Nanning Liaowang, FSL Lighting expanded its industrial chain to include automotive lamps. Before, the company's automotive lighting products were primarily light sources and modules. After acquiring Nanning Liaowang, FSL Lighting successfully brought automotive lamp business into the field of automotive lighting, achieving direct access to the automotive OEMs. In addition, the firm significantly improved its technology in the field of automotive lamps with the acquisition. Since it was long specialized in the field of automotive lighting while FSL Lighting only joined in this field in 2017, the former's expertise in automotive lighting can help to improve the latter's technology in this field. With the introduction of NationStar's technology into the field of automotive lighting, it can achieve research and development cooperation with NationStar. In 2021, FSL Lighting's gross margins in automotive lighting experienced a decline at 16.88% due to the significant increase in depreciation expenses of fixed assets after the acquisition.

3. Case Analysis

3.1 The Acquisition Model and Characteristics

As reported by China Securities Journal, FSL Lighting officially announced on 24 April 2021 that the firm finally decided to invest RMB 480 million of its equity funds to acquire Nanning Liaowang by the means of share acquisition and capital investment. In particular, FSL Lighting used RMB 288 million to acquire approximately 40% of Nanning Liaowang's equity and used RMB 2 billion to increase the firm's investment, totally holding 53% shares of Nanning Liaowang upon the transactions [7]. According to the data, FSL Lighting spent a large sum of money on this acquisition and finally obtained over half of the shares of Nanning Liaowang. The acquisition was large-scale and centered on the area of automotive lighting, with sizeable and domain-specific features.

3.2 Analysis of the Acquisition Purpose

As stated by Yan, acquisition refers to the process by which a company gains a certain degree of control over another company through property rights exchanges [8]. The acquisition of Nanning Liaowang helped FSL Lighting to expand its businesses, and thus met the company's huge market demands. Additionally, FLS Lighting has been committed to the transformation and upgrade of the industries and its products, shifting its focus from light sources to automotive lamps. Based on acquiring, FSL Lighting can improve its original industrial structure and achieve a powerful integration. The acquisition itself had great strategic value, by extending the core technologies and capabilities of the two companies mentioned before. Meanwhile, the acquisition also helped to realize operating synergy (i.e., applying the company's resources and capabilities more efficiently), management synergy (i.e., the enterprise management capabilities after the acquisition greater than the sum of the management capabilities of the two separate enterprises) and financial synergy (i.e., reducing the risk of bankruptcy), and formed a powerful integrated enterprise just like "1+1>2" [9].

3.3 Analysis of the Advantages of the Acquiring and the Acquired Company

3.3.1 Advantages of FSL Lighting

FSL Lighting has a long development history, with rich experience in the lighting industry and perfect facilities, thus featuring a solid foundation for the upgrade of industrial structure. It is expected to benefit from the dividend of qualified personnel, given the firm's robust industrial structure in traditional lighting, its outstanding talent advantage and a broad prospect in emerging lighting which is greatly supported by China. Hence, FSL Lighting's long-established hard power and R&D capabilities can accelerate its industrial integration with Nanning Liaowang, enhance the compatibility with the acquired company, and bring substantial returns in the future.

3.3.2 Advantages of Nanning Liaowang

Nanning Liaowang also has a long development history. By virtue of decades of experience in the lighting industry and its unique strengths in the production of automotive lamps (e.g., strengths in controlling costs and well-developed industry chains), it produces products with a high level of customization and strong market competitiveness. Most importantly, it constantly improves the production capacity and R&D abilities, showing a particular advantage in the mid-to-high-end mark, which provides a strong support for FSL Lighting to upgrade its industrial structure and product mix.

3.4 Analysis of Financial Statements

3.4.1 FSL Lighting

First, by comparing the firm's balance sheet of 2021 with the one of 2020, the amount of FSL Lighting's monetary capital witnessed an obvious increase of 2.76% in 2021. The company had a stable operation foundation and strong purchasing and bargaining power, thus effectively increasing its inventory turnover. After the acquisition of Nanning Liaowang, its total assets increased significantly, from RMB 8519.34 million in 2020 to RMB 9699.59 million in 2021. The firm's fixed and current assets rose simultaneously, with the proportion of current assets to total assets growing from 42.34% to 51.50%. This data demonstrated the firm's strong liquidity and adaptability as well as its low operating risks soon. At the same time, FSL Lighting's total liabilities showed a noticeable rise from RMB 2207.16 million to RMB 3423.18 million. The proportion of current liabilities to total liabilities changed from 81.15% in 2020 to 93.64% in 2021. According to the results, FSL Lighting had some debt pressure in the short term, but in the long term the pressure was expected to ease gradually, by virtue of the firm's stable operations and the acquisition of Nanning Liaowang.

According to FSL Lighting's 2021 annual report, the firm's revenue in 2020-2021 was dominated by LED products, with a year-on-year decrease in the LED product revenue. In 2021, the proportion of automative lighting revenue to total revenue rose noticeably from 4.96% in 2020 to 18.84% in 2021, representing a year-on-year increase of 383.61%. By contrast, in terms of traditional lighting, its revenue as a percentage of total revenue showed a year-on-year decline of 2.69% during the years of 2020-2021. From the data, after the acquisition of Nanning Liaowang, FSL Lighting took full advantage of its superior products and upgraded its product mix. This, in turn, resulted in substantial gains, as shown in the Table. 1.

Table. 1 Foshan Electrical and Lighting Co., Ltd. Annual Report 2021.

	2021	2020	2021-over2020 change (%)	2019
Operating revenue (RMB)	4,772,690,469.14	3,744,914,452.72	27.44%	3,337,576,747.66
Net profit attributable to the listed company's shareholders (RMB)	250,091,965.87	316,914,185.34	-24.09%	296,077,926.11
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	150,010,381.60	276,795,046.07	-45.80%	283,753,154.31
Net cash generated from/used in operating activities (RMB)	-277,025,085.26	394,828,331.90	-170.16%	509,889,792.05
Basic earnings per share (RMB/share)	0.1854	0.2349	-21.07%	0.2195
Diluted earnings per share (RMB/share)	0.1836	0.2327	-21.10%	0.2174
Weighted average return on equity (%)	4.23%	5.82%	-1.59%	6.18%
Total assets (RMB)	9,699,592,528.61	8,519,336,914.11	13.85%	6,477,955,373.32

Table. 2 Foshan Electrical and Lighting Co., Ltd. Interim Report 2022

	Reporting Period	The same period of last year		Change of this Reporting Period over the same period of last year (%)
		Before adjustments	After adjustments	After adjustments
Operating Revenue (RMB)	4,348,268,999.31	1,955,342,116.20	3,626,200,260.17	19.91%
Net profit attributable to the listed company's shareholders (RMB)	160,664,433.28	110,555,542.93	122,377,552.60	31.29

As illustrated in Table. 1, the operating revenue of FSL Lighting witnessed a noticeable year-over-year rise of 27.44%, reaching RMB 4.773 billion in 2021. Most importantly, automotive lighting products made a huge contribution in this year, with a revenue of RMB 899 million, over three times (i.e., 383.61%) more than the one of 2020. Although net profit declined significantly, FSL Lighting has considerably good prospects in the long run, considering that it was still a relatively short period after the acquisition and substantial profits were generated from automotive lighting. Table 2 was an excerpt from Foshan Electrical and Lighting Co., Ltd. Interim Report 2022. It can be noted that the firm's total operating revenue and net profit attributable to shareholders both presented an upturn, with year-on-year rises of 19.91% and 31.29% respectively. Thus, after a period of improvements in operations and adaption to the acquisition, FSL Lighting gradually overcame the tough period in the aftermath of the acquisition. The positive return from the acquisition of Nanning Liaowang required a certain amount of time as well as certain processes.

Overall, the firm's cash inflows and outflows from operating activities both presented an upward trend with significant year-on-year changes, which means the large scale of FSL Lighting. Operating activities accounted for the largest proportion of cash inflows in the two years, followed by investing activities and financing activities respectively. Similar trends can be found in cash outflows.

Table. 3 Foshan Electrical and Lighting Co., Ltd. Annual Report 2021

Item	2021	2020	Change (%)
Subtotal of cash generated from operating activities	4,544,248,307.83	3,574,410,231.32	27.13%
Subtotal of cash used in operating activities	4,821,273,393.09	3,179,581,899.42	51.63%
Net cash generated from operating activities	-277,025,085.26	394,828,331.90	-170.16%
Subtotal of cash generated from investing activities	1,914,743,798.27	467,212,335.49	309.82%
Subtotal of cash used in investing activities	941,892,466.14	544,212,335.49	73.04%
Net cash generated from investing activities	972,851,332.13	-77,094,287.62	1,361.90%
Subtotal of cash generated from financing activities	127,386,000.00	48,300,000.00	163.74%
Subtotal of cash used in financing activities	554,27,366.75	536,686,783.37	3.27%
Net cash generated from financing activities	-426,841,366.75	-488,386,783.37	12.60%
Net increase in cash and cash equivalents	263,360,932.74	-175,350,823.84	250.19%

As shown in the Table. 3, compared to the same period of 2020, net cash generated from operating activities decreased by 170.16% in 2021, while net cash generated from investing activities and financing activities increased by 1,361.90% and 12.60% respectively. Based on previous statistics and calculations, the authors conclude that FSL Lighting had relatively strong business stability, profitability, and solvency, and was able to further improve its liquidity and power after the acquisition of Nanning Liaowang. From a comparison of the net cash flows in the above chart, it can be noted that net cash generated from investing activities turned from negative to positive in the period of 2020-2021. This, together with the negative net cash generated from financing activities in 2021, suggests that FSL Lighting was at the stage of harvest period.

3.4.2 Nanning Liaowang

The Table. 4 represents the firm's operating revenue and net profit in 2020 and in January-March 2021. It can be observed that the two financial indicators were both positive, with no negative growth. The net profit was RMB 39.68 million in 2020 and RMB 7.32 million in the first quarter of 2021, which indicates that Nanning Liaowang had the profitability to increase revenue after being merged into FSL Lighting. However, Nanning Liaowang's administrative expenses were relatively high in both time periods, implying a need for optimizing the firm's administration structure. This could be complemented by the advanced level of management of FSL Lighting.

Table. 4 Nanning Liaowang's Financial Report for the Previous Fiscal Year Ended 31 March 2021: the Audit Report Section.

Consolidated Income Statement Unit: RMB		
Item	Q1~Q3 2021	Year 2020
1. Total Operating Revenue	349,082,310.13	1,469,274,314.37
2. Total Operating Costs	342,641,082.53	1,407,780,169.96
Including：operating costs	293,792,670.68	1,208,762,779.85
Taxes and surcharges	2,151,657.87	9,265,314.88
Selling expense	7,776,939.04	72,858,992.90
Administrative expense	25,811,628.95	68,851,366.05
R&D expense	8,864,431.17	31,889,032.85
Financial costs	4,243,754.82	16,152,683.43
3. Net profit	7,324,272.48	39,688,282.04

As shown in the Table. 5, regarding the cash inflow structure of Nanning Liaowang, operating activities accounted for the largest proportion of cash inflows in 2020 and in January-March 2021, followed by financing activities and investing activities respectively. In other words, operating activities served as the main source of cash inflows, while the latter two contributed less. In terms of cash outflows within the same time periods, the proportion of operating, financing and investing activities was in the same order. Cash outflows were dominated by operating activities, while complemented by financing and investing activities. In addition, the net cash flows from investing activities kept negative throughout the two time periods. Cash and cash equivalents at the end of the period remained positive with generally minor fluctuations, at RMB 148 million in 2020 and RMB 146 million in the first quarter of 2021. Hence, Nanning Liaowang had a strong cash generating capacity, not relying on investments.

Table. 5 Nanning Liaowang's Financial Report for the Previous Fiscal Year Ended 31 March 2021: the Audit Report Section.

Consolidated Cash Flow Statement Unit: RMB		
Item	Q1~Q3 2021	Year 2020
1. Cash flows from operating activities:		
Subtotal of cash generated from operating activities	271,284,148.51	1,036,045,998.80
Subtotal of cash used in operating activities	286,688,236.47	919,771,467.11
Net cash generated from operating activities	-15,404,087.96	116,274,531.69
2. Cash flows from investing activities:		
Subtotal of cash generated from investing activities	3,903,219.77	11,450.00
Subtotal of cash used in investing activities	16,873,160.46	73,057,573.75
Net cash generated from investing activities	-12,969,940.69	-73,046,123.75
3. Cash flows from financing activities:		
Subtotal of cash generated from financing activities	57,700,000.00	295,712,675.62
Subtotal of cash used in financing activities	30,383,903.27	291,522,987.26
Net cash generated from financing activities	27,316,096.73	4,189,688.36
4. Cash and cash equivalents, end of the period	146,608,708.29	148,284,467.30

3.4.3 Summary

Based on the analysis of FSL Lighting's and Nanning Liaowang's financial statements, both companies encountering some problems in operations. To be specific, the two companies showed a general positive development in operations, with solid industrial foundations. From a recent perspective, after the acquisition, FSL Lighting took a favorable turn and made breakthroughs in the first half of 2022. From a long-term perspective, the acquisition can help the two companies realize great synergies, create more value for the companies, maximize their enterprise value and even increase social wealth [10].

3.5 Risk

3.5.1 Overseas business expansion failed to meet expectations.

As shown in Fig. 1, the increase in FSL Lighting's gross margin mainly came from the domestic market, while the overseas market experienced a negative growth in gross margin, dropping by 3.5%. The data together implies the firm's bumpy road toward internalization. After the acquisition of Nanning Liaowang, FSL Lighting did not meet expectations. The firm's business expansion was overall slow and unsatisfactory, and the overseas market shirked more than the domestic market, with the risks of narrowing customer scopes and overstocking products.

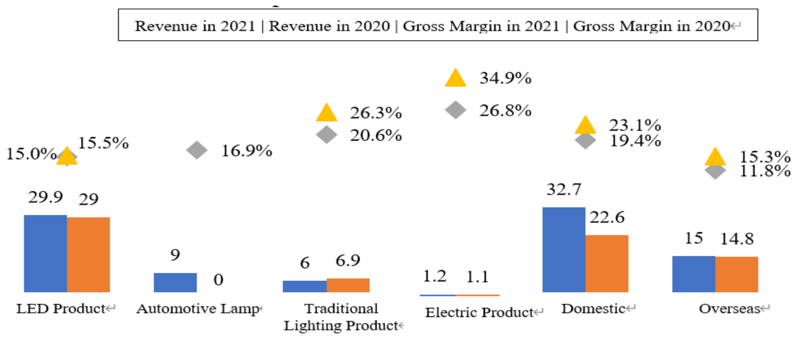

Fig. 1 Comparison of revenue and gross margin by product in 2020 and 2021.

3.5.2 Performance failed to meet expectations

As summarized in Table. 6, compared to the previous year, FSL Lighting's net profit, operating profit ratio and return on equity showed a downward trend in 2021, with net profit decreasing more significantly from RMB 317 million to RMB 2.5 million. The decline of the above indicators occurred after the acquisition, which was partly owing to the short time after the acquisition and the firm's relatively high pressure on operations. Nevertheless, FSL Lighting was at risk of constantly being in recession, given the above changes brought by the acquisition. Thus, there is still a risk that the firm's performances fail to meet previous expectations, despite a positive increase in revenue and net profit in the first half of 2022.

Table. 6 Financial summary, profit margin and valuation indicators.

Financial Summary (Million RMB)	2020A	2021A
Net profit (attributable to shareholders)	317	250
(+/-)%	*7%*	*-21%*
Net profit per share (yuan)	0.23	0.18
Dividend per share (yuan)	0.10	0.10
Profitability and Valuation Metrics		
Operating profit ratio (%)	8.2%	3.5%
Return on equity (%)	5.1%	4.3%

3.6 Judgments of the Case

Based on previous analysis, the authors draw the following conclusions on this case. First, opportunities exist alongside challenges, but after the acquisition, the two enterprises both had good prospects. FSL Lighting, an original leading company, improved its enterprise value after the acquisition and further strengthened its outstanding market position. Additionally, the two companies achieved a strong integration, realizing significant synergies and a large-scale trend in revenue. Thus, it is believed that FSL Lighting's acquisition of Nanning Liaowang is an overall success.

4. Suggestions

FSL Lighting attempts to export capital and expand its overseas market, as its domestic market nearly reaches saturation. Whereas, the acquisition cannot help FSL Lighting improve much influence in the overseas market, since the acquired company is also a domestic enterprise with few foreign customer resources. Wang claims that enterprises need to learn to differentiate their brand images and insist on independent innovation, so as to achieve the ultimate goal of creating a global brand [11]. Thus, it is vital for companies to adopt a market diversification strategy and strengthen its brand effects. The most important issues in exploiting an overseas market are to develop a diversified business model, which aligns with corporate production objectives, to focus on the integration of corporate superior resources and to utilise the firms' core advantages in customers, products and talents. Only in such ways can companies improve their overall core competencies and encounter less risks in overseas markets. Secondly, it is also important to expand brand awareness and value the development of brand strategies. For example, companies can use the Internet to promote activities and enhance their service qualities, which, in turn, improves their brand value. For consumers, they often choose companies with higher brand awareness, believing that in this way product qualities can be guaranteed. Hence, companies can greatly surpass others in influence, if they are willing to spend more time and efforts on building a novel brand image.

Low post-acquisition returns were caused by the relatively short period of time since the acquisition and the imperfect integration system. Thus, it is urgent to accelerate the transformation and upgrading of FSL Lighting and optimise its corporate structure. As stated by Wang, companies should focus on quality improvement in addition to an emphasis on technological innovation, so as to succeed in transformation and upgrading [12]. From the perspective of products, FSL Lighting should optimise old products and layout new ones, in order to enhance its market competitiveness. Alongside the constant optimisation of product lines, the firm should produce high-quality products tailored to customer needs, to expand its market more adequately. In terms of manufacturing, if having sufficient funds, FSL Lighting should take firm control of its production lines, optimising product processes and improving production efficiencies. It needs to set strict production standards, define quality as the priority, and implement manual inspection policies. In the manufacturing process, FSL Lighting can only achieve the technology-driven upgrading of its products if the firm constantly increases investment in the industry trends (e.g., product intelligence, premiumisation and market segmentation) optimises its R&D personnel, and draws on the resources from other research institutes as well as higher education institutions when necessary. With regard to promotion, FSL Lighting should keep in step with the times and form its own multi-channel network through the development of multiple media publicity channels. This helps the firm lay the foundations for gaining users' trust and establishing a good brand image. In terms of talent, FSL Lighting should strive to optimize its talent structures, perfect its positive competition mechanisms and actively introduce personnel in management, marketing and technology. FSL Lighting should unlock the creativity of talent and improve its operation efficiency, so that the firm can fulfill its innovation-driven development strategy, launch new products to boost its market share, and gradually improve the firm's profitability.

5. Limitations and Prospects

After the completion of the acquistion, FSL Lighting has good prospects, but also some potential limitations. More specifically, the acquired company, Nanning Xuanwang, was an unlisted public company, thus without sufficient financing abilities and without a particularly large market share. In addition, the raw materials themselves were relatively expensive, which might potentially squeeze the company's profit margins. The epidemic also had a considerably large impact on the industry. With a possible affect on raw materials and production processes, the epidemic might raise the costs as well as the production and manufacturing time.

With technological breakthroughs in the lighting industry and gradual decline in production costs, recently the lighting industry has maintained a steady and ongoing development. At present, companies in the industry have been in fierce competition, entering a phase of continuous integration and reorganization. As the lighting industry accelerates its transformation and upgrading, companies lacking core competencies gradually disappear. Market resources increasingly flow to leading companies and firms acceleratd their mergers and acquisitions, which gradually forms a tendency of cross-border integration. It implies that the lighting industry has entered a mature phase with a slower growth in market size. The slightly depressed market continuously pushes companies to innovate in production and explore new areas of lighting, which can, in turn, expand the industry's market space.

As one relatively large manufacturer of automotive lamps in China, Nanning Liaowang was devoted to the research and development of automotive lighting, with a loyal customer group through decades of continuous development. By acquiring Nanning Liaowang, FSL Lighting is able to fully exploit their synergy effects, absorb external technologies, gain access to new customers and expand the firm's scale. In future, through the acquisition, FSL Lighting can optimise its industrial distributions, explore businesses in new areas, and conduct in-depth arrangements and cooperations in the field of new energy vehicles. With a good prospect, it is expected to furtuer improve its core competitiveness and gain a higher market share.

6. Conclusion

In summary, FSL Lighting's acquisition of Nanning Liaowang brought good opportunities, as well as certain risks. FSL Lighting's gross margin, net profit and return on equity were all lower in 2021 than 2020, while the firm's revenue and net profit showed a simultaneous growth in the first half of 2022. The two companies both showed a good prospect, by improving their market shares and positions after the acquisition. The acquisition helped the companies to conduct research and make breakthroughs on the basis of original industries, thus allowing them to meet expectations and gain higher market shares more quickly. This paper provides an in-depth analysis of the acquisition case, verifying the success of the case, reflecting the significance of the acquisition.

Neverteless,the two companies in this case are deeply affected by the epidemic situation and rising raw material prices, and there are certain difficulties in financing. In the future, the acquisition trend of China's lighting enterprises will be more obvious. Ovearll, this study provides theoretical support for subsequent research, which investigates the ways of dealing with non-systematic risks after an acquisition. Besides, we facilitaty a more in-depth understanding of the considerations within acquisitions as well as the future trends of the lighting industry and decision-making of enterprise acquisition.

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