THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in NVC Lighting Holding Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NVC 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)

VERY SUBSTANTIAL DISPOSAL
DECLARATION AND PAYMENT OF THE SPECIAL DIVIDEND
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

Deloitte. 德勤

Deloitte & Touche Corporate Finance Limited

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders

Gram Capital Limited
嘉林資本有限公司

A notice convening the EGM of the Company to be held at The Dynasty Club, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Monday, 18 November 2019 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.nvc-lighting.com.cn).

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 10:00 a.m. on Saturday, 16 November 2019). To be effective, all forms of proxy must be lodged with Computershare Hong Kong Investor Services Limited before the deadline. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if they so wish.

References to time and dates of this circular are to Hong Kong time and dates.

31 October 2019

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Agreed Form"	means, in relation to a document, the form of that document which has been agreed by way of email confirmation on the date of the Share Purchase Agreement by or on behalf of the Company and the Purchaser (in each case with such amendments as may be agreed in writing by or on behalf of the Company and the Purchaser)
"Amendment Letter"	the amendment letter to the Share Purchase Agreement dated 29 October 2019 entered into by the parties to the Share Purchase Agreement to amend and supplement terms of Share Purchase Agreement in relation to pre-sale reorganisation
"Articles of Association"	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
"B2B"	business-to-business
"B2C"	business-to-consumer
"Blue Light"	Blue Light (HK) Trading Co., Limited (香港蔚藍芯光貿易有限公司), a company incorporated in Hong Kong with limited liability which is a wholly-owned subsidiary of the Company
"Blue Light Group"	Blue Light and its subsidiaries as at the Closing
"Board"	the board of directors of the Company
"China ODM Business"	means the design and manufacturing of lighting products in Mainland China by the relevant members of the Remaining Group that are branded, marketed and sold under the brand and name of the customers of the relevant members of the Remaining Group
"Closing"	completion of the Disposal in accordance with the terms and conditions of the Share Purchase Agreement and the Amendment Letter
"Closing Date"	the date on which Closing occurs

"Company"	NVC Lighting Holding Limited (雷士照明控股有限公司), a company incorporated in the British Virgin Islands on 2 March 2006 and subsequently redomiciled to the Cayman Islands on 30 March 2010 as an exempted company with limited liability under the laws of the Cayman Islands. The issued Shares of the Company are listed on the main board of The Stock Exchange of Hong Kong Limited
"connected person(s)"	has meaning ascribed to it in the Listing Rules
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the entire share capital of the Target Companies by the Company and LED Holdings to the Purchaser pursuant to the Share Purchase Agreement and the Amendment Letter
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company to be held at The Dynasty Club, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Monday, 18 November 2019 at 10:00 a.m., and any adjournment thereof
"ETIC"	Elec-Tech International Co., Ltd.* (安徽德豪潤達電氣股份有限公司, previously known as 廣東德豪潤達電氣股份有限公司) (stock code: 2005), a company with limited liability incorporated in the PRC which is currently listed on the Shenzhen Stock Exchange and a substantial Shareholder of the Company
"ETIC Group"	ETIC and its subsidiaries
"ETISSL"	a trademark owned by ETi Solid State Lighting, Inc., a company with limited liability incorporated in Ohio, the United States, which is an indirect wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Holdco"	Brilliant Lights International Holding Pte. Ltd., which, directly or indirectly, owns 100% of the share capital of the Purchaser
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Huizhou NVC"	Huizhou NVC Lighting Technology Company Limited* (惠州雷士光電科技有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Huizhou NVC Group"	Huizhou NVC and its subsidiaries as at the Closing
"Independent Board Committee"	the independent committee of the Board comprising Mr. Lee Kong Wai, Conway, Mr. Wang Xuexian, Mr. Wei Hongxiong and Mr. Su Ling, established to give advice and recommendation to the Independent Shareholders on (i) the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder and (ii) voting at the EGM
"Independent Financial Adviser" or "Gram Capital"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than ETIC, which voluntarily abstain from voting on the resolution(s) in relation to the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder at the EGM
"Independent Third Party(ies)"	party(ies) who is(are) not connected persons of the Company as far as the Directors are aware after having made all reasonable enquiries
"JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a qualified independent valuer in Hong Kong, the independent valuer of the Company
"JPY"	Japanese Yen, the lawful currency of Japan
"Latest Practicable Date"	29 October 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular

"LED Holdings"	LED Holdings Limited (耀能控股有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company. As at the Latest Practicable Date, LED Holdings held a 100% equity interest in Zhuhai Yaohui
"Lighting Holdings II"	Lighting Holdings II Pte. Ltd., an entity indirectly controlled by KKR Asian Fund III L.P., which is a limited partnership established under the laws of Ontario, Canada
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Net Adjusted Cash Amount"	means, at any given time, an amount equal to the Adjusted Cash Amount at such time minus any amounts owed by the Target Companies under certain specific external facilities as at that time For the purposes of this calculation: ***Adjusted Cash Amount*** means, at any time, an amount equal to Cash at such time plus Cash Equivalents at such time minus Restricted Cash at such time. ***Cash*** means, at any given time, the aggregate of the Target Group's cash on hand, cash credited to a bank account and readily available, minus the amounts of cash in transit, unpaid checks, drafts and wire transfers issued by members of the Target Group, each as at such time. ***Cash Equivalents*** means, at any given time an amount equal to (i) the aggregate amount of bills receivables (excluding bills receivables discounted to the bank) owing to the Target Group at such time; minus (ii) the aggregate amount of bills payable which will become due and payable by any of the Target Group in the two month period following such time; minus (iii) the aggregate amount of any deposits paid by the Target Group with respect to the bills payable referred to in (ii) of this definition.

	Restricted Cash means, at any given time, any cash that is not freely usable by the Target Group at such time because it is subject to express contractual restrictions or limitations on use or distribution by applicable laws, contract or otherwise as determined on a basis consistent with the preparation of the accounts prepared with respect to the transaction, which shall exclude aggregate amount of any deposits paid by the Target Group with respect to the bills payable referred to in (ii) of definition of Cash Equivalents.
"ODM Products"	products designed and manufactured by the Group and subsequently branded under the brand of a brand owner for sale
"Percentage Ratio(s)"	has the meaning ascribed thereto under Chapter 14 of Listing Rules
"PRC" or "Mainland China"	the People's Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Purchaser"	Brilliant Lights Investment Pte. Ltd., which is a wholly-owned subsidiary of Holdco
"Remaining Business"	Collectively, (i) the China Remaining Business as defined in the letter from the Board; (ii) the China ODM Business; and (iii) the International Business as defined in the letter from the Board
"Remaining Group"	the Group immediately after the Closing
"RMB"	Renminbi, the lawful currency of the PRC
"SAMR"	the State Administration for Market Regulation of the People's Republic of China or its local counterpart (as the case may be)
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of US$0.0000001 each in the share capital of the Company
"Share Purchase Agreement"	the Share Purchase Agreement dated 10 August 2019 entered into between the Company, LED Holdings, the Purchaser, Holdco and Lighting Holdings II in relation to the sale and purchase of the Target Companies

"Shareholder(s)"	holder(s) of Share(s)
"Shareholders' Agreement"	the Shareholders' Agreement to be entered into among the Company, Lighting Holdings II and Holdco on the Closing Date to govern the future management of Holdco and the relationship of the Company and Lighting Holdings II as shareholders of Holdco
"Special Dividend"	the special dividend of not less than HK$0.9 per Share proposed to be paid by the Company to the Shareholders subject to, among other matters: (i) the passing of an ordinary resolution by the Shareholders at the EGM; and (ii) the Closing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Business"	the manufacture and distribution business of lighting products in the Mainland China, Hong Kong and Macau Special Administrative Region of the Target Group
"Target Companies"	Huizhou NVC, Blue Light and Zhuhai Yaohui
"Target Group"	the group of companies as mentioned in the paragraphs headed "Information of the Target Group" in the circular, which consists of each of the Target Companies and the companies in which each of the Target Companies holds equity interests
"Total Consideration"	the Cash Consideration and the Share Consideration
"US$" or "USD"	United States dollars, the lawful currency of the United States of America
"Zhuhai Yaohui"	Zhuhai Yaohui Technology Co., Ltd.* (珠海耀輝科技有限公司), a company incorporated in the PRC with limited liability which is an indirectly wholly-owned subsidiary of the Company
"Zhuhai Yaohui Group"	Zhuhai Yaohui and its subsidiaries as at the Closing

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

Unless otherwise indicated, the translation between RMB and Hong Kong dollars were made at the rate of HK$1 to RMB0.8932, with reference to the exchange rate used in the Announcement.

NVC 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)

Executive Directors:
WANG Donglei
WANG Dongming
XIAO Yu
WANG Keven Dun
CHAN Kim Yung, Eva

Non-executive Director:
YE Yong

Independent Non-executive Directors:
LEE Kong Wai, Conway
WANG Xuexian
WEI Hongxiong
SU Ling

Registered Office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Unit 608, 6/F, Lakeside 1
No. 8 Science Park West Avenue
Hong Kong Science Park
Pak Shek Kok, Sha Tin, Hong Kong

Hong Kong, 31 October 2019

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL
DECLARATION AND PAYMENT OF THE SPECIAL DIVIDEND
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

We refer to the announcement of the Company dated 11 August 2019 (the ***Announcement***) in relation to the Disposal. On 10 August 2019, the Company, LED Holdings, Holdco, the Purchaser and Lighting Holdings II entered into the Share Purchase Agreement (as supplemented by the Amendment Letter), pursuant to which the Company and LED Holdings have conditionally agreed to dispose of, and the Purchaser has conditionally agreed to acquire the Target Companies with a valuation of 100% of the equity of the Target Companies of RMB5,559,010,897 subject to the terms of the Share Purchase Agreement (as supplemented by the Amendment Letter). The Target Group is principally engaged in the China NVC-lighting Business (as defined below).

Before the Disposal, the Company directly, and indirectly through LED Holdings, held the 100% equity interests in each of the Target Companies. After the Closing, the Company and Lighting Holdings II will respectively indirectly hold 30% and 70% of the total equity interests in each of the Target Companies and the Target Companies will therefore no longer be consolidated into the consolidated financial statements of the Group. The Company and Lighting Holdings II will, upon Closing, enter into the Shareholders' Agreement to govern the management of, and the relationship between the shareholders of, Holdco.

Subject to, among other matters, the approval of the Shareholders at the EGM and the Closing, the Board intends to declare the Special Dividend of not less than HK$0.9 per Share to the Shareholders whose names appear on the register of members of the Company on a record date to be determined. Further announcement(s) will be made by the Company in this regard as and when appropriate.

As disclosed in the Announcement, the Disposal constitutes a very substantial disposal for the Company which is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company will comply with the requirements of reporting and announcement, set up an independent board committee, and appoint an independent financial adviser for the Independent Shareholders at the EGM.

The purpose of this circular is to provide the Shareholders with: (i) further information of the Disposal; (ii) details of the proposed declaration and payment of the Special Dividend; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Disposal; and (iv) the notice of EGM, to enable the Shareholders to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM.

2. THE SHARE PURCHASE AGREEMENT

The principal terms and conditions of the Share Purchase Agreement are set out below:

Date 10 August 2019

Parties

(1) the Company (as seller);

(2) LED Holdings (as seller);

(3) the Purchaser (as purchaser);

(4) Holdco (as the sole shareholder of the Purchaser); and

(5) Lighting Holdings II (as the sole shareholder of the Holdco as at the date of the Share Purchase Agreement).

Transaction Structure/ Consideration, Payment

As at the Latest Practicable Date, Lighting Holdings II owns 100% of the share capital in Holdco, which, directly or indirectly, owns 100% of the share capital in the Purchaser.

On Closing, the Purchaser will acquire 100% of the issued share capital of each of the Target Companies. In consideration, the Purchaser will pay RMB4,611,307,628, subject to certain possible adjustments in accordance with the Share Purchase Agreement (the ***Cash Consideration***) to the Company and Holdco will issue new ordinary shares in Holdco to the Company representing 30% of the total issued share capital of Holdco on a fully-diluted basis (the ***Share Consideration***) (with the remaining 70% to be held by Lighting Holdings II). The Share Consideration is valued at RMB947,703,269 assuming that (1) Holdco will own 100% of the issued share capital in all Target Companies; and (2) Holdco and the Purchaser will have a level of long-term indebtedness of RMB2,400,000,000 (see the reason below). Therefore, the Total Consideration that will be received by the Company on Closing shall be equal to RMB5,559,010,897, i.e., being the aggregate of the Cash Consideration and Share Consideration, subject to certain potential adjustments as set out in the Share Purchase Agreement.

To finance the acquisition of 70% equity interest in the Target Companies, Holdco and the Purchaser (as the case maybe) will raise equity capital of RMB2,211,307,628 (the ***Capital***) and expect to raise debt capital of no less than RMB2,400,000,000 as long-term indebtedness (the ***Indebtedness***).

On Closing, if Holdco, indirectly through the Purchaser, borrows an amount, after minus (i) cash of the Purchaser and (ii) financing costs, in excess of RMB2,400,000,000 under its acquisition facilities, the value of the Share Consideration will decrease. And in order to compensate for such decrease of the value of the Share Consideration, the Purchaser will increase the amount of the Cash Consideration by the same amount so that the Total Consideration received by the Company at Closing shall remain the same, being RMB5,559,010,897. See detailed illustration below.

The consideration for 70% equity interest in the Target Group was initially agreed at RMB3,891,307,628 (the ***Initial Consideration***) based on commercial discussion between the Company and the Purchaser.

Given the Capital of RMB2,211,307,628 which represents equity contribution by the Lighting Holdings II for the purpose of acquisition of 70% of equity interest in the Target Companies, the Share Consideration (representing 30% of the total issued share capital of Holdco immediately after Closing) is valued at RMB947,703,269 (i.e., RMB2,211,307,628/70%*30% = RMB947,703,269). If the Purchaser is able to borrow more than RMB2,400,000,000 (i.e., the amount of Indebtedness for financing acquisition of 70% equity interest in the Target Companies increases), the Purchaser can decrease the amount of Capital that it needs to raise (i.e., the amount of Capital being equity contributed by Lighting Holdings II shall be decreased), and thus the decrease of Share Consideration.

As the Company will own 30% of the share capital of Holdco immediately after Closing, the Company will be indirectly associated with and bear 30% of the Indebtedness (i.e., RMB2,400,000,000*30% = RMB720,000,000). Accordingly, the Cash Consideration should include the Initial Consideration and the 30% of the Indebtedness (i.e. RMB3,891,307,628 + RMB720,000,000 = RMB4,611,307,628). If the Purchaser is able to borrow more than RMB2,400,000,000 (i.e., the amount of Indebtedness for financing acquisition of 70% equity interest in the Target Companies increases), the amount of Indebtedness indirectly associated with the Company will increase. Therefore though the Share Consideration will be decreased as analysed above, the Cash Consideration will increase. The Total Consideration received by the Company at Closing shall remain the same, being RMB5,559,010,897.

The relationship among Cash Consideration, Share Consideration, Initial Consideration, Indebtedness and Capital is illustrated by formula as below:

Total Consideration (fixed) = Cash Consideration + Share Consideration

= (Initial Consideration (fixed) + 30% * Indebtedness) + ((Capital/70%)*30%)

= (Initial Consideration (fixed) + 30% * Indebtedness) + (((Initial Consideration (fixed) – 70% * Indebtedness) /70%)*30%)

= (Initial Consideration (fixed) + 30% * Indebtedness) + (((Initial Consideration (fixed)/70%) – ((70% * Indebtedness)/70%))*30%)

= (Initial Consideration (fixed) + 30% * Indebtedness) +(((Initial Consideration (fixed)/70%)- Indebtedness)*30%)

= (Initial Consideration (fixed) + 30% * Indebtedness + ((30%*(Initial Consideration (fixed)/70%)) – 30%* Indebtedness)

Immediately after Closing, the Company and Lighting Holdings II will respectively indirectly own 30% and 70% of the share capital in Holdco. Holdco will, directly or indirectly, own 100% of the share capital in the Purchaser. The Purchaser will own 100% of the share capital in each of the Target Companies.

The Cash Consideration will be paid in a lump sum in cash by the Purchaser to the Company in USD at an exchange rate of RMB7.0039 to USD1.00 on the Closing Date. The Share Consideration will be issued to the Company on the Closing Date.

The Company referred to the preliminary valuation of the Target Group as at 31 December 2018 conducted by JLL adopting the market approach as the baseline of consideration for disposal of 100% equity interest in the Target Companies.

In determining the Initial Consideration, the Directors considered that the Target Group recorded (a) the net profit of approximately RMB355 million for the year ended 31 December 2018, implying price-earnings multiple of 15.66 which fell within the range of price-earnings multiple of the comparable companies ("Comparable Companies") whose principal activity is similar to that of the Target Group and represented a premium of 6.7% over the mean of price-earnings multiple of the Comparable Companies; and (b) valuation of the Target Group conducted by the JLL adopting the market approach. According to the valuation report attached in Appendix V of this circular, the valuation of the Target Group ("Valuation") was approximately RMB4,131,041,000.

Having considered the above and:

(a) the Total Consideration of RMB5,559,010,897 represents a premium of approximately 34.57% over the Valuation of RMB4,131,041,000;

(b) the Initial Consideration of RMB3,891,307,628 represents a premium of approximately 34.57% over "70% of the Valuation" (i.e. approximately RMB2.892 billion);

(c) the Total Consideration represents a premium of approximately 36.32% over the market capitalisation of the Company as at the Latest Practicable Date;

(d) the adjustment arrangement can ensure that the Total Consideration to be received by the Company at Closing shall remain the same, being RMB5,559,010,897 and safeguard the Group's interest in the event that the Indebtedness exceeds RMB2,400,000,000,

The Directors (including the independent non-executive Directors) consider that the Total Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The details of the valuation performed by an independent valuer are set out as below:

Methodology

In arriving at the assessed value, the independent valuer has considered three generally accepted approaches, namely, market approach, cost approach and income approach. In its opinion, the income approach and cost approach are inappropriate for valuing the underlying asset. Firstly, the forecast of the reliable future cash flow of the Target Group is not available in this case. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the subject asset. Therefore, the independent valuer has relied solely on the market approach in determining its opinion of value.

Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

In this case, the independent valuer applied P/E, P/B, and P/S multiples, which are calculated by using Comparable Companies financial statements, to determine the fair value of Target Group and then took into account of market illiquidity discount as the appropriate adjustments.

Multiples of Comparable Companies as at the valuation date

The Comparable Companies are selected based on similarity of business nature and profitability. The independent valuer has considered the information of certain listed Comparable Companies which are engaged in the same industry.

Comparable Company	**Ticker**	**P/E**	**P/B**	**P/S**
NVC Lighting Holding Limited	HK 2222	5.68	0.52	0.32
Neo-Neon Holdings Limited	HK 1868	7.87	0.70	1.66
Zhejiang Yankon Group Co., Ltd	SH 600261	12.61	1.39	0.89
Foshan Electrical & Light Co., Ltd	SZ 000541	19.16	1.66	1.93
Hengdian Group Tospo Lighting Co., Ltd.	SH 603303	19.54	1.88	1.21
OPPLE Lighting Co., Ltd	SH 603515	23.41	5.22	2.64
Foshan NationStar Optoelectronics Co., Ltd	SZ 002449	14.42	1.87	1.78
Adopted Multiples		14.67	1.89	1.49

The selections of the aforementioned Comparable Companies are based on the industry peer of the Company, which designs, manufactures and trades a variety of commercial lighting products, especially focus on energy-saving products in China with a reasonably sufficient listing period (more than one year). As the issued Shares of the Company are listed on the main board of Stock Exchange, selections of Comparable Companies were considered both Hong Kong and China main board capital markets. Not less than 95% of total revenues of the Comparable Companies were generated from their lighting business. Considering the selection basis mentioned above, the Directors are of the view that the selections of the Comparable Companies are fair and representative.

Further, the Directors consider that the use of market approach is the appropriate method to present a true and fair value of the Target Group for the purpose of determining the consideration of the Disposal as there is no secured contracts in the Target Group's future earnings and therefore the Target Group has no reliable future cash flow, rendering the income approach not an appropriate valuation method.

In addition, the Valuation was conducted by JLL, a reputable and qualified independent valuer.

Having considered above, the Directors (including the independent non-executive Directors) consider that Valuation and the methodologies adopted for the preparation of the Valuation are fair and reasonable.

Permitted Dividend

Before Closing, the Target Companies will be permitted to declare and distribute to the Company a cumulative amount dividend of approximately RMB300,000,000 in respect of its profit for the year of 2019.

Consideration adjustments

If, between 31 December 2018 and the Closing Date, any "leakage" of value from the Target Companies occurs, the Cash Consideration will be reduced on a dollar-for-dollar basis to compensate the Purchaser for the value which has been leaked to the Company or certain of its associates. Leakage is defined in detail in the Share Purchase Agreement, but captures any payments, payments in kind, or other transfers of economic value from the Target Companies to, or on behalf of, or for the benefit of the Company, LED Holdings or any member of the sellers' group of associated companies (excluding the Target Group).

Additional equity injection to rectify net cash shortfall

If the Target Group's Net Adjusted Cash Amount falls below RMB300,000,000 at any time between Closing and the date one month after Closing, Lighting Holdings II shall have a right of additional equity injection to rectify such net cash shortfall and if Lighting Holdings II exercises the right, Lighting Holdings II and the Company will be obliged to inject 70% and 30% of the shortfall (respectively) into Holdco in the form of additional equity. In return, Holdco will issue additional shares to Lighting Holdings II and the Company at a price per share equal to the price per share at which the Share Consideration was issued.

Conditions Precedent

(1) The approval by the Shareholders at the EGM with respect to the Share Purchase Agreement and the transactions contemplated thereunder (the ***Shareholder Approval Condition***);

(2) the completion of the core reorganisation steps in accordance with the reorganisation memorandum appended to the Share Purchase Agreement (the ***Reorganisation Condition***);

(3) the obtaining of anti-trust approval issued by SAMR (the ***Anti-trust Condition***); and

(4) there having been no material adverse change of the Target Group since the date of Share Purchase Agreement (the ***MAC Condition***).

Save for the Purchaser's right to unilaterally waive the MAC Condition and the Reorganisation Condition, no other condition may be unilaterally waived by the Parties. As of the Latest Practicable Date, save for the Anti-trust Condition had been fulfilled, no condition has been fulfilled or waived by the Parties.

Closing

Closing will take place on 12 December 2019 provided that all of the Conditions Precedent have been satisfied or waived on or before 5 December 2019, otherwise the Closing will take place on 31 December 2019 provided that all of the Conditions Precedent have been satisfied or waived on or before 20 December 2019.

If any of the Conditions are not satisfied or waived on or before 20 December 2019 or such later date as the Parties may otherwise agree in writing (the ***Long Stop Date***), either the Company or the Purchaser shall have a right by written notice to the other Parties to terminate the Share Purchase Agreement, provided that:

(1) the Company shall have the right to postpone the Long Stop Date for a maximum of three (3) months in the event that the Anti-trust Condition is not satisfied on or before the Long Stop Date; and

(2) the Purchaser shall have the right to postpone the Long Stop Date for a maximum of three (3) months in the event that the Reorganisation Condition is not satisfied or waived on or before the Long Stop Date.

Pre-sale Reorganisation	The Company will undertake a series of pre-sale reorganisation steps, the purpose of which is to separate the entities, assets and business between the Remaining Group and the Target Group in line with the delineation between the Remaining Business and Target Business. Among other arrangements, the Target Group will assign to the Remaining Group the trademarks that are relevant only to the China Remaining Business (as defined below) and the International Business (as defined below). The Target Group will also grant to the Remaining Group a perpetual, royalty-free license to use in the China Remaining Business the trade marks that cannot be split from the Target Group portfolio (due to the fact that those registrations or applications contain specifications used in both businesses or contain products that are the same or similar to those used by the Target Group).
Break Fee	If the Share Purchase Agreement is terminated by the Company in the event that: (i) all of the Conditions Precedent have been satisfied or waived but the Purchaser fails to fulfil its obligations at Closing; or (ii) the Purchaser fails to submit the antitrust filing to SAMR on or before 30 August 2019, the Purchaser has agreed to pay the Company a reverse break fee of RMB300 million. If the Share Purchase Agreement is terminated by the Purchaser in the event that all of the Conditions Precedent have been satisfied or waived but the Company fails to fulfil its obligations at Closing, the Company has agreed to pay the Purchaser a break fee of RMB300 million.
Anti-Embarrassment	If Closing fails to take place due to the Shareholder Approval Condition not being satisfied and, within six months of the date of the EGM, the Company sells, directly or indirectly, more than 50% of the shares of at least two of the three Target Companies, the Company will be required to pay to the Purchaser an amount equal to 70% of half of the uplift in value for the shares in the second transaction (as compared with the relative value of that same proportion of shares with a valuation based on the Total Consideration).

Non-compete

The Company shall not, and undertakes to procure that no member of the Remaining Group shall, directly or indirectly carry on, participate in or be engaged or interested in (including investing in, or providing financing in any manner to, any person that is engaged or financially interested in) any Target Business in the PRC for a period of five (5) years after the Closing Date. However, the Company and any member of the Remaining Group may:

(1) on or after the date which is two (2) years after the Closing Date, acquire any business which has a small degree of overlap with the Target Business (less than 30% of turnover attributable to the competing component of the acquired business);

(2) purchase any securities, shares or similar interests in any listed entity that do not exceed 5% of the total securities, shares or similar interests of that entity;

(3) on or after the date which is two (2) years after the Closing Date, establish any Target Business in the PRC with 70% of its turnover from manufacturing or distributing products solely for markets outside the PRC; and

(4) carry on any China ODM Business.

3. THE SHAREHOLDERS' AGREEMENT

The Company, Lighting Holdings II and Holdco shall enter into the Shareholders' Agreement on the Closing Date to govern the future relationship of the Company and Lighting Holdings II as shareholders of Holdco. The principal terms of the Shareholders' Agreement are set out below:

Parties	(1) Lighting Holdings II; (2) the Company; and (3) Holdco. each a "**Party**" and collectively, the "**Parties**".
Board of Directors	The board of directors of Holdco shall consist of 5 directors. Lighting Holdings II shall have the right to appoint 3 directors and the Company shall have the right to appoint 2 directors.
Transfer Restriction	Without the prior written consent of the other party, neither the Company nor Lighting Holdings II may transfer any of its shares in Holdco to: (a) any third party (other than to an affiliate) before the fourth anniversary of the Closing Date; or (b) certain restricted transferees or their affiliates, during the period between the fourth anniversary of the Closing Date and the fifth anniversary of the Closing Date.
Right of First Offer	Subject to the restrictions as set out in the Shareholders' Agreement, where the Company proposes to sell any of its shares in Holdco to any person (other than to an affiliate), the Company shall first offer to Lighting Holdings II the right to acquire such shares at a price proposed by the Company. If Lighting Holdings II accepts such offer, the Company shall sell such shares to Lighting Holdings II. If Lighting Holdings II does not accept such offer, the Company shall have the right to sell such shares to any bona fide third party at a price and on terms and conditions the same as or more favorable to the Company than those offered to Lighting Holdings II within a period of 12 months after the offer to Lighting Holdings II.

Right of First Offer Related to International Lighting Business

Where the Company proposes to sell any part of its international lighting business which, individually or in the aggregate, represents 60% or more of the total audited revenue of the international lighting business in the most recent full financial year to any person (other than to an affiliate), the Company shall first offer Holdco the right to acquire such international lighting business at a price proposed by the Company. If Holdco accepts such offer, subject to the rights of the minority shareholders in such international lighting business, the Company shall sell such international lighting business to Holdco. If Holdco does not accept such offer, the Company shall have the right to sell such international lighting business to a bona fide third party at a price and on terms and conditions the same as or more favorable to the Company than those offered to Holdco within a period of 12 months after the offer to Holdco.

Pre-emptive Right

If Holdco proposes to issue any new securities (including shares, options, warrants, securities that are convertible into share capital, and debt securities), each of the Company and Lighting Holdings II, as the shareholders of Holdco, shall have the right to subscribe for a pro rata portion of the new securities equivalent to its share ownership percentage in Holdco.

Drag Along

If Lighting Holdings II proposes to transfer more than 50% of the share capital in Holdco to any person (other than to an affiliate) at any time following 48 months after the Closing Date, Lighting Holdings II shall have the right to require each other shareholder of Holdco (the ***Drag Shareholder***) to transfer an equivalent pro rata portion of its shares in Holdco on the same terms and conditions as Lighting Holdings II is transferring shares in Holdco, provided that,

(a) during the period commencing on the date which is 48 months after the Closing Date and ending on the fifth anniversary of the Closing Date, Lighting Holdings II may only exercise such drag-along right if the consideration with respect to each share to be dragged is not less than the aggregate amount of: (i) the price per share at which the Share Consideration was issued, as adjusted for any bonus share issue, share subdivision, share combination, share split, recapitalization, reclassification or similar event occurring after the Closing Date (the ***Base Price***), plus (ii) an amount representing an interest accruing at the Agreed Interest Rate per annum on the Base Price during the Reference Period, minus the cumulative amount of distribution (by way of dividend or otherwise) made to the relevant Drag Shareholder with respect to such drag share by Holdco after the Closing Date. The ***Agreed Interest Rate*** shall equal 12% and the ***Reference Period*** shall mean the period between the Closing Date and the date when the relevant Drag Shareholder receives the transfer price of their shares in Holdco (each inclusive); and

(b) during the period commencing on the date immediately after the fifth anniversary of the Closing Date and ending on the seventh anniversary of the Closing Date, Lighting Holdings II may only exercise such drag-along right if the consideration with respect to each share to be dragged is not less than the Base Price.

Tag Along

If Lighting Holdings II proposes to transfer any of its shares in Holdco to any person (other than to an affiliate), the Company shall have the right but not the obligation to require the transferee to purchase from it an equivalent pro rata portion of its shares in Holdco on the same terms and conditions as Lighting Holdings II is transferring shares in Holdco, provided that if Lighting Holdings II is proposing to transfer more than 50% of its shares in Holdco and does not exercise its drag-along right, the Company shall have the right to require the transferee to purchase up to all of the Company's shares in Holdco.

Matters requiring approval by the Company and Lighting Holdings II

The prior written approval of both the Company and Lighting Holdings II will be required for certain matters relating to Holdco and its subsidiaries, including:

(a) an initial public offering on any stock exchange in the PRC, which Lighting Holdings II shall approve if it is an initial public offering on the Small and Medium-sized Enterprise Board of the Shenzhen Stock Exchange of the PRC (A-Share Listing) proposed by the Company and meets certain financial metrics (please see "Qualifying IPO" below for further details);

(b) an initial public offering on any stock exchange outside of the PRC or a trade sale of the business of Holdco or any of its subsidiaries within 48 months after the Closing Date;

(c) the issuance of securities, other than in limited circumstances (such as the issuance of securities to Holdco or any of its subsidiaries);

(d) adopting or amending the annual business plan;

(e) subject to limited exceptions, acquiring or disposing of any business or assets for an amount greater than RMB100 million (in aggregate) in any 12 month period;

(f) entering into contracts or commitments involving a liability or expenditure greater than RMB80 million;

(g) any borrowing or raising of the money other than certain permitted borrowings;

(h) incurring capital expenditure, in aggregate, in excess of RMB140 million in a calendar year;

(i) any merger, division or reorganisation (where the purpose of the reorganisation is to consolidate ownership of Holdco and its subsidiaries under one or more holding companies);

(j) any proposal to wind up, or appoint a liquidator, receiver or administrator to, Holdco or any of its subsidiaries;

(k) taking action, or deciding not to take action, in relation to certain legal proceedings or regulatory investigations;

(l) appointing and removing the auditors; and

(m) amending or modifying the constitutional documents.

Qualifying IPO

During the period commencing on the date which is 12 months after the Closing Date and ending on the date which is 48 months after the Closing Date, the Company shall have the right to recommend to the board of directors of Holdco a plan for an A-Share Listing.

If, in summary, the A-Share Listing would yield an after tax internal rate of return (calculated from the Closing Date) of at least 18% (on an annualized basis) on RMB5,559,010,897 (a ***Qualifying IPO***), Lighting Holdings II shall approve the plan for the A-Share Listing, and the Company and Lighting Holdings II shall procure that the plan is implemented as soon as possible and provide all co-operation as is reasonably required. The implementation of the plan shall be led by the Company.

If the Qualifying IPO is not completed by the date that falls 48 months after the Closing Date, Holdco and its subsidiaries may seek an initial public offering on any other recognised stock exchange or the shareholders of Holdco may pursue other exit plans (including, but not limited to, a trade sale).

4. INFORMATION OF THE PARTIES INVOLVED

The Company

The Company is a leading supplier of lighting products in China (including the Mainland China, Hong Kong and Macau Special Administrative Region). It designs, develops, produces, markets and sells a variety of lighting products, with a strong focus on energy-saving products.

Currently the Group is principally engaged in the design, development, production, marketing and sales of lighting products and certain non-lighting products in both the China market and international market. The businesses of the Group as of the Latest Practicable Date, by geographical locations, primarily include:

In the China market

(i) Manufacturing, sales and distribution of commercial lighting products and home lighting products as well as e-commerce business in the Mainland China market under the NVC brand (the ***China NVC-Lighting Business***).

(ii) Provision of hardware, electrical equipment, furniture and building material products in the China (including the Mainland China, Hong Kong and Macau Special Administrative Region) market under the NVC brand (the ***China Remaining Business***).

(iii) Manufacturing of ODM Products (which may include lighting products) in the Mainland China market under third party brands (the ***China ODM Business***).

In the international market

(i) Manufacturing, sales and distribution of commercial lighting products, home lighting products, and non-lighting products in the international market under the NVC brand or third party brands (the ***International Business***).

After the Disposal, the Remaining Group will be primarily engaged in: (i) the China Remaining Business; (ii) the China ODM Business; and (iii) the International Business. The Remaining Group may also expand its business to the manufacturing, sales and distribution of certain household non-lighting products and systems under the NVC brands in China as agreed with Lighting Holdings II.

LED Holdings

LED Holdings is a company incorporated in Hong Kong with limited liability. Its principal business is investment holding. As at the Latest Practicable Date, LED Holdings is a wholly-owned subsidiary of the Company.

The Purchaser, Holdco and Lighting Holdings II

The Purchaser is a company incorporated in Singapore with limited liability. Its principal business is investment holding.

The Holdco is a private limited company incorporated in Singapore. Its principal business is investment holding. As of the Latest Practicable Date, the Holdco owned, directly or indirectly, 100% of the share capital of the Purchaser.

Lighting Holdings II is a private limited company incorporated in Singapore, and is an entity indirectly controlled by KKR Asian Fund III L.P., which is a limited partnership established in Ontario, Canada. KKR Asian Fund III L.P. is advised and/or managed by affiliates of KKR & Co. Inc. (together with its affiliates, "**KKR & Co.**"). KKR & Co. Inc. is a corporation incorporated under the laws of the State of Delaware, the United States. KKR & Co. is a leading global investment firm that manages multiple alternative asset classes, including private equity, energy, infrastructure, real estate and credit, with strategic partners that manage hedge funds. Upon the Closing, Lighting Holdings II will hold 70% of the equity interests of the Holdco.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser, Lighting Holdings II and the ultimate beneficial owner of Lighting Holdings II are third parties independent of the Company and connected persons of the Company.

5. INFORMATION OF THE TARGET GROUP

The Target Group consists of Target Companies and the following companies in which each of the Target Companies holds equity interests (or will hold equity interests after an internal reorganisation), respectively. The Target Group is principally engaged in the China NVC-lighting Business.

The following tables set out the information of the Target Group as at the Latest Practicable Date:

Huizhou NVC Group

	Company Information	**Shareholding held by the Company**
1	Huizhou NVC Lighting Technology Company Limited* (惠州雷士光電科技有限公司), a PRC incorporated company with limited liability	100%
2	Chongqing NVC Lighting Company Limited* (重慶雷士照明有限公司), a PRC incorporated company with limited liability	100%
3	Huizhou NVC Trading Development Company Limited* (惠州雷士貿易發展有限公司), a PRC incorporated company with limited liability	100%
4	Bengbu NVC Smart Household Technology Company Limited* (蚌埠雷士智能家居科技有限公司), a PRC incorporated company with limited liability	100%
5	Huizhou NVC Fire Lighting Company Limited* (惠州雷士消防照明標識有限公司), a PRC incorporated company with limited liability	70%
6	Tongheng NVC Lighting Technology (Shanghai) Company Limited* (同恒雷士光電科技(上海)有限公司), a PRC incorporated company with limited liability *(i)*	20%
7	Huizhou Thorled-opto Company Limited* (惠州雷通光電器件有限公司), a PRC incorporated company with limited liability *(i)*	49%
8	Zhongshan NVC Decorative Lighting Technology Company Limited* (中山雷士燈飾科技有限公司), a PRC incorporated company with limited liability	100%
9	Huizhou NVC Kitchenware Company Limited* (惠州雷士櫥衛電器有限責任公司), a PRC incorporated company with limited liability	51%

	Company Information	Shareholding held by the Company
10	Huizhou NVC Lighting Engineering Company Limited* (惠州雷士照明工程有限公司), a PRC incorporated company with limited liability	100%
11	Zhuhai Dongshang Decorative Lighting Technology Company Limited* (珠海東尚燈飾科技有限公司), a PRC incorporated company with limited liability	100%
12	Zhongshan Leiya Lighting Company Limited* (中山市雷雅照明有限公司), a PRC incorporated company with limited liability	100%
13	Chongzhou Construction Company Limited* (崇州建設有限公司), a PRC incorporated company with limited liability *(ii)*	100%
14	Yunnan Dingjian Lighting Technology Company Limited* (雲南鼎建光電科技有限公司), a PRC incorporated company with limited liability *(iii)*	10%

Blue Light Group

	Company Information	Shareholding held by the Company
1	Blue Light (HK) Trading Co., Limited (香港蔚藍芯光貿易有限公司), a Hong Kong incorporated company with limited liability	100%
2	Wuhu Blue Light Lighting Trading Company Limited* (蕪湖蔚藍芯光照明貿易有限公司), a PRC incorporated company with limited liability *(iv)*	100%
3	Wuhu Fenglei Network Technology Company Limited* (蕪湖風雷網絡科技有限公司), a PRC incorporated company with limited liability *(iv)*	100%
4	Wuhu NVC Electronic Business Company Limited* (蕪湖雷士照明電子商務有限公司), a PRC incorporated company with limited liability *(iv)*	100%

	Company Information	Shareholding held by the Company
5	Huizhou Shangyi E-commerce Company Limited* (惠州市尚億電子商務有限公司), a PRC incorporated company with limited liability *(iv)*	100%
6	Zhuhai Yijie Network Technology Company Limited* (珠海市壹姐網絡科技有限公司), a PRC incorporated company with limited liability *(iv)*	100%
7	Zhuhai Huiyin E-commerce Company Limited* (珠海惠銀電子商務有限公司), a PRC incorporated company with limited liability *(iv)*	100%
8	Wuhu Aokong E-commerce Company Limited* (蕪湖奧空電子商務有限公司), a PRC incorporated company with limited liability *(iv)*	100%
9	Zhuhai Leidong Technology Company Limited* (珠海市雷東科技有限公司), a PRC incorporated company with limited liability *(iv)*	100%
10	Huizhou Shangjia Lighting Company Limited* (惠州市尚佳光電有限公司), a PRC incorporated company with limited liability *(iv)*	100%

Zhuhai Yaohui Group

	Company Information	Shareholding held by the Company
1	Zhuhai Yaohui Technology Co., Ltd. * (珠海耀輝科技有限公司), a PRC incorporated company with limited liability	100%
2	Zhuhai Shenghuayang Technology Company Limited* (珠海盛華陽科技有限公司), a PRC incorporated company with limited liability	100%
3	Zhuhai NVC Technology Company Limited* (珠海雷士科技有限公司), a PRC incorporated company with limited liability	100%

	Company Information	Shareholding held by the Company
4	Zhuhai Berkeley Modern Furniture Company Limited* (珠海伯克麗現代家居有限公司), a PRC incorporated company with limited liability *(v)*	10%
5	Zhuhai NVC Liangjia Technology Company Limited* (珠海雷士靚家科技有限公司), a PRC incorporated company with limited liability	100%
6	Kaiyuan Zhuque II (Shenzhen) Equity Investment Partnership* (開元朱雀二期(深圳)股權投資合夥企業), a PRC incorporated limited partnership *(vi)*	99%
7	Zhuhai NVC Logistics Company Limited* (珠海市雷士物流有限公司), a PRC incorporated company with limited liability	100%

(i) These companies are associates of Huizhou NVC and their financial information is accounted for in the financial statements of Huizhou NVC in Appendix II.

(ii) The company is the subsidiary of Huizhou NVC Lighting Engineering Company Limited and its financial information is accounted for in the consolidated financial statements of Huizhou NVC Lighting Engineering Company Limited in Appendix II.

(iii) The company is accounted for as a financial asset in the financial statements of Huizhou NVC Trading Development Company Limited in Appendix II.

(iv) These companies are subsidiaries of Blue Light and their financial information is accounted for in the consolidated financial statements of Blue Light in Appendix II.

(v) The company is accounted for as a financial asset in the financial statements of Zhuhai NVC Technology Company Limited in Appendix II.

(vi) The limited partnership is a joint venture of Zhuhai NVC Technology Company Limited and its financial information is accounted for in the financial statements of Zhuhai NVC Technology Company Limited in Appendix II.

6. FINANCIAL INFORMATION OF THE TARGET GROUP

According to the unaudited financial information of the Target Group, the Target Group recorded an unaudited net assets value of approximately RMB2,196,089,000 as at 30 June 2019. Set out below are the unaudited results of the Target Group with reference to the financial information of the Target Companies which were respectively prepared under International Financial Reporting Standards for the two years ended 31 December 2017 and 2018, respectively:

	Financial year ended 31 December 2017	**Financial year ended 31 December 2018**
	RMB'000	*RMB'000*
Profit before tax	479,339	490,807
Profit after tax	393,733	354,968

The unaudited financial information of the Target Group was prepared by the management based on the steps including but not limited to those set out below:

a. summing up all assets and liabilities of all entities under Target Group and aggregating all financial results (profit or loss) of all entities under the Target Group;

b. eliminating or setting off the transactions during the years ended 31 December 2017 and 2018 and balances as at 31 December 2017 and 2018 within the Target Group, respectively;

c. excluding transactions during the years ended 31 December 2017 and 2018 and balances as at 31 December 2017 and 2018 of the disposal entities that are not relevant to the Target Business;

d. transferring investments in subsidiaries between the Target Group and Remaining Group to each other at carrying value through current accounts between the Target Group and Remaining Group on 31 December 2017 and 2018 for the purpose of statements of financial position of the Target Group and on 1 January 2017 and 2018 for the purpose of statements of profit or loss of the Target Group;

e. the financial information not taking into account the gain or loss arising from the reorganisation and the relevant tax impact of reorganisation, if any; and

f. excluding financial impact of impairment on amounts due from entities within the Remaining Group as at 1 January 2017 and 2018 and during the years ended 31 December 2017 and 2018, if any.

The excess of the Total Consideration over the net book value of the Target Group as at 30 June 2019 extracted from the unaudited financial information of the Target Group prepared by the management based on aforementioned steps was approximately RMB3,362,922,000.

7. REASONS FOR AND BENEFITS OF THE DISPOSAL

Business Optimization Strategy

With the increase in the global market penetration rate of LED lighting products and the rise of overseas emerging markets, overseas markets have offered new strategic growth opportunities to PRC LED lighting enterprises. The Group has established international sales and distribution business in Europe, Australia, Middle East, South America and Southeast Asia. The Group acquired Elec-Tech Solid State Lighting (HK) Limited (***ETI Solid State HK***) in November 2018 to enter the North American market and increase its overseas sales. The ETI Solid State HK transaction is one of the major steps that the Group has taken to expand its business in markets outside China. In addition to acquisition of ETI Solid State HK, the Group successfully obtained the comprehensive and independent authorization for retail businesses under the Toshiba brand in Japan recently, which represented another successful breakthrough of the Group in the Japanese market. The business model for the Toshiba brand licensing business involves the planning and development of lighting products by us, the production of such lighting products through our factories in China, and the sale of such products to customers in Japan by us through retail channels. We shall pay brand license fees to the brand licensor, Toshiba Lighting & Technology Corporation. The licensed products include all lighting products in the Japan consumer retail market, such as LED ceiling luminaire, LED pendants, LED table lamps, LED floor lamps and LED bulbs. The well-developed licensed retail channels in Japan include over 10 thousands retailers nationwide, such as major Japanese electronics retailers, Toshiba stores, drug stores, convenience stores, home centers and E-commerce channel in Japan. The sales amounts of the licensed lighting products were approximately JPY1.4 billion for the nine months ended 30 September 2019. In the future, the Company plans to continue to develop its International Business.

As the Company has decided to shift its strategic focus to the International Business, more resources need to be contributed to the overseas businesses for its continuous development. Under such circumstance, the Disposal is a key step of the Company's business optimization strategy since the Group will be able to (i) re-allocate the management, capital and human resources originally used in the China NVC-Lighting Business to the International Business after the Disposal, and (ii) receive considerable cash proceeds from the Disposal to make further investment to its International Business. After the Disposal, the Remaining Group will be primarily engaged in: (i) the China Remaining Business; (ii) the China ODM Business; and (iii) the International Business. The Remaining Group may also expand its business to the manufacturing, sales and distribution of certain household non-lighting products and systems under the NVC brands in China as agreed with Lighting Holdings II.

It is expected that approximately 20.5% of the estimated net proceeds from the Disposal (approximately amounting to RMB878,852,382 (being the Cash Consideration after deducting the Special Dividend and the transaction costs and taxes)) will be used to further invest in the Company's International Business. Currently, our Jiangshan factory (located in Jiangshan, Zhejiang) with a designed annual production capacity of 121,680,000 units of lamp products, Shanghai factory (located in Shanghai) with a designed annual production capacity of 9,450,000 units of electronic products and Zhuhai factory (located in Zhuhai, Guangdong) with a designed annual production capacity of 7,200,000 units of luminaire products, produce products for the International Business on a non-exclusive basis. The Group is currently setting up a production line of LED lighting products in Southeast Asia. Further, the Company intends to expand its International Business through merger and acquisition. The Company is contemplating to acquire targets operating lighting brands and focusing on business-to-business model in the Europe or the United States.

The Company expects that the China Remaining Business and China ODM Business will remain stable.

Returns to the Shareholders

As at the Latest Practicable Date, the Company has a total market capitalisation of HK$4,565,463,101 (equivalent to approximately RMB4,077,871,642). The Total Consideration is RMB5,559,010,897. The Cash Consideration is RMB4,611,307,628, subject to certain potential adjustments as set out in the Share Purchase Agreement. After the Closing, the Company will be able to return to its Shareholders a Special Dividend of an amount equal to approximately HK$3,804,552,584 (equivalent to approximately RMB3,398,226,368). The Special Dividend amount alone represents approximately 83.33% of the entire market capitalisation of the Company as at the Latest Practicable Date. After the Disposal and distribution of the Special Dividend, the Company still retains 30% interest in Holdco and the Target Business.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Disposal is in the interests of the Company and its Shareholders as a whole, and the terms of the Share Purchase Agreement and the Amendment Letter are fair and reasonable.

8. FINANCIAL EFFECTS OF THE DISPOSAL

Before the Disposal, the Company directly, and indirectly through LED Holdings, holds 100% of the equity interest in each of the Target Companies. After the Closing, the Company will hold 30% of the equity interest in Holdco which indirectly owns 100% of the share capital in each of the Target Companies. The Target Companies will no longer be consolidated into the consolidated financial statements of the Group.

It is estimated that the Group will record an one-off gain of approximately RMB3,657 million as a result of the Disposal, calculated by the difference of (i) the Cash Consideration, fair value of the 30% equity interest in Holdco as at 30 June 2019, contingent consideration receivable and the fair value of the right to use the trademarks that are relevant to the China Remaining Business to be assigned by the Target Group to the Remaining Group; and (ii) net assets of the Target Group as at 30 June 2019 after deducting non-controlling interest; foreign currency translation reserve of the Target Group. Shareholders should note that the financial effect is shown for reference only and the actual amount of gain or loss as a result of the Disposal is subject to audit by the auditors.

After completion of the Disposal, the total asset of the Company is expected to decrease by approximately RMB2,690 million. The liability of the Company is expected to decrease by approximately RMB2,388 million.

9. INTENDED USE OF PROCEEDS

The Cash Consideration is determined to be RMB4,611,307,628, subject to certain potential adjustments as set out in the Share Purchase Agreement. After deducting transaction costs and taxes, the estimated net proceeds from the Disposal will amount to approximately RMB4,277,078,750. The Company intends to use the net proceeds from the Disposal for the following purposes:

(i) approximately 79.5% of the net proceeds from the Disposal, being approximately RMB3,398,226,368 (equivalent to approximately HK$3,804,552,584), will be used for distribution of the Special Dividend to Shareholders (representing a special dividend of not less than HK$0.9 per Share based on the number of total issued Shares of the Company as at the Latest Practicable Date); and

(ii) the remaining balance will be used for expanding the International Business including, among matters, building up overseas production facilities.

No application is being made or is currently proposed or sought for the Share Consideration to be listed or dealt on any stock exchange.

10. SPECIAL DIVIDEND

Subject to, among matters, the approval of the Shareholders at the EGM and the Closing, the Board intends to declare a Special Dividend of not less than HK$0.9 per Share to the Shareholders whose names appear on the register of members of the Company on a record date determined by the Company. Further announcement(s) will be made by the Company in this regard as and when appropriate.

11. LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios calculated in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal for the Company which is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company will comply with the requirements of reporting and announcement, set up an independent board committee, and appoint an independent financial adviser for the Independent Shareholders at the EGM.

As at the Latest Practicable Date, ETIC, a substantial Shareholder of the Company holding approximately 20.59% of the Company's issued Shares, is an up-stream supplier of the Target Group supplying LED lamp products, LED chips and LED power sources and may have business discussions or arrangements with the Target Group and Lighting Holdings II or its affiliates, respectively, from time to time. In order to avoid any potential conflict of interest, ETIC will voluntarily abstain from voting on the resolution(s) in relation to the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder at the EGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for ETIC, no other Shareholders are materially interested in the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder and is required to abstain from voting at the EGM on resolutions in relation to the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder.

Mr. Wang Donglei, who concurrently serves as the chairman and executive Director of the Company and a director of ETIC has voluntarily abstained from voting on the Board resolution in relation to, among others, the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder. Mr. Wang Dongming and Mr. Wang Kevin Dun, being the brother and son of Mr. Wang Donglei, also voluntarily abstained from voting on the Board resolution in relation to the same matter.

The declaration and payment of the Special Dividend are subject to Shareholders' approval at the EGM. All Shareholders' interests in the Special Dividend are the same. Accordingly, no Shareholders are required to abstain from voting on the resolution in relation to the Special Dividend at the EGM.

12. EGM

The EGM will be convened and held for Shareholders to consider and, if thought fit, approve: (i) the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder; and (ii) the Special Dividend.

A notice convening the EGM to be held at The Dynasty Club, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Monday, 18 November 2019 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.nvc-lighting.com.cn).

Whether or not Shareholders are able to attend the EGM, they are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 10:00 a.m. on Saturday, 16 November 2019). To be effective, all forms of proxy must be lodged with Computershare Hong Kong Investor Services Limited before the deadline. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if they so wish.

13. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 13 November 2019 to Monday, 18 November 2019 (both dates inclusive) and from Friday, 22 November 2019 to Monday, 25 November 2019 (both dates inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Tuesday, 12 November 2019. In order to qualify for the proposed Special Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at the abovementioned address for registration before 4:30 p.m. on Thursday, 21 November 2019.

14. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The independent committee of the Board comprising Mr. Lee Kong Wai, Conway, Mr. Wang Xuexian, Mr. Wei Hongxiong and Mr. Su Ling, has been established to advise on (i) the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder and (ii) voting at the EGM.

Gram Capital has been appointed as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder.

15. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 39 to 40 of this circular which contains its recommendation to the Independent Shareholders on (i) the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder, and (ii) voting at the EGM. Your attention is also drawn to the letter of advice from Gram Capital set out on pages 41 to 68 of this circular which contains its advices to the Independent Board Committee and the Independent Shareholders in relation to the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors) consider the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder, although not in the ordinary and usual course of the business of the Group, are fair and reasonable, on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole.

The independent non-executive Directors, after taking into consideration the advice of the Independent Financial Adviser, consider that (i) the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Disposal is in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to consider and, if thought fit, approve the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder.

The Directors consider that the Special Dividend is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to approve the Special Dividend at the EGM as set out in the notice of EGM.

Warning: The payment of the Special Dividend is subject to, among others, approval of the Shareholders at the EGM and the Closing. The Closing is conditional on certain conditions precedent being fulfilled. Accordingly, the Disposal and the Special Dividend may or may not materialize. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

Yours faithfully,
For and on behalf of the Board
NVC Lighting Holding Limited
WANG Donglei
Chairman

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)

31 October 2019

To the Independent Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL

We refer to the circular of the Company dated 31 October 2019 (the "**Circular**") to the shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders as to (i) whether the terms of the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; (ii) whether the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned. In this connection, Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

We wish to draw your attention to the letter from the Board set out on pages 7 to 38 of the Circular, and the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders set out on pages 41 to 68 of the Circular which contains its opinion in respect of the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder.

Having taken into account the advice of Gram Capital and its recommendation in relation thereto, we consider that (i) the terms of the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that you vote in favour of the relevant resolutions set out in the notice of the EGM.

Yours faithfully,
Independent Board Committee of
NVC Lighting Holding Limited
LEE Kong Wai, Conway
WANG Xuexian
WEI Hongxiong
SU Ling

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal (including the transactions contemplated under the ancillary Shareholders' Agreement) for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower 88
Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

31 October 2019

To: The independent board committee and the independent shareholders of NVC Lighting Holding Limited

Dear Sir/Madam,

**VERY SUBSTANTIAL DISPOSAL
IN RELATION TO
THE DISPOSAL OF A MAJORITY INTEREST IN
THE CHINA NVC-LIGHTING BUSINESS
(70% EQUITY INTEREST IN THE TARGET COMPANIES)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal (including the transactions contemplated under the ancillary Shareholders' Agreement) (the "**Transactions**"), details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 31 October 2019 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, on 10 August 2019, the Company, LED Holdings, Holdco, the Purchaser and Lighting Holdings II entered into the Share Purchase Agreement, pursuant to which the Company and LED Holdings conditionally agreed to dispose of, and the Purchaser conditionally agreed to acquire the Target Companies. On 29 October 2019, the parties to the Share Purchase Agreement entered into the Amendment Letter to amend and supplement terms of Share Purchase Agreement in relation to pre-sale reorganization.

With reference to the Board Letter, the Disposal constitutes a very substantial disposal of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company has established the Independent Board Committee comprising Mr. Lee Kong Wai, Conway, Mr. Wang Xuexian, Mr. Wei Hongxiong and Mr. Su Ling (all being independent non-executive Directors) to advise the Independent Shareholders on (i) whether the terms of the Disposal (including the transactions contemplated under the ancillary Shareholders' Agreement) are on normal commercial terms and are fair and reasonable; (ii) whether the Disposal (including the transactions contemplated under the ancillary Shareholders' Agreement) is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Disposal (including the transactions contemplated under the ancillary Shareholders' Agreement) at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Mr. Graham Lam was the person signing off (i) the opinion letter from the independent financial adviser contained in the Company's circular dated 30 June 2018 in respect of the acquisition of 60% equity interest in Blue Light (HK) Trading Co., Limited and 5% equity interest in Wuhu NVC Lighting E-Commerce Limited; and (ii) the opinion letter from the independent financial adviser contained in the Company's circular dated 10 October 2018 in respect of the acquisition of the entire equity interest in Elec-Tech Solid Lighting (HK) Limited. As the aforesaid past engagements were independent financial adviser engagements, they do not affect our independence to act as the Independent Financial Adviser. Notwithstanding the aforesaid past engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Having considered the above and that none of the circumstances as set out under rule 13.84 of the Listing Rules existed as at the Latest Practicable Date, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made any independent evaluation or appraisal of the assets and liabilities of either the Group or the Target Companies and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report of the Target Companies (the "**Valuation Report**") prepared by JLL which is contained in Appendix V to the Circular. Since we are not experts in the valuation of business/assets, we have relied solely upon the Valuation Report for valuation of the Target Companies as at 31 December 2018 (the "**Valuation**").

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, LED Holdings, the Purchaser, Holdco, Lighting Holdings II, the Target Companies or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Transactions

Information of the Group

With reference to the Board Letter, the Company is a leading supplier of lighting products in China (including the Mainland China, Hong Kong and Macau Special Administrative Region). It designs, develops, produces, markets and sells a variety of lighting products, with a strong focus on energy-saving products. As at the Latest Practicable Date, the Group is principally engaged in the design, development, production, marketing and sales of lighting products and certain non-lighting products in both the China market and international market.

Set out below are the consolidated financial information of the Group for the six months ended 30 June 2018, the six months ended 30 June 2019 and the two years ended 31 December 2018 as extracted from the Company's interim report for the six months ended 30 June 2019 (the "**2019 Interim Report**") and annual report for the year ended 31 December 2018 (the "**2018 Annual Report**"):

	For the year ended 31 December 2018 *RMB'000* *(audited)*	**For the year ended 31 December 2017** *RMB'000* *(audited)*	**Year on year change** %
Revenue	4,904,848	4,063,163	20.72
– Domestic NVC brand	*3,286,304*	*2,543,813*	*29.19*
– International NVC brand	*185,150*	*280,852*	*(34.08)*
– Domestic non-NVC brand	*342,868*	*266,481*	*28.67*
– International non-NVC brand	*1,090,526*	*972,017*	*12.19*
Gross profit	1,478,288	1,172,858	26.04
Profit/(loss) for the year	(302,336)	331,600	N/A

As depicted from the table above, the Group recorded revenue of approximately RMB4.90 billion for the year ended 31 December 2018 ("**FY2018**"), representing an increase of approximately 20.72% as compared to that for the year ended 31 December 2017 ("**FY2017**").

Revenue from PRC (i.e. domestic NVC brand and non-NVC brand) amounted to approximately RMB3.63 billion for FY2018, representing an increase of approximately 29.14% as compared to that for FY2017. With reference to the 2018 Annual Report and as advised by the Directors, such increase was mainly due to (i) the acquisition of e-commerce business during the FY2018 (the open of online channels resulted in the increase in the sales revenue of NVC brand); (ii) the rise in the number of sales orders for non-NVC brand LED lighting electronic products; and (iii) the sales revenue of non-NVC brand from the acquisition of ETI Solid State HK during FY2018 (despite generating most of its revenue from the North America market, ETI Solid State HK also generated part of its revenue from PRC during FY2018).

Revenue from international market (i.e. international NVC brand and non-NVC brand) amounted to approximately RMB1.28 billion for FY2018, representing a slight increase of approximately 1.82% as compared to that for FY2017. With reference to the 2018 Annual Report and as advised by the Directors, such increase was mainly due to the acquisition of ETI Solid State HK during FY2018, which provided access to the North American market and increased the oversea sales volume of non-NVC brand; and as balanced by the decrease in sales of NVC brand.

The Group's gross profit margin slightly increased from approximately 28.87% in FY2017 to approximately 30.14% in FY2018. With reference to the 2018 Annual Report, such increase in gross profit margin was mainly due to the change in the product sales structure, the gradual adjustment to the price policy for customers to improve the gross profit margin and the effect of the acquisition of subsidiaries. For FY2018, the Group recorded gross profit of approximately RMB1.48 billion, representing an increase of approximately 26.04% as compared to that for FY2017.

The Group recorded loss of approximately RMB302.34 million for FY2018 as compared to profit of approximately RMB331.60 million for FY2017. With reference to the 2018 Annual Report and as advised by the Directors, such turnaround from profit to loss was mainly due to impairment of other receivables and provision for losses arising from financial guarantee contracts in connection with lawsuits.

	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Year on year change
	RMB'000	*RMB'000*	*%*
	(unaudited)	*(unaudited)*	
Revenue	2,696,922	1,973,936	36.63
– Domestic NVC brand	*1,655,598*	*1,213,938*	*36.38*
– International NVC brand	*86,472*	*93,595*	*(7.61)*
– Domestic non-NVC brand	*141,238*	*133,967*	*5.43*
– International non-NVC brand	*813,614*	*532,436*	*52.81*
Gross profit	901,654	542,651	66.16
Profit for the period	393,216	101,641	286.87

The Group recorded revenue of approximately RMB2.70 billion for the six months ended 30 June 2019 ("**HY2019**"), representing an increase of approximately 36.63% as compared to that for the six months ended 30 June 2018 ("**HY2018**").

Revenue from PRC (i.e. domestic NVC brand and non-NVC brand) amounted to approximately RMB1.80 billion for HY2019, representing an increase of approximately 33.31% as compared to that for HY2018. With reference to the 2019 Interim Report and as advised by the Directors, such increase was mainly due to (i) the revenue contribution of NVC brand from the newly acquired e-commerce business and (ii) the rise in the number of sales orders for non-NVC brand LED lighting sources and lighting electronic products.

Revenue from international market (i.e. international NVC brand and non-NVC brand) amounted to approximately RMB900.09 million for HY019, representing an increase of approximately 43.78% as compared to that for HY2018. With reference to the 2019 Interim Report and as advised by the Directors, such increase was mainly due to the revenue contribution of non-NVC brand from the newly acquired ETI Solid State HK business; and as balanced by decrease in sales of NVC brand.

The Group's gross profit margin increased from approximately 27.49% in HY2018 to approximately 33.43% in HY2019. With reference to the 2019 Interim Report, such increase in gross profit margin was mainly due to (i) the impact of the acquisition of subsidiaries, which resulted in an increase in the overall gross profit margin due to the increase in the proportion of e-commerce products with high gross profit margins; (ii) the performance of the Group's continued efforts in reducing cost; and (iii) the combined effect of the structural change of product sales. For HY2019, the Group recorded gross profit of approximately RMB901.66 million, representing an increase of approximately 66.16% as compared to that for HY2018.

The Group recorded profit of approximately RMB393.22 million for HY2019, representing an increase of approximately 286.87% as compared to that for HY2018. With reference to the 2019 Interim Report and as advised by the Directors, such increase in profit was mainly due to (i) the increase in revenue, gross profit margin and gross profit for HY2019 as compared to HY2018; and (ii) the gain on disposal of a subsidiary.

As at 30 June 2019, the Group had cash and cash equivalents and net assets of approximately RMB763.32 million and RMB3.58 billion respectively.

Information of LED Holdings

With reference to the Board Letter, LED Holdings is a company incorporated in Hong Kong with limited liability. Its principal business is investment holding. As at the Latest Practicable Date, LED Holdings is a wholly-owned subsidiary of the Company.

Information of the Purchaser, Holdco and Lighting Holdings II

With reference to the Board Letter:

(i) the Purchaser is a company incorporated in Singapore with limited liability. Its principal business is investment holding;

(ii) the Holdco is a private limited company incorporated in Singapore. Its principal business is investment holding. The Holdco owned, directly or indirectly, 100% of the share capital of the Purchaser as at the Latest Practicable Date;

(iii) Lighting Holdings II is a private limited company incorporated in Singapore, and is an entity indirectly controlled by KKR Asian Fund III L.P. KKR Asian Fund III L.P. is advised and/or managed by affiliates of KKR & Co. Inc. (together with its affiliates, "**KKR & Co.**"). KKR & Co. is a leading global investment firm that manages multiple alternative asset classes, including private equity, energy, infrastructure, real estate and credit, with strategic partners that manage hedge funds. Lighting Holdings II is the sole shareholder of the Holdco as at the date of the Share Purchase Agreement; and

(iv) to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser, Lighting Holdings II and the ultimate beneficial owner of Lighting Holdings II are third parties independent of the Company and connected persons of the Company.

Information of the Target Group

With reference to the Board Letter, the Target Group consists of each of the Target Companies and the companies in which each of the Target Companies holds equity interests (or will hold equity interests after an internal reorganisation). The Target Group is principally engaged in the China NVC-Lighting Business. Further information of the Target Group is set out in the section headed "INFORMATION OF THE TARGET GROUP" of the Board Letter.

Set out below is the unaudited financial information of the Target Group as extracted from the Board Letter:

	For the year ended 31 December 2018	**For the year ended 31 December 2017**
	RMB'000	*RMB'000*
Profit before tax	490,807	479,339
Profit after tax	354,968	393,733

According to the unaudited financial information of the Target Group, the Target Group recorded an unaudited net assets value of approximately RMB2,196,089,000 as at 30 June 2019.

According to the Board Letter, the unaudited financial information of the Target Group was prepared by the management based on the steps including but not limited to those set out below:

(a) summing up all assets and liabilities of all entities under Target Group and aggregating all financial results (profit or loss) of all entities under the Target Group;

(b) eliminating or setting off the transactions during FY2017 and FY2018 and balances as at 31 December 2017 and 2018 within the Target Group respectively;

(c) excluding transactions during FY2017 and FY2018 and balances as at 31 December 2017 and 2018 of the disposal entities that are not relevant to the Target Business;

(d) transferring investments in subsidiaries between the Target Group and Remaining Group to each other at carrying value through current accounts between the Target Group and Remaining Group on 31 December 2017 and 2018 for the purpose of statements of financial position of the Target Group and on 1 January 2017 and 2018 for the purpose of statements of profit or loss of the Target Group;

(e) the financial information not taking into account the gain or loss arising from the reorganisation and the relevant tax impact of reorganisation, if any; and

(f) excluding financial impact of impairment on amounts due from entities within the Remaining Group as at 1 January 2017 and 2018 and during FY2017 and FY2018, if any.

Reasons for and benefits of the Transactions and use of proceeds

With reference to the 2018 Annual Report, with the increase in the global market penetration rate of LED lighting products and the rise of overseas emerging markets, overseas markets have offered new strategic growth opportunities to PRC LED lighting enterprises. As mentioned in the Board Letter, the Group has established international sales and distribution business in Europe, Australia, Middle East, South America and Southeast Asia. We noted from the Company's announcement dated 11 November 2018 that the Company completed the acquisition of 100% equity interest in Elec-Tech Solid State Lighting (HK) Limited (i.e. ETI Solid State HK). With reference to the circular of the Company dated 10 October 2018 in relation to the said acquisition of ETI Solid State HK, ETI Solid State HK's principal business activities involve the design, manufacturing and sale of LED lighting products mainly to North America markets.

With reference to the Board Letter, the acquisition of ETI Solid State HK is one of the major steps that the Group has taken to expand its business in markets outside China. In addition to acquisition of ETI Solid State HK, the Group successfully obtained the comprehensive and independent authorization for retail businesses under the Toshiba brand in Japan (the business model of which is set out in sub-section headed "Business Optimization Strategy" under the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL" of the Board Letter), which represented another successful breakthrough of the Group in the Japanese market. In the future, the Company plans to continue to develop its International Business.

As mentioned in the section above, the acquisition of ETI Solid State HK contributed the Group's revenue growth for FY2018 (as compared to FY2017) and HY2019 (as compared to HY2018). For FY2018, revenue from international market increased by approximately 1.82% as compared to that for FY2017; while for HY2019, revenue from international market increased by approximately 43.78% as compared to that for HY2018.

As further mentioned in the Board Letter, as the Company has decided to shift its strategic focus to the International Business, more resources need to be contributed to the overseas businesses for its continuous development. Under such circumstance, the Disposal is a key step of the Company's business optimization strategy since the Group will be able to (i) re-allocate the management, capital and human resources originally used in the China NVC-Lighting Business to the International Business after the Disposal, and (ii) receive considerable cash proceeds from the Disposal to make further investment to its International Business. After the Disposal, the Remaining Group will be primarily engaged in: (i) the China Remaining Business; (ii) the China ODM Business; and (iii) the International Business. The Remaining Group may also expand its business to the manufacturing, sales and distribution of certain household non-lighting products and systems under the NVC brands in China as agreed with Lighting Holdings II.

According to the Board Letter, after deducting transaction costs and taxes, the estimated net proceeds from the Disposal will amount to approximately RMB4,277,078,750. The Company intends to use the net proceeds from the Disposal for the following purposes:

(i) approximately 79.5% of the net proceeds from the Disposal, being approximately RMB3,398,226,368 (equivalent to approximately HK$3,804,552,584), for distribution of the Special Dividend to Shareholders; and

(ii) the remaining balance for expanding the International Business including, among matters, building up overseas production facilities.

As mentioned above, the Company intends to apply approximately HK$3,804,552,584 for distribution of the Special Dividend to Shareholders. Such amount represents approximately 128.57% of the Company's market capitalisation of HK$2,959,096,454 as at 9 August 2019, being the last trading day prior to the entering into of the Share Purchase Agreement (based on 4,227,280,649 then total issued shares of the Company and the closing price of HK$0.7 per Share as quoted on the Stock Exchange on 9 August 2019). We consider that the distribution of Special Dividend can bring positive return to the Shareholders.

According to the Board Letter, approximately 20.5% of the estimated net proceeds from the Disposal (approximately RMB878,852,382, being the Cash Consideration after deducting the Special Dividend, the transaction costs and taxes) will be used to further invest in the Company's International Business. Currently, the Group's Jiangshan factory (located in Jiangshan, Zhejiang), Shanghai factory (located in Shanghai) and Zhuhai factory (located in Zhuhai, Guangdong) produce products for the International Business on a non-exclusive basis. The Group is currently setting up a production line of LED lighting products in Southeast Asia. Furthermore, the Company intends to expand its International Business through merger and acquisition. The Company is contemplating to acquire targets operating lighting brands and focusing on business-to-business model in the Europe or the United Sates. The investment in International Business is consistent with the Group's existing strategy.

Having considered the above, in particular, that (i) it is the Group's strategy to develop its International Business; (ii) the substantial increase in the Group's revenue from international market in HY2019 (as compared to HY2018), which is consistent with the Group's strategy to develop its International Business (iii) the Disposal is a step of the Company's business optimization strategy, and the amount of no less than RMB878,852,382 from the Disposal (after deducting the Special Dividend, the transaction costs and taxes) will be used to invest in the Company's International Business; and (iv) the Special Dividend can bring positive return to the Shareholders, we concur with the Directors that although the Disposal (including the transactions contemplated under the ancillary Shareholders' Agreement) is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Transactions

The Share Purchase Agreement

Set out below are principal terms and conditions of the Share Purchase Agreement as extracted from the Board Letter:

Date

10 August 2019

Parties

(1) the Company (as seller);

(2) LED Holdings (as seller);

(3) the Purchaser (as purchaser);

(4) Holdco (as the sole shareholder of the Purchaser); and

(5) Lighting Holdings II (as the sole shareholder of the Holdco)

Transaction Structure/Consideration, Payment

On Closing, the Purchaser will acquire 100% of the issued share capital of each of the Target Companies. In consideration, the Purchaser will pay RMB4,611,307,628, subject to certain possible adjustments in accordance with the Share Purchase Agreement (i.e. the Cash Consideration) to the Company and Holdco will issue new ordinary shares of Holdco to the Company representing 30% of the total issued share capital of Holdco on a fully-diluted basis (i.e. the Share Consideration) (with the remaining 70% to be held by Lighting Holdings II). The Share Consideration is valued at RMB947,703,269 assuming that (1) Holdco will own 100% of the share capital in all Target Companies; and (2) Holdco and the Purchaser will have a level of long-term indebtedness of RMB2,400,000,000. Therefore, the Total Consideration that will be received by the Company on Closing shall be equal to RMB5,559,010,897, i.e., being the aggregate of the Cash Consideration and Share Consideration, subject to certain potential adjustments as set out in the Share Purchase Agreement.

To finance the acquisition of 70% equity interest in the Target Companies, Holdco and the Purchaser (as the case maybe) will raise equity capital of RMB2,211,307,628 (the "**Capital**") and expect to raise debt capital of no less than RMB2,400,000,000 as long-term indebtedness (the "**Indebtedness**"). On Closing, if Holdco, indirectly through the Purchaser, borrows an amount, after minus (i) cash of the Purchaser and (ii) financing costs, in excess of RMB2,400,000,000 under its acquisition facilities, the value of the Share Consideration will decrease. In order to compensate for such decrease of the value of the Share Consideration, the Purchaser will increase the amount of the Cash Consideration by the same amount (the "**Adjustment Arrangement**") so that the Total Consideration to be received by the Company at Closing shall remain the same, being RMB5,559,010,897.

Immediately after Closing, the Company and Lighting Holdings II will respectively own 30% and 70% of the share capital in Holdco. Holdco will, directly or indirectly, own 100% of the share capital in the Purchaser. The Purchaser will own 100% of the share capital in each of the Target Companies.

The Cash Consideration will be paid in a lump sum in cash by the Purchaser to the Company in USD at an exchange rate of RMB7.0039 to USD1.00 on the Closing Date. The Share Consideration will be issued to the Company on the Closing Date.

With reference to the Board Letter, the consideration for 70% equity interest in the Target Group was initially agreed at RMB3,891,307,628 (i.e. the Initial Consideration) based on commercial discussion between the Company and the Purchaser. The Company referred to the preliminary Valuation of the Target Group as at 31 December 2018 conducted by JLL adopting the market approach as the baseline of consideration for disposal of 100% equity interest in the Target Companies.

As further mentioned in the Board Letter, in determining the Initial Consideration, the Directors considered (a) that the Target Group recorded net profit of approximately RMB355 million for FY2018, implying price-earnings multiple of 15.66 which fell within the range of price to earnings ratio ("**PER**") of the comparable companies (i.e. Comparable Companies) whose principal activity is similar to that of the Target Group and represented a premium of 6.7% over the mean of PER of the Comparable Companies; and (b) the Valuation of the Target Group conducted by the JLL adopting the market approach.

The Valuation

According to the Valuation Report, the Valuation as at 31 December 2018 was approximately RMB4,131,041,000.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of JLL with the Company; (ii) JLL's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by JLL for conducting the Valuation. From the mandate letter and other relevant information provided by JLL and based on our interview with them, we are satisfied with the terms of engagement of JLL as well as their qualification and experience for preparation of the Valuation Report. JLL also confirmed that they are independent to the Group and the Target Companies.

The Valuation Report was prepared by JLL using market approach. According to the Valuation Report, JLL conducted the valuation in accordance with IFRS 13 – Fair Value Measurement and taken into account the International Valuation Standards issued by the International Valuation Standards Council. In particular, the International Valuation Standards set out, among others, the application and considerations of the principal valuation approaches (i.e. the market approach, the income approach and the cost approach), and the key considerations in the selection process of valuation method. Based on the Valuation Report and as advised by the Valuer, given that (i) there is no secured contracts in the Target Group's future earnings, and the management of the Company could not provide a reliable amount of five-year economic income projection, forecast of the reliable future cash flow under the income approach is not available; and (ii) the cost approach does not directly incorporate information about the economic benefits contributed by the subject asset (such as e-commerce platform of the target business), JLL selected the market approach in determining the Valuation. As confirmed by JLL, market approach is one of the commonly adopted approaches for valuation of companies and is also consistent with normal market practice.

We further reviewed and enquired into JLL on the methodology adopted and the basis and assumptions adopted in arriving at the Valuation in order for us to understand the Valuation Report. For details of key assumptions of the Valuation, please refer to the section headed "MAJOR ASSUMPTIONS" in Appendix V to the Circular.

We noted that JLL performed a trading multiples analysis which includes the PER, the price to book ratio ("**PBR**") and the price to sales ratio ("**PSR**") for the purpose of arriving at the Valuation. JLL searched for listed companies in main board/SME board of Shanghai Stock Exchange, Shenzhen Stock Exchange and the Stock Exchange, which are engaged in the design, manufacturing and trading of commercial lighting products and especially focus on energy-saving products in China (with a listing period more than one year). Details of the Comparable Companies are set out in Appendix V to the Circular.

For our due diligence purpose, we enquired into JLL regarding the basis for the selection of the Comparable Companies. Having considered the following factors:

(i) the experience and reputation of JLL;

(ii) the Valuation Report was prepared by JLL in accordance with IFRS 13 – Fair Value Measurement and taken into account the International Valuation Standards issued by the International Valuation Standards Council;

(iii) as advised by JLL, JLL did not subjectively exclude any Comparable Companies which met the aforesaid selection criteria; and

(iv) we searched over website of Shanghai Stock Exchange, Shenzhen Stock Exchange and the Stock Exchange; and reviewed the latest annual report of the Comparable Companies. Based on our independent research, the Comparable Companies are engaged in the same industry as the Target Group (i.e. the lighting industry),

we consider the selection criteria of the Comparable Companies to be fair and reasonable and we do not doubt the fairness and representativeness of the Comparable Companies.

In addition, we also noted that JLL applied a discount of 14.9% for lack of marketability when arriving at the Valuation. As advised by JLL, a discount for lack of marketability (DLOM) is a method used to calculate the value for closely held and restricted shares. The theory behind DLOM is that discounts exist between the value of a company's marketable stock and non-marketable stock. As the Target Companies are not listed, the ability to convert the business interest into cash is not the same as the listed companies. As such, a valuation reduction was applied.

With reference to the Valuation Report, JLL referred to the article "Discount for lack of Marketability, Job Aid for IRS Valuation Professionals 2009" to derive the DLOM (for details, please refer to the section headed "DISCOUNT FOR LACK OF MARKETABILITY" of Appendix V to the Circular). Since the Target Group's revenue in FY2018 was over $100 million US dollars, average discount of 14.9% is used as a proxy for DLOM as at the valuation date. Having considered the above and that JLL conducted the valuation in accordance with IFRS 13 – Fair Value Measurement and taken into account the International Valuation Standards issued by the International Valuation Standards Council, we consider the application of DLOM to be fair and reasonable.

During our discussion with JLL, we have not identified any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the Valuation.

Our analysis

Upon our enquiry and as mentioned in the Board Letter, the Directors advised us that:

(i) The consideration for 70% equity interest in the Target Companies was initially agreed at RMB3,891,307,628 (i.e. the Initial Consideration) based on commercial decision with reference to the Valuation.

(ii) To finance the acquisition of the Target Companies, Holdco and the Purchaser (as the case maybe) will raise capital of RMB2,211,307,628 (i.e. the Capital) and incur long-term indebtedness of RMB2,400,000,000 (i.e. the Indebtedness).

(iii) As the Company will own 30% of the share capital of Holdco immediately after Closing, the Company will be indirectly associated with 30% of the Indebtedness (i.e. RMB720,000,000). Accordingly, the Cash Consideration should be the sum of the Initial Consideration and the 30% of the Indebtedness (i.e. RMB3,891,307,628 + RMB720,000,000 = RMB4,611,307,628).

(iv) Given the Capital of RMB2,211,307,628, the Share Consideration (representing 30% of the total issued share capital of Holdco immediately after Closing) is valued at RMB947,703,269 (i.e. RMB947,703,269/(RMB2,211,307,628 + RMB947,703,269) = 30%).

Having considered the above and:

(a) the Total Consideration of RMB5,559,010,897 represents a premium of approximately 34.57% over the Valuation of RMB4,131,041,000;

(b) the Initial Consideration of RMB3,891,307,628 represents a premium of approximately 34.57% over "70% of the Valuation" (i.e. approximately RMB2.89 billion);

(c) our due diligence work on the Valuation as mentioned above;

(d) the Adjustment Arrangement can ensure that the Total Consideration to be received by the Company at Closing shall remain the same, being RMB5,559,010,897 and safeguard the Group's interest in the event that the Indebtedness exceeds RMB2,400,000,000,

we are of the view that the Total Consideration is fair and reasonable.

Other principal terms

Permitted dividend:	Before Closing, the Target Companies will be permitted to declare and distribute to the Company a cumulative amount dividend of approximately RMB300,000,000 in respect of its profit for the year of 2019.
Consideration adjustments:	If, between 31 December 2018 and the Closing Date, any "leakage" of value from the Target Companies occurs, the Cash Consideration will be reduced on a dollar-for-dollar basis to compensate the Purchaser for the value which has been leaked to the Company or certain of its associates. Leakage is defined in detail in the Share Purchase Agreement, but captures any payments, payments in kind, or other transfers of economic value from the Target Companies to, or on behalf of, or for the benefit of the Company, LED Holdings or any member of the sellers' group of associated companies (excluding the Target Group).
Additional equity injection to rectify net cash shortfall:	If the Target Group's Net Adjusted Cash Amount falls below RMB300,000,000 at any time between Closing and the date one month after Closing, Lighting Holdings II shall have a right of additional equity injection to rectify such net cash shortfall and if Lighting Holdings II exercises the right, Lighting Holdings II and the Company will be obliged to inject 70% and 30% of the shortfall (respectively) into Holdco in the form of additional equity. In return, Holdco will issue additional shares to Lighting Holdings II and the Company at a price per share equal to the price per share at which the Share Consideration was issued.

Break Fee:	If the Share Purchase Agreement is terminated by the Company in the event that: (i) all of the Conditions Precedent have been satisfied or waived but the Purchaser fails to fulfil its obligations at Closing; or (ii) the Purchaser fails to submit the antitrust filing to SAMR on or before 30 August 2019, the Purchaser has agreed to pay the Company a reverse break fee of RMB300 million. If the Share Purchase Agreement is terminated by the Purchaser in the event that all of the Conditions Precedent have been satisfied or waived but the Company fails to fulfil its obligations at Closing, the Company has agreed to pay the Purchaser a break fee of RMB300 million.
Anti-Embarrassment:	If Closing fails to take place due to the Shareholder Approval Condition not being satisfied and, within six months of the date of the EGM, the Company sells, directly or indirectly, more than 50% of the shares of at least two of the three Target Companies, the Company will be required to pay to the Purchaser an amount equal to 70% of half of the uplift in value for the shares in the second transaction (as compared with the relative value of that same proportion of shares with a valuation based on the Total Consideration).
Non-compete:	The Company shall not, and undertakes to procure that no member of the Remaining Group shall, directly or indirectly carry on, participate in or be engaged or interested in (including investing in, or providing financing in any manner to, any person that is engaged or financially interested in) any Target Business in the PRC for a period of five (5) years after the Closing Date. However, the Company and any member of the Remaining Group may: (1) on or after the date which is two (2) years after the Closing Date, acquire any business which has a small degree of overlap with the Target Business (less than 30% of turnover attributable to the competing component of the acquired business); (2) purchase any securities, shares or similar interests in any listed entity that do not exceed 5% of the total securities, shares or similar interests of that entity;

(3) on or after the date which is two (2) years after the Closing Date, establish any Target Business in the PRC with 70% of its turnover from manufacturing or distributing products solely for markets outside the PRC; and

(4) carry on any China ODM Business.

For other detailed terms of the Share Purchase Agreement, please refer to the section headed "THE SHARE PURCHASE AGREEMENT" of the Board Letter.

For our due diligence purpose, we reviewed 5 very substantial disposal transactions conducted/announced by companies listed on the Stock Exchange from 11 August 2018 up to 10 August 2019 (being the one-year period before entering into of the Share Purchase Agreement). We consider the one-year period to be fair and reasonable as it can demonstrate trend of transactions of with similar scale as the Disposal conducted by companies under proximate timeframe before the entering into of the Share Purchase Agreement. We noted that the terms of such disposals (such as (i) terms in relation to performance guarantee by vendors, (ii) contract liability compensation arrangement, (iii) transitional arrangement, and (iv) competition restriction) were generally unique.

Having considered the above and that (i) as advised by the Directors, the terms of the Share Purchase Agreement were determined after arm's length negotiations between the Company and the Purchaser; and (ii) the Total Consideration and the Initial Consideration represent premium of approximately 34.57% over the Valuation and "70% of the Valuation" respectively, we concur with the Directors that the terms of the Share Purchase Agreement are on normal commercial terms and are fair and reasonable.

The Shareholders' Agreement

With reference to the Board Letter, the Company, Lighting Holdings II and Holdco shall enter into the Shareholders' Agreement on the Closing Date to govern the future relationship of the Company and Lighting Holdings II as shareholders of Holdco. Set out below are principal terms and conditions of the Shareholders' Agreement as extracted from the Board Letter:

Parties: (1) Lighting Holdings II;

(2) the Company; and

(3) Holdco.

Board of directors (the "**Board Appointment**"):	The board of directors of Holdco shall consist of 5 directors. Lighting Holdings II shall have the right to appoint 3 directors and the Company shall have the right to appoint 2 directors.
Transfer restriction (the "**Transfer Restriction**"):	Without the prior written consent of the other party, neither the Company nor Lighting Holdings II may transfer any of its shares in Holdco to: (a) any third party (other than to an affiliate) before the fourth anniversary of the Closing Date; or (b) certain restricted transferees or their affiliates, during the period between the fourth anniversary of the Closing Date and the fifth anniversary of the Closing Date.
Right of first offer (the "**Right of First Offer**"):	Subject to the restrictions as set out in the Shareholders' Agreement, where the Company proposes to sell any of its shares in Holdco to any person (other than to an affiliate), the Company shall first offer to Lighting Holdings II the right to acquire such shares at a price proposed by the Company. If Lighting Holdings II accepts such offer, the Company shall sell such shares to Lighting Holdings II. If Lighting Holdings II does not accept such offer, the Company shall have the right to sell such shares to any bona fide third party at a price and on terms and conditions the same as or more favorable to the Company than those offered to Lighting Holdings II within a period of 12 months after the offer to Lighting Holdings II.

Right of first offer related to International Lighting Business:	Where the Company proposes to sell any part of its international lighting business which, individually or in the aggregate, represents 60% or more of the total audited revenue of the international lighting business in the most recent full financial year to any person (other than to an affiliate), the Company shall first offer Holdco the right to acquire such international lighting business at a price proposed by the Company. If Holdco accepts such offer, subject to the rights of the minority shareholders in such international lighting business, the Company shall sell such international lighting business to Holdco. If Holdco does not accept such offer, the Company shall have the right to sell such international lighting business to a bona fide third party at a price and on terms and conditions the same as or more favorable to the Company than those offered to Holdco within a period of 12 months after the offer to Holdco.
Pre-emptive right:	If Holdco proposes to issue any new securities (including shares, options, warrants, securities that are convertible into share capital, and debt securities), each of the Company and Lighting Holdings II, as the shareholders of Holdco, shall have the right to subscribe for a pro rata portion of the new securities equivalent to its share ownership percentage in Holdco.

Drag along: If Lighting Holdings II proposes to transfer more than 50% of the share capital in Holdco to any person (other than to an affiliate) at any time following 48 months after the Closing Date, Lighting Holdings II shall have the right to require each other shareholder of Holdco (i.e. the Drag Shareholder) to transfer an equivalent pro rata portion of its shares in Holdco on the same terms and conditions as Lighting Holdings II is transferring shares in Holdco, provided that,

(a) during the period commencing on the date which is 48 months after the Closing Date and ending on the fifth anniversary of the Closing Date, Lighting Holdings II may only exercise such drag-along right if the consideration with respect to each share to be dragged is not less than the aggregate amount of: (i) the price per share at which the Share Consideration was issued, as adjusted for any bonus share issue, share subdivision, share combination, share split, recapitalization, reclassification or similar event occurring after the Closing Date (i.e. the Base Price), plus (ii) an amount representing an interest accruing at the agreed interest rate per annum on the Base Price during the reference period, minus the cumulative amount of distribution (by way of dividend or otherwise) made to the relevant Drag Shareholder with respect to such drag share by Holdco after the Closing Date. The agreed interest rate shall equal 12% and the reference period shall mean the period between the Closing Date and the date when the relevant Drag Shareholder receives the transfer price of their shares in Holdco (each inclusive); and

(b) during the period commencing on the date immediately after the fifth anniversary of the Closing Date and ending on the seventh anniversary of the Closing Date, Lighting Holdings II may only exercise such drag-along right if the consideration with respect to each share to be dragged is not less than the Base Price.

Tag along:	If Lighting Holdings II proposes to transfer any of its shares in Holdco to any person (other than to an affiliate), the Company shall have the right but not the obligation to require the transferee to purchase from it an equivalent pro rata portion of its shares in Holdco on the same terms and conditions as Lighting Holdings II is transferring shares in Holdco, provided that if Lighting Holdings II is proposing to transfer more than 50% of its shares in Holdco and does not exercise its drag-along right, the Company shall have the right to require the transferee to purchase up to all of the Company's shares in Holdco.
Matters requiring approval by the Company and Lighting Holdings II:	The prior written approval of both the Company and Lighting Holdings II will be required for certain matters relating to Holdco and its subsidiaries, including: (a) an initial public offering on any stock exchange in the PRC, which shall be approved by Lighting Holdings II if it is an initial public offering of a company organized under the laws of the PRC on the Small and Medium-sized Enterprise Board of the Shenzhen Stock Exchange of the PRC (A-Share Listing) proposed by the Company and meets certain financial metrics (please see "Qualifying IPO" below for further details); (b) an initial public offering on any stock exchange outside of the PRC or a trade sale of the business of Holdco or any of its subsidiaries within 48 months after the Closing Date; (c) the issuance of securities, other than in limited circumstances (such as the issuance of securities to Holdco or any of its subsidiaries); (d) adopting or amending the annual business plan; (e) subject to limited exceptions, acquiring or disposing of any business or assets for an amount greater than RMB100 million (in aggregate) in any 12 month period;

(f) entering into contracts or commitments involving a liability or expenditure greater than RMB80 million;

(g) any borrowing or raising of the money other than certain permitted borrowings;

(h) incurring capital expenditure, in aggregate, in excess of RMB140 million in a calendar year;

(i) any merger, division or reorganisation (where the purpose of the reorganisation is to consolidate ownership of Holdco and its subsidiaries under one or more holding companies);

(j) any proposal to wind up, or appoint a liquidator, receiver or administrator to, Holdco or any of its subsidiaries;

(k) taking action, or deciding not to take action, in relation to certain legal proceedings or regulatory investigations;

(l) appointing and removing the auditors; and

(m) amending or modifying the constitutional documents.

Qualifying IPO: During the period commencing on the date which is 12 months after the Closing Date and ending on the date which is 48 months after the Closing Date, the Company shall have the right to recommend to the board of directors of Holdco a plan for an A-Share Listing (the "**Right for Qualifying IPO**").

If, in summary, the A-Share Listing would yield an after tax internal rate of return (calculated from the Closing Date) of at least 18% (on an annualized basis) on RMB5,559,010,897 (i.e. a Qualifying IPO), Lighting Holdings II shall approve the plan for the A-Share Listing, and the Company and Lighting Holdings II shall procure that the plan is implemented as soon as possible and provide all co-operation as is reasonably required. The implementation of the plan shall be led by the Company.

If the Qualifying IPO is not completed by the date that falls 48 months after the Closing Date, Holdco and its subsidiaries may seek an initial public offering on any other recognised stock exchange or the shareholders of Holdco may pursue other exit plans (including, but not limited to, a trade sale).

Since the entering into of the Shareholders' Agreement is of similar nature as a formation of joint venture (where the joint venture partners would normally enter into the shareholders' agreements). In order to assess the fairness and reasonableness of the terms of Shareholders' Agreement, we searched for formation of joint ventures which constituted notifiable and/or connected transactions announced by companies listed on the Stock Exchange from 11 June 2019 up to 10 August 2019 (being the two months period before entering into of the Share Purchase Agreement) (the "**JV Comparable Transaction(s)**") to understand the trend of the entering into of shareholders' agreements. We consider the two-month selection period fair and reasonable as (i) the JV Comparable Transactions could demonstrate the recent market trend; and (ii) we were able to identify 21 JV Comparable Transactions for comparison. Shareholders should note that the businesses, operations and prospects of the Target Companies may not be the same as the subject companies of the JV Comparable Transactions.

Company (Stock Code)	Announcement Date	Whether party with the highest shareholding in the joint venture company can appoint more directors of the joint venture company than other shareholders?	Transfer restriction on joint venture parties	Right of first offer by joint venture parties
Beijing Digital Telecom Co., Ltd. (6188)	26 July 2019	Yes	No relevant information	No relevant information
E-Commodities Holdings Limited (1733)	25 July 2019	Yes	No relevant information	No relevant information
YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (1558)	24 July 2019	No relevant information	Yes	No relevant information
China Merchants Land Limited (978)	20 July 2019	Yes	No relevant information	No relevant information
China Communications Construction Company Limited (1800)	16 July 2019	Yes	No relevant information	No relevant information
Shenghua Lande Scitech Limited (8106)	15 July 2019	Yes	Yes	No relevant information
Road King Infrastructure Limited (1098)	15 July 2019	Yes	Yes	Yes

Company (Stock Code)	Announcement Date	Whether party with the highest shareholding in the joint venture company can appoint more directors of the joint venture company than other shareholders?	Transfer restriction on joint venture parties	Right of first offer by joint venture parties
Qinhuangdao Port Co., Ltd. (3369)	8 July 2019	No relevant information	No relevant information	No relevant information
LongiTech Smart Energy Holding Limited (1281)	2 July 2019	Yes	No relevant information	No relevant information
China Merchants Land Limited (978)	1 July 2019	Yes	No relevant information	No relevant information
China Isotope & Radiation Corporation (1763)	28 June 2019	Yes	No relevant information	No relevant information
F8 Enterprises (Holdings) Group Limited (8347)	27 June 2019	Yes	No relevant information	No relevant information
Huadian Fuxin Energy Corporation Limited (816)	27 June 2019	Yes	No relevant information	No relevant information
Jiashili Group Limited (1285)	26 June 2019	No	Yes	No relevant information
China Digital Video Holdings Limited (8280)	26 June 2019	No	Yes	Yes
CIFI Holdings (Group) Co. Ltd. (884)	25 June 2019	No	No relevant information	No relevant information
China Greenland Broad Greenstate Group Company Limited (1253)	20 June 2019	No	Yes	No relevant information
China Ruifeng Renewable Energy Holdings Limited (527)	17 June 2019	Yes	Yes	Yes
SCUD Group Limited (1399)	17 June 2019	Yes	No relevant information	Yes
Loto Interactive Limited (8198)	14 June 2019	Yes	No relevant information	No relevant information
Maanshan Iron & Steel Company Limited (323)	12 June 2019	No relevant information	No relevant information	No relevant information

We noted that the terms of (i) Board Appointment; (ii) Transfer Restriction; and (iii) Rights of First Offer under the Shareholders' Agreement are comparable with the JV Comparable Transactions:

- In 14 out of the 18 JV Comparable Transactions with the relevant disclosure on board appointment, party with highest shareholding in the joint venture company can appoint more directors of the joint venture company than other shareholders.

- 7 JV Comparable Transactions have similar terms as the Transfer Restriction (others with no relevant disclosure on the same), imposing certain restrictions on the transfer of parties' interest in the joint venture or on the changes in shareholdings of the parties in the joint venture. We consider it is not unusual for joint venture transactions to contain such terms.

- 4 JV Comparable Transactions have similar terms as the Rights of First Offer (others with no relevant disclosure on the same), granting parties to the joint venture pre-emptive rights for acquisition in case of a proposed transfer of equity interests in the joint venture by other selling parties. We consider it is not unusual for joint venture transactions to contain such terms.

For terms relating to (i) pre-emptive right regarding future issue of securities by the joint ventures, (ii) drag along and (iii) tag along of the JV Comparable Transactions, there was no relevant information contained in relevant announcements. Nevertheless, we noted that it is not unusual for shareholders' agreements of joint ventures/associated companies to contain such relevant terms, for example, we noted the following transactions announced by companies listed on the Stock Exchange during the one-year period before the entering into of the Share Purchase Agreement (the purpose of our review was to identify if there are Hong Kong listed companies entering into shareholders' agreements with similar terms as the Shareholders' Agreement; we are of the view that the one-year period can demonstrate similar transactions conducted by companies under proximate timeframe before the entering into of the Share Purchase Agreement):

- With reference to the announcement of Realord Group Holdings Limited (1196) dated 27 December 2018, the company entered into an agreement to acquire 60% equity interest in a target company by the company's wholly-owned subsidiary. Upon completion, the target company would be 60% owned by the company's subsidiary. According to the announcement, the company's subsidiary would enter into a target company shareholders' agreement which contained terms relating to (i) pre-emptive rights (where the target company may seek borrowing or equity investment from its shareholders in proportional to their shareholdings in the target company); (ii) tag-along rights; and (iii) drag-along rights.

- With reference to the announcement of Sinotrans Limited (598) dated 25 October 2018, the company proposed to dispose 55% equity interest in an indirectly wholly-owned subsidiary of the company. According to the announcement, the vendor subsidiaries of the company entered a shareholders' agreement of the target company which contained terms relating to (i) pre-emptive rights (where no new equity securities may be issued by the target company to any third party without first being offered to the existing shareholders in accordance with their respective shareholding percentage immediately prior to such offering, unless otherwise agreed by the existing shareholders or the issue is made pursuant to the employee incentive plan (if any) of target company); (ii) tag-along rights; and (iii) drag-along rights.

- With reference to the announcement of Huayu Expressway Group Limited (1823) dated 25 October 2018, the company proposed to dispose 30% equity interest in a 90%-owned subsidiary of the company. According to the announcement, the disposal agreement contained tag-along rights by the minority shareholder of the purchaser (i.e. the minority shareholder). The company also entered into a joint venture agreement which contained pre-emptive rights (where any increase of registered capital of the target company shall first be offered to the shareholders on a pro-rata basis by reference to their respective interests in the target company).

In relation to the right of first offer related to the International Lighting Business, having considered that the offer would be determined at a price proposed by the Company, we consider such term to be acceptable. We also consider the right for qualifying IPO, being a right granted to the Company and can be exercised at the Company's discretion, to be in the interests of the Group.

Having considered the above and that as advised by the Directors, the terms of the Shareholders' Agreement were determined after arm's length negotiations between the Company and the parties to the Shareholders' Agreement, we concur with the Directors that the terms of the Shareholders' Agreement are on normal commercial terms and are fair and reasonable.

3. Financial Effects of the Disposal

With reference to the Board Letter, before the Disposal, the Company directly, and indirectly through LED Holdings, holds a 100% of the equity interest in the Target Companies. After the Closing, the Company will hold a 30% of the equity interest in Holdco which indirectly owns 100% of the share capital of the Target Companies. The Target Companies will no longer be consolidated into the consolidated financial statements of the Group.

The unaudited pro forma financial information of the Remaining Group (the "**Pro Forma Information**") is included in Appendix IV to the Circular.

With reference to the 2019 Interim Report, the unaudited consolidated total assets and total liabilities of the Group were approximately RMB6.80 billion and RMB3.22 billion respectively as at 30 June 2019. According to the Pro Forma Information, the unaudited consolidated total assets and total liabilities of the Remaining Group would be approximately RMB4.11 billion and RMB827.67 million respectively as if the Disposal had been completed on 30 June 2019.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Disposal.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Disposal (including the transactions contemplated under the ancillary Shareholders' Agreement) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Disposal (including the transactions contemplated under the ancillary Shareholders' Agreement) is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Disposal (including the transactions contemplated under the ancillary Shareholders' Agreement) and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking industry.

FINANCIAL SUMMARY OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2016, 2017, 2018 and condensed consolidated financial statements of the Group for the six months ended 30 June 2019 are respectively disclosed in pages 205 to 399 of the annual report of the Company for the year ended 31 December 2016, pages 199 to 404 of the annual report of the Company for the year ended 31 December 2017, pages 220 to 489 of the annual report of the Company for the year ended 31 December 2018, and pages 58 to 132 of the interim report of the Company for the six months ended 30 June 2019, all of which have been published on the website of the Company (http://www.nvc-lighting.com) and the website of the Stock Exchange (www.hkexnews.hk):

Quick links to the annual reports and interim report of the Company are set out below:

1. Annual report of the Company for the year ended 31 December 2016 (***2016 Annual Report***)
https://www.hkexnews.hk/listedco/listconews/sehk/2017/0426/ltn201704261041.pdf

2. Annual report of the Company for the year ended 31 December 2017 (***2017 Annual Report***)
https://www.hkexnews.hk/listedco/listconews/sehk/2018/0426/ltn20180426731.pdf

3. Annual report of the Company for the year ended 31 December 2018 (***2018 Annual Report***)
https://www.hkexnews.hk/listedco/listconews/sehk/2019/0423/ltn20190423964.pdf

4. Interim report of the Company for the six months ended 30 June 2019 (***2019 Interim Report***)
https://www.hkexnews.hk/listedco/listconews/sehk/2019/0918/ltn20190918163.pdf

INDEBTEDNESS STATEMENT

At the close of business on 31 August 2019, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the publication of this circular, the total indebtedness of the Group was as follows:

Borrowings

(i) Secured bank loans of approximately RMB411.9 million secured by the pledge over certain trade and bills receivables, buildings, right-of-use assets related to leasehold land of the Group, pledged bank deposits and corporate guarantees executed by certain subsidiaries of the Group.

(ii) Unsecured other borrowings of approximately RMB0.8 million.

Pledged assets

(i) Certain buildings included in property, plant and equipment with aggregate carrying amount of approximately RMB256.7 million were pledged for the Group's bank borrowings.

(ii) Certain trade and bills receivables with aggregate carrying amount of approximately RMB161.8 million were pledged to secure bank borrowings.

(iii) Bank deposits with aggregate carrying amounts of approximately RMB289.2 million and RMB0.7 million were pledged for issuing of letters of guarantee and the Group's applications of assets preservation in certain PRC legal proceedings respectively.

(iv) Certain right-of-use assets related to leasehold land with aggregate carrying amount of approximately RMB44.8 million were pledged for the Group's bank borrowings.

Lease liabilities

(i) Lease liabilities of approximately RMB93.7 million.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into RMB at the approximate rates of exchange prevailing as at 31 August 2019.

Save as aforesaid and apart from the intra-group liabilities and normal trade payables, the Group did not have, at the close of business on 31 August 2019, any other outstanding borrowings, mortgages, charges, debentures, loan capital or overdraft, debt securities or other similar indebtedness, finance leases or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

To the best knowledge of the directors, having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the Group since 31 August 2019.

WORKING CAPITAL

The Directors are of the view that, after taking into account of the Group's presently available financial resources, the Group will have sufficient working capital for its business for at least twelve (12) months from the date of this circular in the absence of unforeseen circumstances, including but not limited to, unforeseen loss of major customers and suppliers and unforeseen default of receivables as well as unforeseen increase in country and regulatory risks.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018 (being the date to which the latest published audited annual consolidated financial statements of the Group have been made up).

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group will continue to expand its existing channels and businesses. In retail channels in North America, as a strategic supplier of the world's leading building materials retailers, the Group will continue to maintain its characteristics and advantages of pioneering innovation and prompt response to ensure the supply of quarterly new products. Meanwhile, the Group will coordinate the development of new products with existing products and further deepen and expand its product lines. In terms of commercial channels, the Group will adhere to its market position of providing highly cost effective ETISSL branded products, reorganize the sales team and streamline the sales agency hierarchy to enhance the overall profitability. Starting from 2020 the NVC-branded US business will launch in North America focusing on high end commercial lighting fixtures. In terms of product development, the Group will thoroughly analyze the existing product lines and focus on improving and expanding profitable and market-leading product lines. In the Japanese market, while continuing to expand our consumer-oriented Toshiba B2C business, we will gradually expand distributor-oriented B2B channels that will gradually be introduced into developed product lines, thus comprehensively enhancing our business in the Japanese market. In the Middle Eastern market, the Group will continue to increase its resource investment in the Middle East and North Africa so as to enhance its acquisition of large and medium-sized projects. Meanwhile, the Group will upgrade the image and products of existing exclusive outlets in countries within the Gulf Region to enhance their ability to acquire small projects. The Middle East offices will focus on the development of large projects and regional distributors in North Africa and the Levant region to improve the Group's sales and to network throughout the Middle East and North Africa. In the Southeast Asian market, we will continue to deepen sales channels in Indonesia and explore a successful "Indonesian Model" which will be reproduced in Vietnam and Cambodia.

The China ODM Business will remain stable with a size similar to those in the previous five years. Customers to the China ODM Business are loyal despite the recent tariff increase imposed by the US. They are working with us to transfer certain manufacturing industries with high operating costs to Vietnam. The China Remaining Business will concentrate on the home improvement and innovation industries. We will leverage our existing operation channels and potentially build our own channels for a more efficient sales and distribution network. In 2020, we will focus on R&D and product lines development. We expect that a few new business units will be established to capitalize on the new products and services, including (i) the unit of electrical products, such as switches; (ii) the unit of bath and kitchen hardwares; (iii) the unit of smart and mechanical locks; and (iv) the unit of custom-made kitchen cabinet and built-in appliance. Each unit will be responsible for the marketing and sales of their respective products and provision of related services.

The Group is building its Vietnam factory to combat existing tariff pressure from North American businesses and at the same time the new facility will support South East Asian NVC-brand building activities starting from June 2020. The Group plans to upgrade its three factories in China to support its diverted business region characteristic and the new categories developed for improved product mix and reduced dependence on OEM supply.

Meanwhile, the Group will restructure its commercial and technical teams to organize a business unit to focus on accelerating the development of standardized smart home and commercial control modules to support all regions' demand on wireless residential, commercial and industrial applications.

In terms of internal management, the Group will continue to adhere to its established policy of reducing cost and improving efficiency of its business and to improve the overall operation of the Group through adjusting and optimizing organizational structure, promoting refined management and innovating the technological process. In terms of human resources strategy, talents from target business regions will be recruited for achieving localized best practice to develop avenues for NVC branded channel development.

UNAUDITED FINANCIAL INFORMATION OF HUIZHOU NVC LIGHTING TECHNOLOGY COMPANY LIMITED AND ITS SUBSIDIARIES, BLUE LIGHT (HK) TRADING CO., LIMITED AND ITS SUBSIDIARIES AND ZHUHAI YAOHUI TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES (COLLECTIVELY THE "TARGET COMPANIES")

Set out below are the unaudited statements of financial position of companies comprising the Target Group (individually the "Disposal Entities") as of 31 December 2016, 2017, and 2018 and 30 June 2019 and the related unaudited statements of profit or loss, unaudited statements of comprehensive income, unaudited statements of changes in equity and unaudited statements of cash flows for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, and explanatory notes (collectively referred to as the "Unaudited Financial Information").

The Unaudited Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules and the basis of preparation as set out in Note 2 to the Unaudited Financial Information.

The Unaudited Financial Information is prepared by the directors of the Company solely for the purpose of inclusion in this circular in connection with the Disposal. The Company's auditor, BDO Limited, has reviewed the Unaudited Financial Information of the Disposal Entities in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion.

Based on the auditor's review, nothing has come to auditor's attention that causes them to believe that the Unaudited Financial Information is not prepared, in all material respects, in accordance with the basis of preparation as set out in Note 2 below.

Huizhou NVC Lighting Technology Company Limited
STATEMENTS OF PROFIT OR LOSS
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
REVENUE	2,159,742	1,184,868	1,386,506	473,533	714,432
Cost of sales	(1,660,269)	(846,315)	(1,090,590)	(352,858)	(548,293)
Gross profit	499,473	338,553	295,916	120,675	166,139
Other income and gains	119,635	34,364	1,045,670	1,017,971	42,999
Selling and distribution costs	(209,158)	(93,796)	(79,895)	(15,526)	(27,752)
Administrative expenses	(202,275)	(136,480)	(145,896)	(42,094)	(79,433)
Other expenses	(1,568)	(14,344)	(57,476)	(694)	(13,783)
Finance costs	(112)	–	(21,306)	(2,968)	(6,245)
Share of results of associates	6,801	17,468	5,192	6,917	(1,932)
PROFIT BEFORE INCOME TAX	212,796	145,765	1,042,205	1,084,281	79,993
Income tax	(31,314)	(24,056)	(22,940)	(15,635)	(40,220)
PROFIT FOR THE YEAR/PERIOD	181,482	121,709	1,019,265	1,068,646	39,773

Huizhou NVC Lighting Technology Company Limited
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
PROFIT FOR THE YEAR/PERIOD	181,482	121,709	1,019,265	1,068,646	39,773
OTHER COMPREHENSIVE INCOME					
Item that may be reclassified subsequently to profit or loss:					
Fair value change on available-for-sale financial assets	1,000	(3,000)	–	–	–
	1,000	(3,000)	–	–	–
Item that will not be reclassified subsequently to profit or loss:					
Fair value change on financial assets at fair value through other comprehensive income, net of tax	–	–	6,500	7,400	–
	–	–	6,500	7,400	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	182,482	118,709	1,025,765	1,076,046	39,773

Huizhou NVC Lighting Technology Company Limited
STATEMENTS OF FINANCIAL POSITION
As at 31 December 2016, 2017 and 2018 and 30 June 2019

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
NON-CURRENT ASSETS				
Property, plant and equipment	285,733	274,401	262,417	262,230
Prepaid land lease payments	28,255	27,380	26,504	–
Other intangible assets	272,387	276,469	277,703	278,349
Investments in associates	41,030	54,518	43,986	42,054
Investment in a joint venture	100,000	100,000	–	–
Investments in subsidiaries	25,250	27,670	1,630,172	1,636,172
Long term equity investments at fair value through other comprehensive income	23,000	22,000	28,100	28,000
Deferred tax assets	33,728	34,168	47,365	50,695
Prepayments	100,962	422,432	435,700	297,827
Right-of-use assets	–	–	–	170,966
Total non-current assets	910,345	1,239,038	2,751,947	2,766,293
CURRENT ASSETS				
Inventories	98,720	135,844	170,786	153,174
Trade receivables	418,065	83,826	97,296	73,595
Bills receivables	241,560	184,266	29,852	15,286
Prepayments, deposits and other receivables	31,281	18,013	42,816	56,408
Other current assets	607	10,288	17,891	11,278
Held-for-trading investments	–	88,786	44,190	32,582
Restricted bank balances and short-term deposits	390,028	183,900	431,315	66,187
Cash and cash equivalents	382,913	526,802	220,769	156,263
Due from group companies	509,927	897,572	1,406,189	1,940,787
Total current assets	2,073,101	2,129,297	2,461,104	2,505,560

Huizhou NVC Lighting Technology Company Limited
STATEMENTS OF FINANCIAL POSITION
As at 31 December 2016, 2017 and 2018 and 30 June 2019

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CURRENT LIABILITIES				
Trade and bills payables	266,553	310,522	152,402	378,132
Other payables and accruals	359,438	197,720	187,889	175,493
Interest-bearing loans and borrowings	–	–	275,661	200,000
Government grants	116	103	103	–
Income tax payable	13,486	20,925	41,256	80,476
Derivative financial liabilities	–	–	10,689	–
Lease liabilities	–	–	–	543
Due to group companies	1,267,886	1,643,565	1,489,311	1,680,400
Total current liabilities	1,907,479	2,172,835	2,157,311	2,515,044
NET CURRENT ASSETS/ (LIABILITIES)	165,622	(43,538)	303,793	(9,484)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,075,967	1,195,500	3,055,740	2,756,809
NON-CURRENT LIABILITIES				
Government grants	5,201	6,403	6,990	8,173
Lease liabilities	–	–	–	113
Deferred tax liabilities	72,574	72,196	73,537	73,537
Total non-current liabilities	77,775	78,599	80,527	81,823
Net assets	998,192	1,116,901	2,975,213	2,674,986
EQUITY				
Paid-up capital	266,499	266,499	266,499	266,499
Reserves	731,693	850,402	2,708,714	2,408,487
Total equity	998,192	1,116,901	2,975,213	2,674,986

Huizhou NVC Lighting Technology Company Limited
STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Paid-up capital	Shareholders' contribution	Other reserve	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
At 1 January 2016	266,499	6,416	–	59,267	483,528	815,710
Fair value gain on available-for-sale financial assets	–	–	1,000	–	–	1,000
Profit for the year	–	–	–	–	181,482	181,482
Transfer to statutory reserve	–	–	–	16,919	(16,919)	–
At 31 December 2016 and 1 January 2017	266,499	6,416	1,000	76,186	648,091	998,192
Fair value loss on available-for-sale financial assets	–	–	(3,000)	–	–	(3,000)
Profit for the year	–	–	–	–	121,709	121,709
Transfer to statutory reserve	–	–	–	16,222	(16,222)	–
At 31 December 2017 and 1 January 2018 as originally presented	266,499	6,416	(2,000)	92,408	753,578	1,116,901
Initial application of IFRS 9	–	–	–	–	(13,739)	(13,739)
At 1 January 2018 as restated	266,499	6,416	(2,000)	92,408	739,839	1,103,162
Fair value gain on financial assets at fair value through other comprehensive income	–	–	6,500	–	–	6,500
Group restructuring	–	–	1,537,397	–	–	1,537,397
Profit for the year	–	–	–	–	1,019,265	1,019,265
Dividend declared	–	–	–	–	(691,111)	(691,111)
Transfer to statutory reserve	–	–	–	103,291	(103,291)	–

Huizhou NVC Lighting Technology Company Limited
STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Paid-up capital	Shareholders' contribution	Other reserve	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
At 31 December 2018 and 1 January 2019	266,499	6,416	1,541,897	195,699	964,702	2,975,213
Profit for the period	–	–	–	–	39,773	39,773
Dividend declared	–	–	–	–	(340,000)	(340,000)
Transfer to statutory reserve	–	–	–	2,331	(2,331)	–
At 30 June 2019	266,499	6,416	1,541,897	198,030	662,144	2,674,986
At 1 January 2018 as originally presented	266,499	6,416	(2,000)	92,408	753,578	1,116,901
Initial application of IFRS 9	–	–	–	–	(13,739)	(13,739)
At 1 January 2018 as restated	266,499	6,416	(2,000)	92,408	739,839	1,103,162
Fair value gain on financial assets at fair value through other comprehensive income	–	–	7,400	–	–	7,400
Group restructuring	–	–	1,537,397	–	–	1,537,397
Profit for the period	–	–	–	–	1,068,646	1,068,646
Dividend declared	–	–	–	–	(80,000)	(80,000)
Transfer to statutory reserve	–	–	–	859	(859)	–
At 30 June 2018	266,499	6,416	1,542,797	93,267	1,727,626	3,636,605

Huizhou NVC Lighting Technology Company Limited
STATEMENTS OF CASH FLOWS
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax	212,796	145,765	1,042,205	1,084,281	79,993
Adjustments for:					
Interest income	(8,312)	(15,099)	(1,886)	(4,795)	(18,246)
Finance costs	112	–	21,306	2,968	6,245
Dividend income	–	–	(1,010,200)	(1,000,000)	(12,521)
Share of results of associates	(6,801)	(17,468)	(5,192)	(6,917)	1,932
Loss on disposal of a subsidiary	–	–	380	–	–
Gain on disposal of an associate	–	–	(5,799)	(5,799)	–
Loss on disposal of property, plant and equipment	1,147	2,010	1,321	333	135
Depreciation of property, plant and equipment	43,731	42,053	44,512	25,081	25,482
Amortisation of prepaid land lease payments	876	875	876	438	438
Amortisation of other intangible assets	866	811	1,162	566	674
Impairment/(reversal of impairment) of property, plant and equipment	8,420	(438)	1,538	–	–
Impairment/(reversal of impairment) of trade receivables	14,182	9,763	8,625	(10,815)	7,968
Impairment of prepayment, deposits and other receivables	1,093	–	–	–	4,091
(Reversal of write-down)/ write-down of inventories	(33,778)	(2,716)	4,930	(673)	5,352
Recovery of bad debts	–	(3,690)	–	–	–
Government grants released to statement of profit or loss	(3,244)	(3,704)	(2,284)	(17)	(663)
Fair value change of derivative financial liabilities	–	–	10,689	–	(10,689)
Fair value change of held-for-trading investments	–	–	44,596	–	11,608
	231,088	158,162	156,779	84,651	101,799

Huizhou NVC Lighting Technology Company Limited
STATEMENTS OF CASH FLOWS
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Decrease/(increase) in inventories	162,415	(34,408)	(39,872)	(62,403)	12,260
(Increase)/decrease in trade and bills receivables	(21,625)	385,460	114,000	52,717	30,299
(Increase)/decrease in prepayment, deposits and other receivables	(1,538)	13,268	(24,803)	(12,649)	(17,683)
(Increase)/decrease in other current assets	(560)	(9,681)	(7,603)	(5,635)	6,613
(Decrease)/increase in trade and bills payables	(55,929)	43,969	(158,120)	58,399	225,730
Increase/(decrease) in other payables and accruals	99,491	(161,718)	(9,831)	(48,677)	(12,396)
Receipt of government grants	3,626	4,893	2,871	–	1,743
(Increase)/decrease in due from group companies	(443,127)	(387,645)	(38,002)	438,096	(534,598)
Increase/(decrease) in due to group companies	329,155	375,679	(132,731)	(224,470)	191,089
Cash generated from/(used in) operations	302,996	387,979	(137,312)	280,029	4,856
Income tax paid	(27,273)	(17,435)	(11,385)	(9,748)	(4,330)
Net cash flows generated from/(used in) operating activities	275,723	370,544	(148,697)	270,281	526
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	8,312	15,099	1,886	4,795	18,246
Dividend received from subsidiaries	–	–	578,200	–	12,521
Proceeds from disposal of property, plant and equipment	1,831	781	3,056	14	2
Purchase of property, plant and equipment	(109,090)	(354,544)	(51,613)	(37,204)	(31,776)
Dividend received from an associate	–	3,000	5,000	5,000	–

Huizhou NVC Lighting Technology Company Limited
STATEMENTS OF CASH FLOWS
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Additions to other intangible assets	(335)	(4,893)	(2,494)	(818)	(1,320)
Investments in subsidiaries	(7,550)	(2,420)	(2,100)	–	(5,900)
Investments in associates	(7,800)	–	(5,000)	(5,000)	–
Investment in a joint venture	(100,000)	–	–	–	–
Purchase of long term investments	(22,000)	(2,000)	(100)	(100)	–
Purchase of held-for-trading investments	–	(88,786)	–	–	–
Refund of investment in an associate	–	980	–	–	–
Decrease/(increase) in the restricted bank balances and short-term deposits	160,194	206,128	(247,415)	(292,458)	365,128
Net cash flows (used in)/ generated from investing activities	(76,438)	(226,655)	279,420	(325,771)	356,901
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	–	–	(691,111)	(80,000)	(340,000)
Repayment of bank loans	–	–	275,661	–	(75,661)
Interest paid	(112)	–	(21,306)	(2,968)	(6,225)
Lease payments	–	–	–	–	(47)
Net cash flows used in financing activities	(112)	–	(436,756)	(82,968)	(421,933)
Net increase/(decrease) in cash and cash equivalents	199,173	143,889	(306,033)	(138,458)	(64,506)
Cash and cash equivalents at beginning of year/period	183,740	382,913	526,802	526,802	220,769
Cash and cash equivalents as stated in the statement of financial position and cash flows	382,913	526,802	220,769	388,344	156,263

Huizhou NVC Fire Lighting Company Limited
STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
REVENUE	3,576	21,533	32,109	12,517	19,656
Cost of sales	(3,457)	(13,953)	(20,852)	(8,136)	(13,033)
Gross profit	119	7,580	11,257	4,381	6,623
Other income and gains	–	15	296	286	16
Selling and distribution costs	(27)	(2,135)	(842)	(529)	(1,049)
Administrative expenses	(931)	(841)	(845)	(464)	(560)
Other operating expenses, net	(14)	–	(6)	(5)	–
Finance costs	–	–	–	–	(36)
(LOSS)/PROFIT BEFORE INCOME TAX	(853)	4,619	9,860	3,669	4,994
Income tax	–	(851)	(2,406)	(957)	(1,373)
(LOSS)/PROFIT FOR THE YEAR/PERIOD	(853)	3,768	7,454	2,712	3,621
OTHER COMPREHENSIVE INCOME	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	(853)	3,768	7,454	2,712	3,621

Huizhou NVC Fire Lighting Company Limited
STATEMENTS OF FINANCIAL POSITION
As at 31 December 2016, 2017 and 2018 and 30 June 2019

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
NON-CURRENT ASSETS				
Property, plant and equipment	316	342	371	339
Right-of-use assets	–	–	–	1,243
Other intangible assets	6	49	43	41
Total non-current assets	322	391	414	1,623
CURRENT ASSETS				
Inventories	1,045	2,031	3,024	2,995
Trade receivables	–	4	112	631
Prepayments, deposits and other receivables	96	387	343	320
Other current assets	28	177	408	443
Cash and cash equivalents	157	6,424	14,352	14,574
Due from group companies	–	585	6,388	11,298
Total current assets	1,326	9,608	24,627	30,261
CURRENT LIABILITIES				
Trade and bills payables	605	2,694	5,099	6,441
Other payables and accruals	625	2,557	2,474	2,906
Lease liabilities	–	–	–	304
Income tax payable	–	213	858	1,236
Due to group companies	–	349	4,970	4,770
Total current liabilities	1,230	5,813	13,401	15,657
NET CURRENT ASSETS	96	3,795	11,226	14,604
TOTAL ASSETS LESS CURRENT LIABILITIES	418	4,186	11,640	16,227
NON-CURRENT LIABILITIES				
Lease liabilities	–	–	–	966
Total non-current liabilities	–	–	–	966
Net assets	418	4,186	11,640	15,261
EQUITY				
Paid-up capital	1,985	1,985	1,985	1,985
Reserves	(1,567)	2,201	9,655	13,276
Total equity	418	4,186	11,640	15,261

Huizhou NVC Fire Lighting Company Limited
STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Paid-up capital	(Accumulated losses)/ retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
At 1 January 2016	1,985	(714)	1,271
Loss and total comprehensive income for the year	–	(853)	(853)
At 31 December 2016 and 1 January 2017	1,985	(1,567)	418
Profit and total comprehensive income for the year	–	3,768	3,768
At 31 December 2017 and 1 January 2018	1,985	2,201	4,186
Profit and total comprehensive income for the year	–	7,454	7,454
At 31 December 2018 and 1 January 2019	1,985	9,655	11,640
Profit and total comprehensive income for the period	–	3,621	3,621
At 30 June 2019	1,985	13,276	15,261
At 1 January 2018	1,985	2,201	4,186
Profit and total comprehensive income for the period	–	2,712	2,712
At 30 June 2018	1,985	4,913	6,898

Huizhou NVC Fire Lighting Company Limited
STATEMENTS OF CASH FLOWS
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before income tax	(853)	4,619	9,860	3,669	4,994
Adjustments for:					
Interest income	–	(11)	(19)	(8)	(12)
Finance costs	–	–	–	–	36
Loss on disposal of items of property, plant and equipment	–	–	3	2	–
Depreciation of items of property, plant and equipment	50	58	86	39	144
Amortisation of other intangible assets	–	4	6	3	2
	(803)	4,670	9,936	3,705	5,164
(Increase)/decrease in inventories	(1,022)	(986)	(993)	(268)	29
Increase in trade receivables	–	(4)	(108)	(98)	(519)
(Increase)/decrease in prepayments, deposits and other receivables	(73)	(291)	44	9	23
Decrease/(increase) in other current assets	28	(149)	(231)	(86)	(35)
Increase in trade and bills payables	544	2,089	2,405	841	1,342
(Decrease)/increase in other payables and accruals	(51)	1,932	(83)	150	432
Increase in amounts due from group companies	–	(585)	(5,803)	(6,950)	(4,910)
Increase/(decrease) in amounts due to group companies	–	349	4,621	143	(200)
Cash (used in)/generated from operations	(1,377)	7,025	9,788	(2,554)	1,326
Income tax paid	–	(638)	(1,761)	(708)	(995)
Net cash flows (used in)/generated from operating activities	(1,377)	6,387	8,027	(3,262)	331

Huizhou NVC Fire Lighting Company Limited
STATEMENTS OF CASH FLOWS
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	–	11	19	8	12
Prepayments for and purchases of items of property, plant and equipment	(83)	(84)	(118)	(114)	(7)
Additions to other intangible assets	(7)	(47)	–	–	–
Net cash flows (used in)/ generated from investing activities	(90)	(120)	(99)	(106)	5
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital injection	1,575	–	–	–	–
Lease payments	–	–	–	–	(114)
Net cash flows generated from/(used in) financing activities	1,575	–	–	–	(114)
Net increase/(decrease) in cash and cash equivalents	108	6,267	7,928	(3,368)	222
Cash and cash equivalents at beginning of year/period	49	157	6,424	6,424	14,352
Cash and cash equivalents as stated in the statement of financial position and cash flows	157	6,424	14,352	3,056	14,574

Huizhou NVC Lighting Engineering Company Limited
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the period from 21 December 2016 (date of incorporation) to 31 December 2016, years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Period from 21 December 2016 (date of incorporation) to 31 December	Year ended 31 December		Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
REVENUE	–	–	34,064	21,435	20,595
Cost of sales	–	–	(29,339)	(17,278)	(18,723)
Gross profit	–	–	4,725	4,157	1,872
Other income and gains	–	–	8	3	7
Selling and distribution costs	–	–	(392)	(92)	(231)
Administrative expenses	–	–	(3)	(2)	(3,229)
Finance costs	–	–	–	–	(7)
PROFIT/(LOSS) BEFORE INCOME TAX	–	–	4,338	4,066	(1,588)
Income tax	–	–	(1,111)	(1,016)	394
PROFIT/(LOSS) FOR THE PERIOD/YEAR	–	–	3,227	3,050	(1,194)
OTHER COMPREHENSIVE INCOME	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	–	–	3,227	3,050	(1,194)

Huizhou NVC Lighting Engineering Company Limited
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at 31 December 2016, 2017 and 2018 and 30 June 2019

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
NON-CURRENT ASSETS				
Right-of-use assets	–	–	–	172
Deferred tax assets	–	–	–	742
Total non-current assets	–	–	–	914
CURRENT ASSETS				
Inventories	–	–	3,820	5,247
Trade receivables	–	–	26,214	38,723
Prepayments, deposits and other receivables	–	–	1,665	20,862
Other current assets	–	–	–	785
Cash and cash equivalents	–	–	3,908	5,865
Total current assets	–	–	35,607	71,482
CURRENT LIABILITIES				
Other payables and accruals	–	–	–	346
Lease liabilities	–	–	–	47
Income tax payable	–	–	26	–
Due to group companies	–	–	32,354	69,841
Total current liabilities	–	–	32,380	70,234
NET CURRENT ASSETS	–	–	3,227	1,248
TOTAL ASSETS LESS CURRENT LIABILITIES	–	–	3,227	2,162
NON-CURRENT LIABILITY				
Lease liabilities	–	–	–	129
Total non-current liability	–	–	–	129
Net assets	–	–	3,227	2,033
EQUITY				
Paid-up capital	–	–	–	–
Reserves	–	–	3,227	2,033
Total equity	–	–	3,227	2,033

Huizhou NVC Lighting Engineering Company Limited
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the period from 21 December 2016 (date of incorporation) to 31 December 2016, years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Paid-up capital *RMB'000* *(Unaudited)*	Retained profits *RMB'000* *(Unaudited)*	Total *RMB'000* *(Unaudited)*
At 21 December 2016 (date of incorporation), 31 December 2016, 1 January 2017, 31 December 2017 and 1 January 2018	–	–	–
Profit and total comprehensive income for the year	–	3,227	3,227
At 31 December 2018 and 1 January 2019	–	3,227	3,227
Loss and total comprehensive loss for the period	–	(1,194)	(1,194)
At 30 June 2019	–	2,033	2,033
At 1 January 2018	–	–	–
Profit and total comprehensive income for the period	–	3,050	3,050
At 30 June 2018	–	3,050	3,050

Huizhou NVC Lighting Engineering Company Limited
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the period from 21 December 2016 (date of incorporation) to 31 December 2016, years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Period from 21 December 2016 (date of incorporation) to 31 December	Year ended 31 December		Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before income tax	–	–	4,338	4,066	(1,588)
Adjustments for:					
Interest income	–	–	(8)	(3)	(7)
Finance costs	–	–	–	–	7
Impairment of trade receivables	–	–	–	–	2,968
Depreciation of items of property, plant and equipment	–	–	–	–	26
	–	–	4,330	4,063	1,406
Increase in inventories	–	–	(3,820)	(2,430)	(1,427)
Increase in trade receivables	–	–	(26,214)	(8,346)	(15,477)
Increase in prepayments, deposits and other receivables	–	–	(1,665)	(21,143)	(19,197)
Increase in other current assets	–	–	–	(278)	(785)
Increase in other payables and accruals	–	–	–	–	346
Increase in amounts due to group companies	–	–	32,354	31,417	37,487
Cash generated from operations	–	–	4,985	3,283	2,353
Income tax paid	–	–	(1,085)	(254)	(374)
Net cash flows generated from operating activities	–	–	3,900	3,029	1,979

Huizhou NVC Lighting Engineering Company Limited
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the period from 21 December 2016 (date of incorporation) to 31 December 2016, years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Period from 21 December 2016 (date of incorporation) to 31 December	Year ended 31 December		Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM INVESTING ACTIVITY					
Interest received	–	–	8	3	7
Net cash flows generated from investing activity	–	–	8	3	7
CASH FLOWS FROM FINANCING ACTIVITY					
Lease payments	–	–	–	–	(29)
Net cash flows used in financing activity	–	–	–	–	(29)
Net increase in cash and cash equivalents	–	–	3,908	3,032	1,957
Cash and cash equivalents at beginning of period/year	–	–	–	–	3,908
Cash and cash equivalents as stated in the statements of financial position and cash flows	–	–	3,908	3,032	5,865

Huizhou NVC Kitchenware Company Limited
STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the period from 15 April 2016 (date of incorporation) to 31 December 2016 and years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Period from 15 April 2016 (date of incorporation) to 31 December	Year ended 31 December		Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
REVENUE	57,986	168,325	172,971	106,271	67,503
Cost of sales	(44,396)	(132,470)	(116,467)	(76,042)	(41,940)
Gross profit	13,590	35,855	56,504	30,229	25,563
Other income and gains	18	304	687	189	183
Selling and distribution costs	(7,023)	(13,961)	(19,014)	(10,502)	(4,842)
Administrative expenses	(3,113)	(11,792)	(12,896)	(7,704)	(830)
Other expenses	(8)	(16)	(149)	(1)	(104)
PROFIT BEFORE INCOME TAX	3,464	10,390	25,132	12,211	19,970
Income tax	(935)	(2,891)	(6,383)	(3,748)	(5,822)
PROFIT FOR THE PERIOD/YEAR	2,529	7,499	18,749	8,463	14,148
OTHER COMPREHENSIVE INCOME	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	2,529	7,499	18,749	8,463	14,148

Huizhou NVC Kitchenware Company Limited
STATEMENTS OF FINANCIAL POSITION
As at 31 December 2016, 2017 and 2018 and 30 June 2019

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
NON-CURRENT ASSET				
Property, plant and equipment	137	191	1,022	785
Total non-current asset	137	191	1,022	785
CURRENT ASSETS				
Inventories	4,441	5,775	4,047	8,128
Trade receivables	–	27,788	2,365	6,016
Bills receivables	–	–	–	4,869
Prepayments, deposits and other receivables	286	104	282	–
Other current assets	–	171	1,106	2,500
Restricted bank balances and short-term deposits	–	30,000	25,000	–
Cash and cash equivalents	5,313	5,315	2,293	47,529
Due from group companies	22,866	250	22,165	1,994
Total current assets	32,906	69,403	57,258	71,036
CURRENT LIABILITIES				
Trade and bills payables	21,977	26,956	16,664	25,575
Other payables and accruals	3,287	11,310	8,116	8,843
Income tax payable	232	465	1,810	4,158
Due to group companies	18	15,835	17,913	14,197
Total current liabilities	25,514	54,566	44,503	52,773
NET CURRENT ASSETS	7,392	14,837	12,755	18,263
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS	7,529	15,028	13,777	19,048
EQUITY				
Paid-up capital	5,000	5,000	5,000	5,000
Reserves	2,529	10,028	8,777	14,048
Total equity	7,529	15,028	13,777	19,048

Huizhou NVC Kitchenware Company Limited
STATEMENTS OF CHANGES IN EQUITY
For the period from 15 April 2016 (date of incorporation) to 31 December 2016 and years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Paid-up capital	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
At 15 April 2016 (date of incorporation)	–	–	–	–
Profit and total comprehensive income for the period	–	–	2,529	2,529
Capital injection	5,000	–	–	5,000
At 31 December 2016 and 1 January 2017	5,000	–	2,529	7,529
Profit and total comprehensive income for the year	–	–	7,499	7,499
At 31 December 2017 and 1 January 2018	5,000	–	10,028	15,028
Profit and total comprehensive income for the year	–	–	18,749	18,749
Dividend declared	–	–	(20,000)	(20,000)
At 31 December 2018 and 1 January 2019	5,000	–	8,777	13,777
Profit and total comprehensive income for the period	–	–	14,148	14,148
Dividend declared	–	–	(8,877)	(8,877)
Transfer to statutory reserve	–	2,500	(2,500)	–
At 30 June 2019	5,000	2,500	11,548	19,048
At 1 January 2018	5,000	–	10,028	15,028
Profit and total comprehensive income for the period	–	–	8,463	8,463
At 30 June 2018	5,000	–	18,491	23,491

Huizhou NVC Kitchenware Company Limited
STATEMENTS OF CASH FLOWS
For the period from 15 April 2016 (date of incorporation) to 31 December 2016 and years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Period from 15 April 2016 (date of incorporation) to 31 December	Year ended 31 December		Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax	3,464	10,390	25,132	12,211	19,970
Adjustments for:					
Interest income	(9)	(73)	(664)	(181)	(166)
Depreciation of property, plant and equipment	10	34	675	21	237
Write-down/(reversal of write-down) of inventories	388	956	(1,344)	–	–
Government grants released to statement of profit or loss	–	(4)	(6)	–	–
	3,853	11,303	23,793	12,051	20,041
(Increase)/decrease in inventories	(4,829)	(2,290)	3,072	(1,824)	(4,081)
(Increase)/decrease trade and bills receivables	–	(27,788)	25,423	(16,937)	(8,520)
(Increase)/decrease in prepayments, deposits and other receivables	(286)	182	(178)	7	282
Increase in other current assets	–	(171)	(935)	(3,130)	(1,394)
Increase/(decrease) in trade and bills payables	21,977	4,979	(10,292)	24,157	8,911
Increase/(decrease) in other payables and accruals	3,287	8,023	(3,194)	(3,474)	727
Receipt of government grants	–	4	6	–	–
(Increase)/decrease in due from group companies	(22,866)	22,616	(21,915)	(13,571)	20,171
Increase/(decrease) in due to group companies	18	15,817	2,078	(3,729)	(1,756)
Cash generated from/(used in) operations	1,154	32,675	17,858	(6,450)	34,381
Income tax paid	(703)	(2,658)	(5,038)	(1,764)	(3,474)
Net cash flows generated from/(used in) operating activities	451	30,017	12,820	(8,214)	30,907

Huizhou NVC Kitchenware Company Limited
STATEMENTS OF CASH FLOWS
For the period from 15 April 2016 (date of incorporation) to 31 December 2016 and years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Period from 15 April 2016 (date of incorporation) to 31 December	Year ended 31 December		Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	9	73	664	181	166
Purchase of property, plant and equipment	(147)	(88)	(1,506)	(20)	–
(Decrease)/increase in restricted bank balances and short-term deposits	–	(30,000)	5,000	5,000	25,000
Net cash flows (used in)/ generated from investing activities	(138)	(30,015)	4,158	5,161	25,166
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	–	–	(20,000)	–	(10,837)
Capital injection	5,000	–	–	–	–
Net cash flows generated from/(used in) financing activities	5,000	–	(20,000)	–	(10,837)
Net increase/(decrease) in cash and cash equivalents	5,313	2	(3,022)	(3,053)	45,236
Cash and cash equivalents at beginning of period/year	–	5,313	5,315	5,315	2,293
Cash and cash equivalents as stated in the statement of financial position and cash flows	5,313	5,315	2,293	2,262	47,529

Zhongshan NVC Decorative Lighting Technology Company Limited
STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the years ended 31 December 2016, 2017 and 2018 and 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
REVENUE	671,060	631,387	603,315	298,064	246,509
Cost of sales	(531,239)	(550,875)	(517,674)	(257,903)	(211,358)
Gross profit	139,821	80,512	85,641	40,161	35,151
Other income and gains	2,193	3,571	3,443	1,635	268
Selling and distribution costs	(59,388)	(7,199)	(8,362)	(4,655)	(1,980)
Administrative expenses	(41,624)	(23,403)	(25,068)	(12,361)	(20,913)
Other expenses	(507)	(164)	(347)	(308)	(31)
Finance costs	(100)	–	(539)	–	(113)
PROFIT BEFORE INCOME TAX	40,395	53,317	54,768	24,472	12,382
Income tax	(6,299)	(8,877)	(13,889)	(6,398)	(1,925)
PROFIT FOR THE YEAR/PERIOD	34,096	44,440	40,879	18,074	10,457
OTHER COMPREHENSIVE INCOME	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	34,096	44,440	40,879	18,074	10,457

Zhongshan NVC Decorative Lighting Technology Company Limited
STATEMENTS OF FINANCIAL POSITION
As at 31 December 2016, 2017 and 2018 and 30 June 2019

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
NON-CURRENT ASSETS				
Property, plant and equipment	2,428	3,976	3,591	3,038
Other intangible assets	403	374	456	426
Right-of-use assets	–	–	–	2,815
Deferred tax assets	–	–	–	1,957
Total non-current assets	2,831	4,350	4,047	8,236
CURRENT ASSETS				
Inventories	8,199	16,085	12,041	18,940
Trade receivables	35,851	8,317	7,827	–
Bills receivables	–	–	740	2,183
Prepayments, deposits and other receivables	2,197	17,461	17,263	17,699
Other current assets	–	–	5	2
Cash and cash equivalents	2,162	30,330	5,392	24,495
Due from group companies	171,925	147,445	456,248	471,320
Total current assets	220,334	219,638	499,516	534,639
CURRENT LIABILITIES				
Trade and bills payables	108,048	79,844	87,388	60,096
Other payables and accruals	33,776	16,023	22,069	13,456
Interest-bearing loans and borrowings	–	–	–	–
Income tax payable	1,802	4,142	5,750	2,182
Lease liabilities	–	–	–	792
Due to group companies	–	–	223,498	288,960
Total current liabilities	143,626	100,009	338,705	365,486
NET CURRENT ASSETS	76,708	119,629	160,811	169,153
TOTAL ASSETS LESS CURRENT LIABILITIES	79,539	123,979	164,858	177,389
NON-CURRENT LIABILITIES				
Lease liabilities	–	–	–	2,074
Total non-current liabilities	–	–	–	2,074
Net assets	79,539	123,979	164,858	175,315
EQUITY				
Paid-up capital	15,000	15,000	15,000	15,000
Reserves	64,539	108,979	149,858	160,315
Total equity	79,539	123,979	164,858	175,315

Zhongshan NVC Decorative Lighting Technology Company Limited
STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2016, 2017 and 2018 and 30 June 2019

	Paid-up capital	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
At 31 December 2015 and 1 January 2016	15,000	9,161	81,282	105,443
Profit and total comprehensive income for the year	–	–	34,096	34,096
Dividend paid	–	–	(60,000)	(60,000)
At 31 December 2016 and 1 January 2017	15,000	9,161	55,378	79,539
Profit and total comprehensive income for the year	–	–	44,440	44,440
At 31 December 2017 and 1 January 2018	15,000	9,161	99,818	123,979
Profit and total comprehensive income for the year	–	–	40,879	40,879
At 31 December 2018 and 1 January 2019	15,000	9,161	140,697	164,858
Profit and total comprehensive income for the period	–	–	10,457	10,457
At 30 June 2019	15,000	9,161	151,154	175,315
At 1 January 2018	15,000	9,161	99,818	123,979
Profit and total comprehensive income for the period	–	–	18,074	18,074
At 30 June 2018	15,000	9,161	117,892	142,053

Zhongshan NVC Decorative Lighting Technology Company Limited
STATEMENTS OF CASH FLOWS
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	40,395	53,317	54,768	24,472	12,382
Adjustments for:					
Interest income	(455)	(405)	(216)	(173)	–
Finance costs	100	–	539	–	113
Loss on disposal of items of property, plant and equipment	31	17	297	258	13
Depreciation of items of property, plant and equipment	933	1,139	1,322	198	993
Amortisation of other intangible assets	38	45	52	27	30
Write-off of items of property, plant and equipment	43	–	–	–	–
Impairment of trade receivables	–	192	–	–	7,827
Government grants released to statement of profit or loss	–	(2)	(123)	(18)	–
	41,085	54,303	56,639	24,764	21,358
Decrease/(increase) in inventories	5,924	(7,886)	4,044	(11,369)	(6,899)
Decrease/(increase) trade and bills receivables	42,911	27,342	(250)	490	(1,443)
(Increase)/decrease in prepayments, deposits and other receivables	(1,685)	(15,264)	198	25	(436)
(Increase)/decrease in other current assets	–	–	(5)	–	3
Increase/(decrease) in trade and bills payables	46,956	(28,204)	7,544	12,920	(27,292)
(Decrease)/increase in other payables and accruals	(9,921)	(17,753)	6,046	(1,484)	(8,613)
Receipt of government grants	–	2	123	18	–
(Increase)/decrease in due from group companies	(116,764)	24,480	(308,901)	(246,131)	(15,072)
Increase in due to group companies	–	–	223,498	208,626	65,462
Cash generated from/(used in) operations	8,506	37,020	(11,064)	(12,141)	27,068
Income tax paid	(19,627)	(6,537)	(12,281)	(4,404)	(7,450)
Net cash flows (used in)/ generated from operating activities	(11,121)	30,483	(23,345)	(16,545)	19,618

Zhongshan NVC Decorative Lighting Technology Company Limited

STATEMENTS OF CASH FLOWS

For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	455	405	216	173	–
Proceeds from disposal of items of property, plant and equipment	–	–	60	427	83
Purchase of items of property, plant and equipment	(574)	(2,704)	(1,294)	(253)	(110)
Additions to other intangible assets	(441)	(16)	(36)	–	–
Net cash flows (used in)/generated from investing activities	(560)	(2,315)	(1,054)	347	(27)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid to shareholders	(60,000)	–	–	–	–
Settlement of interest-bearing loans and borrowings	(50,000)	–	–	–	–
Interest paid	(100)	–	(539)	–	–
Lease payments	–	–	–	–	(488)
Net cash flows used in financing activities	(110,100)	–	(539)	–	(488)
Net (decrease)/increase in cash and cash equivalents	(121,781)	28,168	(24,938)	(16,198)	19,103
Cash and cash equivalents at beginning of year/period	123,943	2,162	30,330	30,330	5,392
Cash and cash equivalents as stated in the statement of financial position and cash flows	2,162	30,330	5,392	14,132	24,495

Bengbu NVC Smart Household Technology Company Limited
STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the period from 12 January 2016 (date of incorporation) to 31 December 2016, years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Period from 12 January 2016 (date of incorporation) to 31 December	Year ended 31 December		Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
REVENUE	179,063	627,381	684,302	330,407	290,061
Cost of sales	(152,763)	(536,365)	(580,982)	(279,207)	(245,658)
Gross profit	26,300	91,016	103,320	51,200	44,403
Other income and gains	–	2	21	21	–
Administrative expenses	(1,265)	(1,079)	(89)	(49)	(38)
PROFIT BEFORE INCOME TAX	25,035	89,939	103,252	51,172	44,365
Income tax	(6,259)	(22,484)	(25,127)	(12,129)	(10,700)
PROFIT FOR THE PERIOD/YEAR	18,776	67,455	78,125	39,043	33,665
OTHER COMPREHENSIVE INCOME	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	18,776	67,455	78,125	39,043	33,665

Bengbu NVC Smart Household Technology Company Limited
STATEMENTS OF FINANCIAL POSITION
As at 31 December 2016, 2017 and 2018 and 30 June 2019

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
NON-CURRENT ASSETS				
Property, plant and equipment	4	3	2	2
Other intangible assets	8	7	5	4
Total non-current assets	12	10	7	6
CURRENT ASSETS				
Trade receivables	32,561	–	–	–
Prepayments, deposits and other receivables	–	–	5	–
Cash and cash equivalents	32	189	152	118
Due from group companies	5,000	120,938	614,350	627,592
Total current assets	37,593	121,127	614,507	627,710
CURRENT LIABILITIES				
Trade and bills payables	–	4	–	–
Other payables and accruals	2,004	2,902	2,552	762
Income tax payable	975	5,544	8,783	8,032
Due to group companies	10,850	21,456	433,823	415,901
Total current liabilities	13,829	29,906	445,158	424,695
NET CURRENT ASSETS	23,764	91,221	169,349	203,015
Net assets	23,776	91,231	169,356	203,021
EQUITY				
Paid-up capital	5,000	5,000	5,000	5,000
Reserves	18,776	86,231	164,356	198,021
Total equity	23,776	91,231	169,356	203,021

Bengbu NVC Smart Household Technology Company Limited
STATEMENTS OF CHANGES IN EQUITY
For the period from 12 January 2016 (date of incorporation) to 31 December 2016, years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Paid-up capital	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
At 12 January 2016 (date of incorporation)	–	–	–
Capital injection	5,000	–	5,000
Profit and total comprehensive income for the year	–	18,776	18,776
At 31 December 2016 and 1 January 2017	5,000	18,776	23,776
Profit and total comprehensive income for the year	–	67,455	67,455
At 31 December 2017 and 1 January 2018	5,000	86,231	91,231
Profit and total comprehensive income for the year	–	78,125	78,125
At 31 December 2018 and 1 January 2019	5,000	164,356	169,356
Profit and total comprehensive income for the period	–	33,665	33,665
At 30 June 2019	5,000	198,021	203,021
At 1 January 2018	5,000	86,231	91,231
Profit and total comprehensive income for the period	–	39,043	39,043
At 30 June 2018	5,000	125,274	130,274

Bengbu NVC Smart Household Technology Company Limited
STATEMENTS OF CASH FLOWS
For the period from 12 January 2016 (date of incorporation) to 31 December 2016, years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Period from 12 January 2016 (date of incorporation) to 31 December	Year ended 31 December		Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax	25,035	89,939	103,252	51,172	44,365
Adjustments for:					
Interest income	–	(2)	(1)	(1)	–
Depreciation of items of property, plant and equipment	–	1	1	–	–
Amortisation of other intangible assets	–	1	2	1	1
Government grants released to statement of profit or loss	–	–	(20)	–	–
	25,035	89,939	103,234	51,172	44,366
(Increase)/decrease in trade receivables	(32,561)	32,561	–	–	–
(Increase)/decrease in prepayments, deposits and other receivables	–	–	(5)	–	5
Increase in other current assets	–	–	–	(1,651)	–
Increase/(decrease) in trade and bills payables	–	4	(4)	–	–
Increase/(decrease) in other payables and accruals	2,004	898	(350)	(2,430)	(1,790)
Receipt of government grants	–	–	20	–	–
Increase in due from group companies	(5,000)	(115,938)	(493,412)	(367,763)	(13,242)
Increase/(decrease) in due to group companies	10,850	10,606	412,367	328,340	(17,922)
Cash generated from operations	328	18,070	21,850	7,668	11,417
Income tax paid	(5,284)	(17,915)	(21,888)	(7,676)	(11,451)
Net cash flows (used in)/generated from operating activities	(4,956)	155	(38)	(8)	(34)

Bengbu NVC Smart Household Technology Company Limited
STATEMENTS OF CASH FLOWS
For the period from 12 January 2016 (date of incorporation) to 31 December 2016, years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Period from 12 January 2016 (date of incorporation) to 31 December	Year ended 31 December		Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	–	2	1	1	–
Prepayments for and purchases of items of property, plant and equipment	(4)	–	–	–	–
Additions to other intangible assets	(8)	–	–	–	–
Net cash flows (used in)/ generated from investing activities	(12)	2	1	1	–
CASH FLOWS FROM FINANCING ACTIVITY					
Capital injection	5,000	–	–	–	–
Net cash flows generated from financing activity	5,000	–	–	–	–
Net increase/(decrease) in cash and cash equivalents	32	157	(37)	(7)	(34)
Cash and cash equivalents at beginning of period/year	–	32	189	189	152
Cash and cash equivalents as stated in the statement of financial position and cash flows	32	189	152	182	118

Huizhou NVC Trading Development Company Limited
STATEMENTS OF PROFIT OR LOSS
For the period from 20 December 2016 (the date of incorporation) to 31 December 2016, years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Period from 20 December 2016 (date of incorporation to 31 December	Year ended 31 December		Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
REVENUE	–	2,154,931	2,246,537	1,056,266	969,262
Cost of sales	–	(1,969,874)	(2,005,968)	(964,195)	(887,020)
Gross profit	–	185,057	240,569	92,071	82,242
Other income and gains	–	3,592	6,553	3,629	21,745
Selling and distribution costs	–	(189,965)	(185,620)	(106,122)	(83,300)
Administrative expenses	–	(36,375)	(48,593)	(31,788)	(14,505)
Other expenses	–	(12)	(219)	(32)	16
Finance costs	–	–	(21,286)	(19,644)	(3,084)
(LOSS)/PROFIT BEFORE INCOME TAX	–	(37,703)	(8,596)	(61,886)	3,114
Income tax	–	130	690	791	(1,570)
(LOSS)/PROFIT FOR THE PERIOD/YEAR	–	(37,573)	(7,906)	(61,095)	1,544

Huizhou NVC Trading Development Company Limited
STATEMENTS OF COMPREHENSIVE INCOME
For the period from 20 December 2016 (the date of incorporation) to 31 December 2016, years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Period from 20 December 2016 (date of incorporation to 31 December	Year ended 31 December		Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
(LOSS)/PROFIT FOR THE PERIOD/YEAR	–	(37,573)	(7,906)	(61,095)	1,544
OTHER COMPREHENSIVE INCOME					
Item that will not be reclassified subsequently to profit or loss:					
Fair value change on financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	812
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	–	(37,573)	(7,906)	(61,095)	2,356

Huizhou NVC Trading Development Company Limited
STATEMENTS OF FINANCIAL POSITION
As at 31 December 2016, 2017 and 2018 and 30 June 2019

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
NON-CURRENT ASSETS				
Property, plant and equipment	–	1,659	86	693
Other intangible assets	–	–	48	1,523
Other financial assets	–	–	–	1,312
Right-of-use assets	–	–	–	647
Deferred tax assets	–	130	6,469	6,202
Total non-current assets	–	1,789	6,603	10,377
CURRENT ASSETS				
Trade receivables	–	288,997	227,611	371,360
Bills receivables	–	84,491	401,329	248,000
Prepayments, deposits and other receivables	–	3,998	16,145	11,682
Income tax recoverable	–	–	327	327
Other current assets	–	19,317	1,184	193
Restricted bank balances and short-term deposits	–	85,000	82,165	71,848
Cash and cash equivalents	–	277,780	250,339	111,145
Due from group companies	–	574,602	1,737,792	2,433,183
Total current assets	–	1,334,185	2,716,892	3,247,738
CURRENT LIABILITIES				
Trade and bills payables	–	2,225	350,750	374,418
Other payables and accruals	–	200,220	186,920	166,117
Interest-bearing loans and borrowings	–	–	303,903	199,416
Lease liabilities	–	–	–	325
Due to group companies	–	1,171,102	1,933,073	2,566,284
Total current liabilities	–	1,373,547	2,774,646	3,306,560
NET CURRENT LIABILITIES	–	(39,362)	(57,754)	(58,822)
TOTAL ASSETS LESS CURRENT LIABILITIES	–	(37,573)	(51,151)	(48,445)
NON-CURRENT LIABILITIES				
Lease liabilities	–	–	–	350
Total non-current liabilities	–	–	–	350
Net liabilities	–	(37,573)	(51,151)	(48,795)
EQUITY				
Paid-up capital	–	–	–	–
Reserves	–	(37,573)	(51,151)	(48,795)
Total equity	–	(37,573)	(51,151)	(48,795)

Huizhou NVC Trading Development Company Limited
STATEMENTS OF CHANGES IN EQUITY
For the period from 20 December 2016 (the date of incorporation) to 31 December 2016, years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Paid-up capital	**Other reserve**	**Statutory reserve**	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
At 20 December 2016 (date of incorporation), 31 December 2016 and 2017, and 1 January 2018	–	–	–	–	–
Loss and total comprehensive income for the period	–	–	–	(37,573)	(37,573)
At 31 December 2017 and 1 January 2018 as originally presented	–	–	–	(37,573)	(37,573)
Initial application of IFRS 9	–	–	–	(5,672)	(5,672)
At 1 January 2018 as restated	–	–	–	(43,245)	(43,245)
Loss and total comprehensive income for the year	–	–	–	(7,906)	(7,906)
Transfer to statutory reserve	–	–	127	(127)	–
At 31 December 2018 and 1 January 2019	–	–	127	(51,278)	(51,151)
Profit for the period	–	–	–	1,544	1,544
Other comprehensive income:					
Fair value change on financial assets at fair value through other comprehensive income, net of tax	–	812	–	–	812
Total comprehensive income for the period	–	812	–	1,544	2,356
Transfer from statutory reserve	–	–	(127)	127	–
At 30 June 2019	–	812	–	(49,607)	(48,795)
At 1 January 2018 as originally presented	–	–	–	(37,573)	(37,573)
Initial application of IFRS 9	–	–	–	(5,672)	(5,672)
At 1 January 2018 as restated	–	–	–	(43,245)	(43,245)
Loss and total comprehensive income for the period	–	–	–	(61,095)	(61,095)
At 30 June 2018	–	–	–	(104,340)	(104,340)

Huizhou NVC Trading Development Company Limited
STATEMENTS OF CASH FLOWS
For the period from 20 December 2016 (the date of incorporation) to 31 December 2016, years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Period from 20 December 2016 (date of incorporation to 31 December	Year ended 31 December		Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before income tax	–	(37,703)	(8,596)	(61,886)	3,114
Adjustments for:					
Interest income	–	(3,292)	(3,952)	(3,581)	–
Finance costs	–	–	21,286	19,644	3,084
Loss/(gain) on disposal of property, plant and equipment	–	–	186	–	(16)
Depreciation of property, plant and equipment	–	63	243	197	191
Amortisation of other intangible assets	–	–	1	–	15
Impairment/(reversal of impairment) of trade receivables	–	520	17,794	18,198	(1,590)
	–	(40,412)	26,962	(27,428)	4,798
(Increase)/decrease trade and bills receivables	–	(374,008)	(280,809)	(85,682)	11,170
(Increase)/decrease in prepayments, deposits and other receivables	–	(3,998)	(12,147)	(23,797)	4,463
(Increase)/decrease in other current assets	–	(19,317)	18,133	6,907	991
Increase in trade and bills payables	–	2,225	348,525	12,491	23,668
Increase/(decrease) in other payables and accruals	–	200,220	(13,300)	23,779	(20,803)
Increase in due from group companies	–	(574,602)	(1,163,190)	(1,770,278)	(695,391)
Increase in due to group companies	–	1,171,102	761,971	1,621,417	633,211
Cash generated from/(used in) operations	–	361,210	(313,855)	(242,591)	(37,893)
Income tax paid	–	–	(4,085)	(4,085)	(1,303)
Net cash flows generated from/(used in) operating activities	–	361,210	(317,940)	(246,676)	(39,196)

Huizhou NVC Trading Development Company Limited
STATEMENTS OF CASH FLOWS
For the period from 20 December 2016 (the date of incorporation) to 31 December 2016, years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Period from 20 December 2016 (date of incorporation to 31 December	Year ended 31 December		Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	–	3,292	3,952	3,581	–
Proceeds from disposal of property, plant and equipment	–	–	1,872	–	–
Purchase of property, plant and equipment	–	(1,722)	(728)	(728)	(621)
Purchase of long term investments	–	–	–	–	(500)
Purchase of other intangible assets	–	–	(49)	–	(1,490)
Increase in restricted bank balances and short-term deposits	–	(85,000)	2,835	79,317	10,317
Net cash flows (used in)/generated from investing activities	–	(83,430)	7,882	82,170	7,706
CASH FLOWS FROM FINANCING ACTIVITIES					
New bank loans	–	–	303,903	–	(104,487)
Lease payments	–	–	–	–	(158)
Interest paid	–	–	(21,286)	(19,644)	(3,059)
Net cash flows generated from/(used in) financing activities	–	–	282,617	(19,644)	(107,704)
Net increase/(decrease) in cash and cash equivalents	–	277,780	(27,441)	(184,150)	(139,194)
Cash and cash equivalents at beginning of year/period	–	–	277,780	277,780	250,339
Cash and cash equivalents as stated in the statement of financial position and cash flows	–	277,780	250,339	93,630	111,145

Chongqing NVC Lighting Company Limited
STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
REVENUE	441,666	562,684	521,932	289,936	206,143
Cost of sales	(346,841)	(355,950)	(352,970)	(185,897)	(134,995)
Gross profit	94,825	206,734	168,962	104,039	71,148
Other income and gains	10,430	6,688	7,023	4,092	1,347
Selling and distribution costs	(10,852)	(16,458)	(21,338)	(7,097)	(5,086)
Administrative expenses	(17,569)	(10,393)	(9,827)	(5,711)	(3,732)
Other expenses	(3,343)	(2,984)	(219)	(89)	(66)
Finance costs	(1,335)	–	(1,209)	–	(95)
PROFIT BEFORE INCOME TAX	72,156	183,587	143,392	95,234	63,516
Income tax	(13,238)	(28,521)	(22,932)	(17,461)	(9,213)
PROFIT FOR THE YEAR/PERIOD	58,918	155,066	120,460	77,773	54,303
OTHER COMPREHENSIVE INCOME	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	58,918	155,066	120,460	77,773	54,303

Chongqing NVC Lighting Company Limited
STATEMENTS OF FINANCIAL POSITION
As at 31 December 2016, 2017, 2018 and 30 June 2019

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
NON-CURRENT ASSETS				
Property, plant and equipment	65,133	57,264	52,039	51,597
Other intangible assets	10	10	9	9
Deferred tax assets	2,947	2,044	1,450	1,567
Prepayments	–	–	–	2,163
Right-of-use assets	–	–	–	2,457
Total non-current assets	68,090	59,318	53,498	57,793
CURRENT ASSETS				
Inventories	40,245	56,480	54,215	45,750
Trade receivables	–	–	110	–
Prepayments, deposits and other receivables	645	940	1,303	942
Income tax recoverable	–	11,115	–	–
Other current assets	–	2,884	2	10
Cash and cash equivalents	9,954	44,289	5,632	12,001
Due from group companies	1,299,690	1,432,035	1,207,167	1,245,878
Total current assets	1,350,534	1,547,743	1,268,429	1,304,581
CURRENT LIABILITIES				
Trade and bills payables	36,562	63,736	30,383	47,053
Other payables and accruals	50,930	61,071	94,728	98,994
Interest-bearing loans and borrowings	–	–	69,291	69,291
Government grants	500	500	500	471
Income tax payable	3,123	–	1,119	3,083
Lease liabilities	–	–	–	1,008
Due to group companies	16,092	15,771	539,963	500,662
Total current liabilities	107,207	141,078	735,984	720,562
NET CURRENT ASSETS	1,243,327	1,406,665	532,445	584,019
TOTAL ASSETS LESS CURRENT LIABILITIES	1,311,417	1,465,983	585,943	641,812
NON-CURRENT LIABILITIES				
Government grants	1,221	721	221	–
Lease liabilities	–	–	–	1,787
Total non-current liabilities	1,221	721	221	1,787
Net assets	1,310,196	1,465,262	585,722	640,025
EQUITY				
Paid-up capital	30,401	30,401	30,401	30,401
Reserves	1,279,795	1,434,861	555,321	609,624
Total equity	1,310,196	1,465,262	585,722	640,025

Chongqing NVC Lighting Company Limited
STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Paid-up capital	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
At 1 January 2016	30,401	15,201	1,205,676	1,251,278
Profit and other comprehensive income for the year	–	–	58,918	58,918
At 31 December 2016 and 1 January 2017	30,401	15,201	1,264,594	1,310,196
Profit and other comprehensive income for the year	–	–	155,066	155,066
At 31 December 2017 and 1 January 2018	30,401	15,201	1,419,660	1,465,262
Profit and other comprehensive income for the year	–	–	120,460	120,460
Dividend declared	–	–	(1,000,000)	(1,000,000)
At 31 December 2018 and 1 January 2019	30,401	15,201	540,120	585,722
Profit and other comprehensive income for the period	–	–	54,303	54,303
At 30 June 2019	30,401	15,201	594,423	640,025
At 1 January 2018	30,401	15,201	1,419,660	1,465,262
Profit and other comprehensive income for the period	–	–	77,773	77,773
Dividend declared	–	–	(1,000,000)	(1,000,000)
At 30 June 2018	30,401	15,201	497,433	543,035

Chongqing NVC Lighting Company Limited
STATEMENTS OF CASH FLOWS
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	72,156	183,587	143,392	95,234	63,516
Adjustments for:					
Interest income	(833)	(109)	(586)	(81)	(23)
Finance costs	1,335	–	1,209	–	95
Write off of property, plant and equipment	–	(609)	–	–	–
Amortisation of other intangible assets	–	–	1	1	–
Loss on disposal of property, plant and equipment	2,856	113	204	54	–
Depreciation of property, plant and equipment	16,696	13,153	11,638	5,865	5,936
Impairment of property, plant and equipment	4,387	91	–	–	–
Reversal of impairment of trade receivables	–	(529)	–	–	–
Impairment/(reversal of impairment) of prepayments, deposits and other receivables	–	51	(700)	–	135
(Reversal of write-down) /write-down of inventories	(2,648)	(4,565)	(1,708)	(2,413)	2,015
Government grants released to statement of profit or loss	(6,991)	(3,832)	(3,997)	(1,772)	(250)
	86,958	187,351	149,453	96,888	71,424
Decrease/(increase) in inventories	35,930	(11,670)	3,973	(5,169)	6,450
Decrease/(increase) in trade receivables	350	529	(110)	(21)	110
Decrease/(increase) in prepayments, deposits and other receivables	5,864	(346)	337	(3,424)	226
(Increase)/decrease in other current assets	–	(2,884)	2,882	2,784	(8)
Increase/(decrease) in trade and bills payables	5,372	27,174	(33,353)	6,682	16,670
Increase in other payables and accruals	1,790	10,141	33,657	26,725	4,266
Receipt of government grants	6,491	3,332	3,497	1,520	–
(Increase)/decrease in due from group companies	(85,286)	(132,345)	224,868	(138,026)	(38,711)
(Decrease)/increase in due to group companies	(2,897)	(321)	92,192	668	(39,301)
Cash generated from/(used in) operations	54,572	80,961	477,396	(11,373)	21,126
Income tax paid	(4,918)	(41,856)	(10,104)	(17,972)	(7,366)
Net cash flows generated from/(used in) operating activities	49,654	39,105	467,292	(29,345)	13,760

Chongqing NVC Lighting Company Limited
STATEMENTS OF CASH FLOWS
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	833	109	586	81	23
Proceeds from disposal of property, plant and equipment	529	616	1,312	1,042	111
Purchase of property, plant and equipment	(9,983)	(5,495)	(7,929)	(6,917)	(7,525)
Net cash flows used in investing activities	(8,621)	(4,770)	(6,031)	(5,794)	(7,391)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	–	–	(568,000)	–	–
New bank loans	–	–	69,291	–	–
Repayment of bank loans	(101,969)	–	–	–	–
Interest paid	(1,335)	–	(1,209)	–	–
Net cash flows used in financing activities	(103,304)	–	(499,918)	–	–
Net (decrease)/increase in cash and cash equivalents	(62,271)	34,335	(38,657)	(35,139)	6,369
Cash and cash equivalents at beginning of year/period	72,225	9,954	44,289	44,289	5,632
Cash and cash equivalents as stated in the statement of financial position and cash flows	9,954	44,289	5,632	9,150	12,001

Zhuhai Dongshang Decorative Lighting Technology Company Limited
STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the period from 3 July 2018 (date of incorporation) to 31 December 2018 and six months ended 30 June 2019

	Period from 3 July 2018 (date of incorporation) to 31 December 2018	**Six months ended 30 June 2019**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
REVENUE	40,508	27,871
Cost of sales	(25,274)	(18,525)
Gross profit	15,234	9,346
Other income and gains	42	402
Selling and distribution costs	(2,972)	(1,239)
Administrative expenses	(451)	(1,834)
PROFIT BEFORE INCOME TAX	11,853	6,675
Income tax	(2,963)	(1,642)
PROFIT FOR THE PERIOD	8,890	5,033
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,890	5,033

Zhuhai Dongshang Decorative Lighting Technology Company Limited
STATEMENTS OF FINANCIAL POSITION
As at 31 December 2018 and 30 June 2019

	As at 31 December 2018	As at 30 June 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
CURRENT ASSETS		
Inventories	966	1,738
Trade receivables	1,629	4,376
Bills receivables	–	351
Prepayments, deposits and other receivables	5	10
Other current assets	–	48
Restricted bank balances and short-term deposits	39,000	–
Cash and cash equivalents	2,886	3,618
Due from group companies	8	31,096
Total current assets	44,494	41,237
CURRENT LIABILITIES		
Trade and bills payables	15,270	4,866
Other payables and accruals	13,656	10,548
Income tax payable	2,963	2,109
Due to group companies	715	18,210
Total current liabilities	32,604	35,733
NET CURRENT ASSETS, TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS	11,890	5,504
EQUITY		
Paid-up capital	3,000	3,000
Reserves	8,890	2,504
Total equity	11,890	5,504

Zhuhai Dongshang Decorative Lighting Technology Company Limited
STATEMENTS OF CHANGES IN EQUITY
For the period from 3 July 2018 (date of incorporation) to 31 December 2018 and six months ended 30 June 2019

	Paid-up capital	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
At 3 July 2018 (date of incorporation)	–	–	–
Capital injection	3,000	–	3,000
Profit and total comprehensive income for the period	–	8,890	8,890
At 31 December 2018 and 1 January 2019	3,000	8,890	11,890
Profit and total comprehensive income for the period	–	5,033	5,033
Dividend declared	–	(11,419)	(11,419)
At 30 June 2019	3,000	2,504	5,504

Zhuhai Dongshang Decorative Lighting Technology Company Limited
STATEMENTS OF CASH FLOWS
For the period from 3 July 2018 (date of incorporation) to 31 December 2018 and six months ended 30 June 2019

	Period from 3 July 2018 (date of incorporation) to 31 December 2018	**Six months ended 30 June 2019**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	11,853	6,675
Adjustments for:		
Interest income	(32)	–
	11,821	6,675
Increase in inventories	(966)	(772)
Increase in trade and bills receivables	(1,629)	(3,098)
Increase in prepayments, deposits and other receivables	(5)	(5)
Increase in other current assets	–	(48)
Increase/(decrease) in trade and bills payables	15,270	(10,404)
Increase/(decrease) in other payables and accruals	13,656	(3,108)
Increase in amounts due from group companies	(8)	(31,088)
Increase in amounts due to group companies	715	17,495
Cash generated from/(used in) operations	38,854	(24,353)
Income tax paid	–	(2,496)
Net cash flows generated from/(used in) operating activities	38,854	(26,849)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	32	–
(Increase)/decrease in restricted bank balances and short-term deposits	(39,000)	39,000
Net cash flows (used in)/generated from investing activities	(38,968)	39,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital injection	3,000	–
Dividend paid	–	(11,419)
Net cash flows generated from/(used in) financing activities	3,000	(11,419)
Net increase in cash and cash equivalents	2,886	732
Cash and cash equivalents at beginning of period	–	2,886
Cash and cash equivalents as stated in the statement of financial position and cash flows	2,886	3,618

Zhongshan Leiya Lighting Company Limited
STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the period from 15 June 2018 (date of incorporation) to 31 December 2018 and six months ended 30 June 2019

	Period from 15 June 2018 (date of incorporation) to 31 December 2018	Period from 15 June 2018 (date of incorporation) to 30 June 2018	Six months ended 30 June 2019
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
REVENUE	3,000	–	36,856
Cost of sales	(2,649)	–	(36,599)
Gross profit	351	–	257
Other income and gains	–	–	49
Selling and distribution costs	(5)	–	(131)
Administrative expenses	(1,473)	(175)	(1,644)
Other expenses	–	–	(1)
Finance costs	–	–	(21)
LOSS BEFORE INCOME TAX	(1,127)	(175)	(1,491)
Income tax	–	–	–
LOSS FOR THE PERIOD	(1,127)	(175)	(1,491)
OTHER COMPREHENSIVE INCOME	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(1,127)	(175)	(1,491)

Zhongshan Leiya Lighting Company Limited
STATEMENTS OF FINANCIAL POSITION
As at 31 December 2018 and 30 June 2019

	As at 31 December 2018	As at 30 June 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
NON-CURRENT ASSETS		
Property, plant and equipment	444	413
Other intangible assets	–	2
Right-of-use assets	–	539
Total non-current assets	444	954
CURRENT ASSETS		
Inventories	2,573	653
Prepayments, deposits and other receivables	386	218
Other current assets	–	753
Cash and cash equivalents	484	7,171
Due from group companies	–	445
Total current assets	3,443	9,240
CURRENT LIABILITIES		
Trade and bills payables	2,242	4,349
Other payables and accruals	1,972	827
Lease liabilities	–	548
Due to group companies	–	1,088
Total current liabilities	4,214	6,812
NET CURRENT (LIABILITIES)/ASSETS	(771)	2,428
TOTAL ASSETS LESS CURRENT LIABILITIES	(327)	3,382
Net (liabilities)/assets	(327)	3,382
EQUITY		
Paid-up capital	800	6,000
Reserves	(1,127)	(2,618)
Total equity	(327)	3,382

Zhongshan Leiya Lighting Company Limited
STATEMENTS OF CHANGES IN EQUITY
For the period from 15 June 2018 (date of incorporation) to 31 December 2018 and six months ended 30 June 2019

	Paid-up capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
At 15 June 2018 (date of incorporation)	–	–	–
Loss and total comprehensive income for the period	–	(1,127)	(1,127)
Capital injection	800	–	800
At 31 December 2018 and 1 January 2019	800	(1,127)	(327)
Loss and total comprehensive income for the period	–	(1,491)	(1,491)
Capital injection	5,200	–	5,200
At 30 June 2019	6,000	(2,618)	3,382
At 15 June 2018 (date of incorporation)	–	–	–
Loss and total comprehensive income for the period	–	(175)	(175)
Capital injection	100	–	100
At 30 June 2018	100	(175)	(75)

Zhongshan Leiya Lighting Company Limited
STATEMENTS OF CASH FLOWS
For the period from 15 June 2018 (date of incorporation) to 31 December 2018 and six months ended 30 June 2019

	Period from 15 June 2018 (date of incorporation) to 31 December 2018	**Period from 15 June 2018 (date of incorporation) to 30 June 2018**	**Six months ended 30 June 2019**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(1,127)	(175)	(1,491)
Adjustments for:			
Finance costs	–	–	21
Depreciation of items of property, plant and equipment	7	–	407
	(1,120)	(175)	(1,063)
(Increase)/decrease in inventories	(2,573)	–	1,920
(Increase)/decrease in prepayments and other receivables	(386)	(205)	168
Increase in other current assets	–	–	(753)
Increase in trade payables and bills payables	2,242	–	2,107
Increase/(decrease) in other payables and accruals	1,972	1,316	(1,145)
Increase in amounts due from group companies	–	–	(445)
Increase in amounts due to group companies	–	–	1,088
Cash generated from operations and net cash flows generated from operating activities	135	936	1,877

Zhongshan Leiya Lighting Company Limited
STATEMENTS OF CASH FLOWS
For the period from 15 June 2018 (date of incorporation) to 31 December 2018 and six months ended 30 June 2019

	Period from 15 June 2018 (date of incorporation) to 31 December 2018	Period from 15 June 2018 (date of incorporation) to 30 June 2018	Six months ended 30 June 2019
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment	(451)	(46)	(52)
Additions to other intangible assets	–	–	(2)
Net cash flows used in investing activities	(451)	(46)	(54)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection	800	100	5,200
Lease payments	–	–	(336)
Net cash flows generated from financing activities	800	100	4,864
Net increase in cash and cash equivalents	484	990	6,687
Cash and cash equivalents at beginning of period	–	–	484
Cash and cash equivalents as stated in the statement of financial position and cash flows	484	990	7,171

Zhuhai NVC Logistics Company Limited

STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the period from 30 October 2017 (date of incorporation) to 31 December 2017, year ended 31 December 2018 and six months ended 30 June 2019

	For the period from 30 October 2017 (date of incorporation) to 31 December	For the year ended 31 December	Six months ended 30 June	
	2017	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
REVENUE	–	–	–	–
Other income and gains	–	66,794	517	69,028
Selling and distribution costs	–	(62,418)	–	(60,831)
Administrative expenses	–	(3,184)	(976)	(1,763)
Other expenses	(133)	–	–	–
Finance costs	–	–	–	(1,190)
(LOSS)/PROFIT BEFORE INCOME TAX	(133)	1,192	(459)	5,244
Income tax	–	(298)	–	(1,744)
(LOSS)/PROFIT FOR THE PERIOD/YEAR	(133)	894	(459)	3,500
OTHER COMPREHENSIVE INCOME	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	(133)	894	(459)	3,500

Zhuhai NVC Logistics Company Limited
STATEMENTS OF FINANCIAL POSITION
As at 31 December 2017 and 2018 and 30 June 2019

	As at 31 December		As at 30 June
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
NON-CURRENT ASSETS			
Property, plant and equipment	–	5,617	5,207
Right-of-use assets	–	–	38,434
Total non-current assets	–	5,617	43,641
CURRENT ASSETS			
Bills receivables	–	–	154
Prepayments, deposits and other receivables	7,923	11,888	5,935
Other current assets	–	457	–
Cash and cash equivalents	2,000	6,765	12,669
Due from group companies	5,352	46,594	36,015
Total current asset	15,275	65,704	54,773
CURRENT LIABILITIES			
Other payables and accruals	13,408	51,648	29,952
Lease liabilities	–	–	18,236
Income tax payable	–	298	1,739
Due to group companies	–	8,614	14,720
Total current liabilities	13,408	60,560	64,647
NET CURRENT ASSETS/(LIABILITIES)	1,867	5,144	(9,874)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,867	10,761	33,767
NON-CURRENT LIABILITIES			
Lease liabilities	–	–	19,506
Total non-current liabilities	–	–	19,506
Net assets	1,867	10,761	14,261
EQUITY			
Paid-up capital	2,000	10,000	10,000
Reserves	(133)	761	4,261
Total equity	1,867	10,761	14,261

Zhuhai NVC Logistics Company Limited
STATEMENTS OF CHANGES IN EQUITY
For the period from 30 October 2017 (date of incorporation) to 31 December 2017, year ended 31 December 2018 and six months ended 30 June 2019

	Paid-up capital	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
At 30 October 2017 (date of incorporation)	–	–	–
Loss and total comprehensive income for the period	–	(133)	(133)
Capital injection	2,000	–	2,000
At 31 December 2017 and 1 January 2018	2,000	(133)	1,867
Profit and total comprehensive income for the year	–	894	894
Capital injection	8,000	–	8,000
At 31 December 2018 and 1 January 2019	10,000	761	10,761
Profit and total comprehensive income for the period	–	3,500	3,500
At 30 June 2019	10,000	4,261	14,261
At 1 January 2018	2,000	(133)	1,867
Profit and total comprehensive income for the period	–	(459)	(459)
At 30 June 2018	2,000	(592)	1,408

Zhuhai NVC Logistics Company Limited
STATEMENTS OF CASH FLOWS
For the period from 30 October 2017 (date of incorporation) to 31 December 2017, year ended 31 December 2018 and six months ended 30 June 2019

	Period from 30 October 2017 (date of incorporation) to 31 December 2017	Year ended 31 December 2018	Six months ended 30 June 2018	Six months ended 30 June 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before income tax	(133)	1,192	(459)	5,244
Adjustments for:				
Interest income	–	(44)	(6)	(67)
Finance costs	–	–	–	1,190
Depreciation of items of property, plant and equipment	–	386	22	8,736
Governments grants released to statement of profit or loss	–	(119)	(119)	–
	(133)	1,415	(562)	15,103
Increase in bills receivables	–	–	(758)	(154)
(Increase)/decrease in prepayments, deposits and other receivables	(7,923)	(3,965)	(17,210)	3,529
(Increase)/decrease in other current assets	–	(457)	(22)	457
Increase/(decrease) in other payables and accruals	13,408	38,240	27,065	(21,696)
Receipt of government grants	–	119	119	–
(Increase)/decrease in amounts due from group companies	(5,352)	(41,242)	(12,955)	10,579
Increase in amounts due to group companies	–	8,614	6,455	6,106
Cash generated from operations	–	2,724	2,132	13,924
Income tax paid	–	–	22	(303)
Net cash flows generated from operating activities	–	2,724	2,154	13,621

Zhuhai NVC Logistics Company Limited
STATEMENTS OF CASH FLOWS
For the period from 30 October 2017 (date of incorporation) to 31 December 2017, year ended 31 December 2018 and six months ended 30 June 2019

	Period from 30 October 2017 (date of incorporation) to 31 December	Year ended 31 December	Six months ended 30 June	
	2017	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	–	44	6	67
Prepayments for and purchases of items of property, plant and equipment	–	(6,003)	(624)	(181)
Net cash flows used in investing activities	–	(5,959)	(618)	(114)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital injection	2,000	8,000	–	–
Lease payments	–	–	–	(7,603)
Net cash flows generated from/(used in) financing activities	2,000	8,000	–	(7,603)
Net increase in cash and cash equivalents	2,000	4,765	1,536	5,904
Cash and cash equivalents at beginning of period/year	–	2,000	2,000	6,765
Cash and cash equivalents as stated in the statement of financial position and cash flows	2,000	6,765	3,536	12,669

Zhuhai Yaohui Technology Co., Ltd.
STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the period from 21 January 2016 (date of incorporation) to 31 December 2016, years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Period from 21 January 2016 (date of incorporation) to 31 December	Year ended 31 December		Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
REVENUE	–	–	–	–	–
Administrative expenses	–	(4)	(3)	(3)	(1)
LOSS BEFORE INCOME TAX	–	(4)	(3)	(3)	(1)
Income tax	–	–	–	–	–
LOSS FOR THE PERIOD/ YEAR	–	(4)	(3)	(3)	(1)
OTHER COMPREHENSIVE INCOME	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	–	(4)	(3)	(3)	(1)

Zhuhai Yaohui Technology Co., Ltd.
STATEMENTS OF FINANCIAL POSITION
As at 31 December 2016, 2017 and 2018 and 30 June 2019

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
NON-CURRENT ASSET				
Investment in a subsidiary	100	100	100	100
Total non-current asset	100	100	100	100
CURRENT ASSETS				
Prepayments, deposits and other receivables	1	–	–	–
Cash and cash equivalents	4	11	8	7
Total current assets	5	11	8	7
CURRENT LIABILITIES				
Other payables and accruals	105	115	115	115
Total current liabilities	105	115	115	115
NET CURRENT LIABILITIES	(100)	(104)	(107)	(108)
TOTAL ASSETS LESS CURRENT LIABILITIES	–	(4)	(7)	(8)
Net liabilities	–	(4)	(7)	(8)
EQUITY				
Paid-up capital	–	–	–	–
Reserves	–	(4)	(7)	(8)
Total equity	–	(4)	(7)	(8)

Zhuhai Yaohui Technology Co., Ltd.
STATEMENTS OF CHANGES IN EQUITY
For the period from 21 January 2016 (date of incorporation) to 31 December 2016, years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Paid-up capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
At 21 January 2016 (date of incorporation), 31 December 2016 and 1 January 2017	–	–	–
Loss and total comprehensive income for the year	–	(4)	(4)
At 31 December 2017 and 1 January 2018	–	(4)	(4)
Loss and total comprehensive income for the year	–	(3)	(3)
At 31 December 2018 and 1 January 2019	–	(7)	(7)
Loss and total comprehensive income for the period	–	(1)	(1)
At 30 June 2019	–	(8)	(8)
At 1 January 2018	–	(4)	(4)
Loss and total comprehensive income for the period	–	(3)	(3)
At 30 June 2018	–	(7)	(7)

Zhuhai Yaohui Technology Co., Ltd.
STATEMENTS OF CASH FLOWS
For the period from 21 January 2016 (date of incorporation) to 31 December 2016, years ended 31 December 2017 and 2018 and six months ended 30 June 2019

	Period from 21 January 2016 (date of incorporation) to 31 December	Year ended 31 December		Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before income tax	–	(4)	(3)	(3)	(1)
(Increase)/decrease in prepayments, deposits and other receivables	(1)	1	–	–	–
Increase in other payables and accruals	5	10	–	–	–
Net cash flows generated from/(used in) operating activities	4	7	(3)	(3)	(1)
Net increase/(decrease) in cash and cash equivalents	4	7	(3)	(3)	(1)
Cash and cash equivalents at beginning of period/year	–	4	11	11	8
Cash and cash equivalents as stated in the statement of financial position and cash flows	4	11	8	8	7

Zhuhai Shenghuayang Technology Company Limited
STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
REVENUE	–	–	–	–	–
Other income and gains	–	33,425	28,629	–	–
Administrative expenses	(42)	(41)	(26)	(26)	–
Other operating expenses	–	–	–	–	(1)
(LOSS)/PROFIT BEFORE INCOME TAX	(42)	33,384	28,603	(26)	(1)
Income tax	–	–	(12,264)	–	–
(LOSS)/PROFIT FOR THE YEAR/PERIOD	(42)	33,384	16,339	(26)	(1)
OTHER COMPREHENSIVE INCOME	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	(42)	33,384	16,339	(26)	(1)

Zhuhai Shenghuayang Technology Company Limited
STATEMENTS OF FINANCIAL POSITION
As at 31 December 2016, 2017 and 2018 and 30 June 2019

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
NON-CURRENT ASSET				
Investment in a subsidiary	33,375	33,375	213,458	213,458
Total non-current asset	33,375	33,375	213,458	213,458
CURRENT ASSETS				
Prepayments, deposits and other receivables	5	15	16	15
Cash and cash equivalents	63	42	13	13
Due from group companies	–	–	62,004	62,004
Total current assets	68	57	62,033	62,032
CURRENT LIABILITIES				
Other payables and accruals	33,397	2	–	–
Income tax payable	–	–	12,264	12,264
Due to group companies	–	–	213,458	213,458
Total current liabilities	33,397	2	225,722	225,722
NET CURRENT (LIABILITIES)/ASSETS	(33,329)	55	(163,689)	(163,690)
TOTAL ASSETS LESS CURRENT LIABILITIES	46	33,430	49,769	49,768
Net assets	46	33,430	49,769	49,768
EQUITY				
Paid-up capital	100	100	100	100
Reserves	(54)	33,330	49,669	49,668
Total equity	46	33,430	49,769	49,768

Zhuhai Shenghuayang Technology Company Limited
STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Paid-up capital	**(Accumulated losses)/ retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
At 1 January 2016	100	(12)	88
Loss and total comprehensive income for the year	–	(42)	(42)
At 31 December 2016 and 1 January 2017	100	(54)	46
Profit and total comprehensive income for the year	–	33,384	33,384
At 31 December 2017 and 1 January 2018	100	33,330	33,430
Profit and total comprehensive income for the year	–	16,339	16,339
At 31 December 2018 and 1 January 2019	100	49,669	49,769
Loss and total comprehensive income for the period	–	(1)	(1)
At 30 June 2019	100	49,668	49,768
At 1 January 2018	100	33,330	33,430
Loss and total comprehensive income for the period	–	(26)	(26)
At 30 June 2018	100	33,304	33,404

Zhuhai Shenghuayang Technology Company Limited
STATEMENTS OF CASH FLOWS
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before income tax	(42)	33,384	28,603	(26)	(1)
Adjustment:					
Gain on disposal of a subsidiary	–	–	(28,629)	–	–
	(42)	33,384	(26)	(26)	(1)
(Increase)/decrease in prepayments, deposits and other receivables	(5)	(10)	(1)	–	1
Decrease in other payables and accruals	(15)	(33,395)	(2)	(2)	–
Net cash flows used in operating activities	(62)	(21)	(29)	(28)	–
Net decrease in cash and cash equivalents	(62)	(21)	(29)	(28)	–
Cash and cash equivalents at beginning of year/period	125	63	42	42	13
Cash and cash equivalents as stated in the statement of financial position and cash flows	63	42	13	14	13

Zhuhai NVC Technology Company Limited
STATEMENTS OF PROFIT OR LOSS
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
REVENUE	–	–	–	–	–
Administrative expenses	–	–	(90)	–	(46)
Share of results of associates	–	–	67	1,064	3,480
Share of results of a joint venture	–	–	(49,332)	–	(3,965)
(LOSS)/PROFIT BEFORE INCOME TAX	–	–	(49,355)	1,064	(531)
Income tax	–	–	–	–	–
(LOSS)/PROFIT FOR THE YEAR/PERIOD	–	–	(49,355)	1,064	(531)

Zhuhai NVC Technology Company Limited
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
(LOSS)/PROFIT FOR THE YEAR/PERIOD	–	–	(49,355)	1,064	(531)
OTHER COMPREHENSIVE INCOME					
Item that will not be reclassified subsequently to profit or loss:					
Fair value change on financial assets at fair value through other comprehensive income, net of tax	–	–	3,661	–	956
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	–	–	(45,694)	1,064	425

Zhuhai NVC Technology Company Limited
STATEMENTS OF FINANCIAL POSITION
As at 31 December 2016, 2017 and 2018 and 30 June 2019

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
NON-CURRENT ASSETS				
Property, plant and equipment	–	–	180	134
Investments in subsidiaries	–	–	113,645	113,645
Investments in associates	–	–	62,590	66,070
Investment in a joint venture	–	–	50,668	48,703
Long term equity investments at fair value through other comprehensive income	–	–	6,882	8,426
Total non-current assets	–	–	233,965	236,978
CURRENT ASSETS				
Due from group companies	–	–	–	2,000
Total current assets	–	–	–	2,000
CURRENT LIABILITIES				
Due to group companies	–	–	183,413	187,413
Total current liabilities	–	–	183,413	187,413
NET CURRENT LIABILITIES	–	–	(183,413)	(185,413)
TOTAL ASSETS LESS CURRENT LIABILITIES	–	–	50,552	51,565
NON-CURRENT LIABILITY				
Deferred tax liability	–	–	1,221	1,809
Total non-current liability	–	–	1,221	1,809
Net assets	–	–	49,331	49,756
EQUITY				
Paid-up capital	–	–	–	–
Reserves	–	–	49,331	49,756
Total equity	–	–	49,331	49,756

Zhuhai NVC Technology Company Limited
STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Paid-up capital	Other reserve	Statutory reserve	(Accumulated losses)/ retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
At 1 January 2016, 31 December 2016 and 2017 and 1 January 2018	–	–	–	–	–
Loss for the year	–	–	–	(49,355)	(49,355)
Other comprehensive income:					
Fair value change on financial assets at fair value through other comprehensive income, net of tax	–	3,661	–	–	3,661
Total comprehensive income for the year	–	3,661	–	(49,355)	(45,694)
Group restructuring	–	95,025	–	–	95,025
Transfer to statutory reserve	–	–	1,749	(1,749)	–
At 31 December 2018 and 1 January 2019	–	98,686	1,749	(51,104)	49,331
Loss for the period	–	–	–	(531)	(531)
Other comprehensive income:					
Fair value change on financial assets at fair value through other comprehensive income, net of tax	–	956	–	–	956
Total comprehensive income for the period	–	956	–	(531)	425
At 30 June 2019	–	99,642	1,749	(51,635)	49,756
At 1 January 2018	–	–	–	–	–
Profit and total comprehensive income for the period	–	–	–	1,064	1,064
Group restructuring	–	95,025	–	–	95,025
At 30 June 2018	–	95,025	–	1,064	96,089

Zhuhai NVC Technology Company Limited
STATEMENTS OF CASH FLOWS
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before income tax	–	–	(49,355)	1,064	(531)
Adjustments for:					
Depreciation of property, plant and equipment	–	–	90	–	46
Share of results of associates	–	–	(67)	(1,064)	(3,480)
Share of results of a joint venture	–	–	49,332	–	3,965
	–	–	–	–	–
Increase in due from group companies	–	–	–	–	(2,000)
Increase in due to group companies	–	–	17,270	17,270	2,000
Net cash flows generated from operating activities	–	–	17,270	17,270	–
CASH FLOWS FROM INVESTING ACTIVITY					
Purchase of property, plant and equipment	–	–	(270)	(270)	–
Investments in subsidiaries	–	–	(17,000)	(17,000)	–
Net cash flows used in investing activity	–	–	(17,270)	(17,270)	–
Net change in cash and cash equivalents	–	–	–	–	–
Cash and cash equivalents at beginning of year/period	–	–	–	–	–
Cash and cash equivalents as stated in the statement of financial position and cash flows	–	–	–	–	–

Blue Light (HK) Trading Co., Limited and its subsidiaries
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
REVENUE	514,885	893,178	1,244,172	566,872	484,949
Cost of sales	(320,335)	(509,167)	(735,568)	(336,802)	(277,732)
Gross profit	194,550	384,011	508,604	230,070	207,217
Other income and gains	1,250	14,281	21,608	4,263	9,871
Selling and distribution costs	(95,900)	(179,473)	(289,945)	(140,299)	(132,817)
Administrative expenses	(34,073)	(63,021)	(48,506)	(21,004)	(28,527)
Other operating expenses, net	(599)	(2,932)	(310)	(248)	(82)
Finance costs	–	(294)	(566)	(445)	(316)
Share of results of an associate	–	896	(436)	(436)	–
PROFIT BEFORE INCOME TAX	65,228	153,468	190,449	71,901	55,346
Income tax	(16,502)	(42,295)	(50,084)	(19,998)	(12,894)
PROFIT FOR THE YEAR/PERIOD	48,726	111,173	140,365	51,903	42,452
Attributable to:					
Owners of the parent	42,351	95,002	121,573	48,145	35,978
Non-controlling interests	6,375	16,171	18,792	3,758	6,474
	48,726	111,173	140,365	51,903	42,452

Blue Light (HK) Trading Co., Limited and its subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
PROFIT FOR THE YEAR/ PERIOD	48,726	111,173	140,365	51,903	42,452
OTHER COMPREHENSIVE INCOME					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operation	(222)	208	687	(33)	(92)
	(222)	208	687	(33)	(92)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	48,504	111,381	141,052	51,870	42,360
Attributable to:					
Owners of the Company	42,129	95,210	122,260	48,112	35,886
Non-controlling interests	6,375	16,171	18,792	3,758	6,474
	48,504	111,381	141,052	51,870	42,360

Blue Light (HK) Trading Co., Limited and its subsidiaries
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at 31 December 2016, 2017 and 2018 and 30 June 2019

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
NON-CURRENT ASSETS				
Property, plant and equipment	1,553	3,296	9,502	8,519
Right-of-use assets	–	–	–	7,914
Other intangible assets	1,356	2,236	2,355	2,162
Investment in an associate	–	3,396	–	–
Deferred tax assets	–	–	–	7
Total non-current assets	2,909	8,928	11,857	18,602
CURRENT ASSETS				
Inventories	68,677	81,819	59,040	102,881
Trade and bills receivables	51,391	101,475	236,529	217,164
Prepayments, deposits and other receivables	13,899	84,393	204,344	167,665
Loan receivables	15,000	68,000	12,000	–
Cash and cash equivalents	125,703	83,754	36,861	113,975
Due from group companies	–	–	22,623	15,777
Total current assets	274,670	419,441	571,397	617,462
CURRENT LIABILITIES				
Trade and bills payables	140,126	162,041	179,761	187,873
Other payables and accruals	81,045	68,826	60,773	51,403
Lease liabilities	–	–	–	932
Other borrowings	–	21,008	–	–
Income tax payable	6,858	23,202	20,684	20,876
Due to group companies	–	–	54,192	57,275
Total current liabilities	228,029	275,077	315,410	318,359
NET CURRENT ASSETS	46,641	144,364	255,987	299,103
TOTAL ASSETS LESS CURRENT LIABILITIES	49,550	153,292	267,844	317,705
NON-CURRENT LIABILITIES				
Lease liabilities	–	–	–	7,501
Total non-current liabilities	–	–	–	7,501
Net assets	49,550	153,292	267,844	310,204
EQUITY				
Equity attributable to owners of the parent				
Share capital	447	447	447	447
Reserves	42,128	137,338	235,999	271,885
	42,575	137,785	236,446	272,332
Non-controlling interests	6,975	15,507	31,398	37,872
Total equity	49,550	153,292	267,844	310,204

Blue Light (HK) Trading Co., Limited and its subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Attributable to owners of the parent							
	Share capital	Statutory reserve	Other reserve	Foreign exchange reserve	(Accumulated losses)/ retained profits	Total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
At 1 January 2016	447	–	–	–	(1)	446	–	446
Profit for the year	–	–	–	–	42,351	42,351	6,375	48,726
Other comprehensive income: Exchange differences on translation of foreign operation	–	–	–	(222)	–	(222)	–	(222)
Total comprehensive income for the year	–	–	–	(222)	42,351	42,129	6,375	48,504
Transfer to statutory reserve	–	6,064	–	–	(6,064)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	600	600
At 31 December 2016 and 1 January 2017	447	6,064	–	(222)	36,286	42,575	6,975	49,550
Profit for the year	–	–	–	–	95,002	95,002	16,171	111,173
Other comprehensive income: Exchange differences on translation of foreign operation	–	–	–	208	–	208	–	208
Total comprehensive income for the year	–	–	–	208	95,002	95,210	16,171	111,381
Business combination	–	–	–	–	–	–	4,361	4,361
Dividends paid to non-controlling interest	–	–	–	–	–	–	(12,000)	(12,000)
At 31 December 2017 and 1 January 2018	447	6,064	–	(14)	131,288	137,785	15,507	153,292
Profit for the year	–	–	–	–	121,573	121,573	18,792	140,365
Other comprehensive income: Exchange differences on translation of foreign operation	–	–	–	687	–	687	–	687
Total comprehensive income for the year	–	–	–	687	121,573	122,260	18,792	141,052

Blue Light (HK) Trading Co., Limited and its subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Attributable to owners of the parent							
	Share capital	**Statutory reserve**	**Other reserve**	**Foreign exchange reserve**	**(Accumulated losses)/ retained profits**	**Total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Acquisition of additional interests in subsidiaries	–	–	(22,689)	–	–	(22,689)	(2,311)	(25,000)
Transfer from statutory reserve	–	(910)	–	–	–	(910)	910	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	(1,500)	(1,500)
At 31 December 2018 and 1 January 2019	447	5,154	(22,689)	673	252,861	236,446	31,398	267,844
Profit for the period	–	–	–	–	35,978	35,978	6,474	42,452
Other comprehensive income:								
Exchange differences on translation of foreign operation	–	–	–	(92)	–	(92)	–	(92)
Total comprehensive income for the period	–	–	–	(92)	35,978	35,886	6,474	42,360
At 30 June 2019	447	5,154	(22,689)	581	288,839	272,332	37,872	310,204
At 1 January 2018	447	6,064	–	(14)	131,288	137,785	15,507	153,292
Profit for the period	–	–	–	–	48,145	48,145	3,758	51,903
Other comprehensive income:								
Exchange differences on translation of foreign operation	–	–	–	(33)	–	(33)	–	(33)
Total comprehensive income for the period	–	–	–	(33)	48,145	48,112	3,758	51,870
Capital contribution from non-controlling interests	–	–	–	–	–	–	(1,500)	(1,500)
At 30 June 2018	447	6,064	–	(47)	179,433	185,897	17,765	203,662

Blue Light (HK) Trading Co., Limited and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax	65,228	153,468	190,449	71,901	55,346
Adjustments for:					
Interest income	(318)	(2,410)	(1,016)	(587)	(464)
Finance costs	–	294	566	445	316
Loss on disposal of items of property, plant and equipment	–	–	151	–	19
Depreciation of items of property, plant and equipment	54	513	1,978	556	2,070
Amortisation of other intangible assets	61	305	360	3	215
Share of results of an associate	–	(896)	436	436	–
Gain on disposal of an associate	–	–	(140)	(140)	–
Write-off of other receivables	–	–	1,677	1,349	–
Impairment/(reversal of impairment) of deposits and other receivables	–	33	(5)	(5)	–
Write-down/(reversal of write-down) of inventories	–	2,359	2,707	506	(917)
	65,025	153,666	197,163	74,464	56,585
(Increase)/decrease in inventories	(68,677)	(11,343)	20,072	(2,981)	(42,924)
(Increase)/decrease in trade and bills receivables	(51,613)	(44,422)	(135,054)	(49,791)	19,365
(Increase)/decrease in prepayments, deposits and other receivables	(13,452)	(61,436)	(64,334)	(27,091)	48,431
Increase/(decrease) in trade and bills payables	140,126	10,549	17,720	(10,178)	8,112
Increase/(decrease) in other payables and accruals	81,044	(22,637)	(8,053)	74,468	(9,370)
(Increase)/decrease in amounts due from group companies	–	–	(22,623)	–	6,846
Increase in amounts due to group companies	–	–	54,192	–	3,083
Cash generated from operations	152,453	24,377	59,083	58,891	90,128
Income tax paid	(9,644)	(26,341)	(52,602)	(11,491)	(12,702)
Net cash flows generated from/(used in) operating activities	142,809	(1,964)	6,481	47,400	77,426

Blue Light (HK) Trading Co., Limited and its subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	318	2,410	414	313	464
Prepayments for and purchases of items of property, plant and equipment	(1,607)	(672)	(8,335)	(5,504)	(383)
Additions to other intangible assets	(1,417)	(1,151)	(479)	–	(22)
Net cash inflow for acquisition of a subsidiary	–	267	–	–	–
Investment in an associate	–	(2,500)	–	–	–
Loans repaid	(15,000)	(53,000)	–	–	–
Proceeds from disposal of an associate	–	–	2,500	2,500	–
Dividend received from an associate	–	–	600	600	–
Acquisition of additional equity interests in subsidiaries	–	–	(25,000)	–	–
Net cash flows (used in)/ generated from investing activities	(17,706)	(54,646)	(30,300)	(2,091)	59
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital contribution from non-controlling shareholders	600	–	–	–	–
Proceeds from/(repayment of borrowings)	–	19,900	(21,008)	(21,008)	–
Interest paid	–	(239)	(566)	(445)	(8)
Dividends paid to non-controlling shareholders	–	(5,000)	(1,500)	(1,500)	–
Lease payments	–	–	–	–	(363)
Net cash flows generated from/(used in) financing activities	600	14,661	(23,074)	(22,953)	(371)
Net increase/(decrease) in cash and cash equivalents	125,703	(41,949)	(46,893)	22,356	77,114
Cash and cash equivalents at beginning of year/period	–	125,703	83,754	83,754	36,861
Cash and cash equivalents as stated in the consolidated statement of financial position and cash flows	125,703	83,754	36,861	106,110	113,975

There is no transaction or balance as recorded by Zhuhai NVC Liangjia Technology Company Limited since its incorporation on 1 February 2018 and up to 30 June 2019.

NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF THE DISPOSAL ENTITIES

1. GENERAL

Pursuant to the share purchase agreement dated 10 August 2019 (the "Share Purchase Agreement") entered into among NVC Lighting Holding Limited (the "Company"), LED Holdings Limited ("LED Holdings"), a subsidiary of the Company, Brilliant Lights International Holding Pte. Ltd. ("Holdco") (a company which owns 100% of the share capital of the Purchaser), Brilliant Lights Investment Pte. Ltd. (the "Purchaser") and Lighting Holdings II Pte. Ltd. ("Lighting Holdings II") (a company which owns 100% of the share capital of Holdco), the Company and LED Holdings have conditionally agreed to dispose of, and the Purchaser has conditionally agreed to acquire the 100% equity interests in the Target Companies at the consideration of the Cash Consideration and Share Consideration.

Before the disposal of the entire share capital of the Target Companies (the "Disposal"), the Company directly, and indirectly through LED Holdings, holds a 100% equity interest in the Target Companies. After the completion of the Disposal in accordance with the terms and conditions of the Share Purchase Agreement, the Company and Lighting Holdings II will respectively indirectly hold 30% and 70% of the total equity interests in the Target Companies.

2. BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

The Unaudited Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules, and solely for the purposes of inclusion in this circular issued by the Company in connection with the Disposal.

The amounts included in the Unaudited Financial Information have been recognised and measured in accordance with the relevant accounting policies of the Company as set out in its annual reports for the years ended 31 December 2016, 2017 and 2018 and its interim report for the six months ended 30 June 2019, which conform with International Financial Reporting Standards ("IFRSs") (which included all IFRSs, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. The Unaudited Financial Information has been prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value. The Unaudited Financial Information is presented in RMB and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in IAS 1 (Revised) "Presentation of Financial Statements" nor a set of condensed financial statements as defined in IAS 34 "Interim Financial Reporting" issued by the IASB and should be read in connection with the published annual reports of the Company for the years ended 31 December 2016, 2017 and 2018 and the published interim report of the Company for the six months ended 30 June 2019.

Set out below is the management discussion and analysis on the Remaining Group for the financial years ended 31 December 2016 ("**FY2016**"), 2017 ("**FY2017**") and 2018 ("**FY2018**") and the six months ended 30 June 2019 ("**1H2019**") (collectively referred to as the "**Track Record Period**"). The financial data in respect of the Remaining Group, for the purpose of this circular, is derived from unaudited management accounts of the Remaining Group during the Track Record Period.

BUSINESS REVIEW

After the Disposal, the Remaining Group will be primarily engaged in: (i) the China Remaining Business; (ii) the China ODM Business (together with China Remaining Business, referred as to "**Retained China Business**"); and (iii) the International Business. The Company has commenced the International Business before its listing on the Stock Exchange in 2010 and has been vigorously promoting the development of the international market. The revenues and gross profit margin from the International Business accounted for over 70% and 75% of total Remaining Group's revenue and gross profit margin, respectively, during the Track Record Period. With the increase in the global market penetration rate of LED lighting products and the rise of overseas emerging markets, overseas markets have become new room for strategic arrangements of LED lighting enterprises. In November 2018, the Company successfully acquired ETI Solid State HK, thus further expanding international channels in the North America. The profits/or (losses) of the Remaining Group attributable to shareholders of the Company were approximately RMB(69) million, RMB(75) million, RMB4 million and approximately RMB553 million during FY2016, FY2017, FY2018 and 1H2019, respectively.

REVENUE

Sales revenue represents the invoiced value of goods sold, after allowances for returns and trade discounts. The total revenue of the Remaining Group were RMB1,585 million, RMB1,600 million, RMB1,719 million, and RMB1,085 million during FY2016, FY2017, FY2018 and 1H2019, respectively.

The table below sets out revenues of the Remaining Group by geographical locations:

	For the year ended 31 December			For the six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
– International Business	1,176,502	1,252,869	1,275,676	626,031	900,086
– Retained China Business	408,364	346,819	443,057	174,379	185,305
Total	1,584,866	1,599,688	1,718,733	800,410	1,085,391

The revenues of International Business for 1H2019 was approximately RMB900 million, representing an increase by approximately 43.8% as compared with the six months ended 30 June 2018 ("**1H2018**"). The increase was mainly due to additional revenue contributed by ETI Solid State HK which was acquired by the Company in November 2018.

The revenues of Retained China Business for 1H2019 was approximately RMB185 million, representing an increase by approximately 6.3% as compared with 1H2018. The increase was mainly due to increase in numbers of sales order of LED lighting products. Under the vigorous promotion of national policies and energy-saving requirements, traditional lighting has been replacing by LED lighting. Therefore, the Remaining Group has continuously enhanced its promotion in LED lighting products during 1H2019.

The revenues of International Business for FY2018 was approximately RMB1,276 million, representing an increase by approximately 1.8% as compared with FY2017. The increase was mainly due to the acquisition of ETI Solid State HK during FY2018, which provided access to the North American market and increased the oversea sales volume.

The revenues of Retained China Business for FY2018 was approximately RMB443 million, representing an increase by approximately 27.7% as compared with FY2017. The increase was mainly due to the rise in the number of sales orders for non-NVC brand LED lighting products. The upgrades from production of traditional lighting products to production of LED lighting product during FY2018 increased the Remaining Group's productivity of LED lighting products.

The revenues of International Business for FY2017 was approximately RMB1,253 million, representing an increase by approximately 6.5% as compared with FY2016. The increase was mainly due to the Remaining Group's increase in development of and investment of market resources in non-NVC brand LED lighting products and the stable increase of sales orders from major international customers, in particular, in North America and Europe.

The revenues of Retained China Business for FY2017 was approximately RMB347 million, representing a decrease by approximately 15.1% as compared with FY2016. Since there was shrinkage of market size and the decline in sales of the traditional lamp products, the Remaining Group conducted transformation of production lines of China ODM Business as an upgrade from production of traditional lighting products to production of LED lighting products during FY2017, which affected productivity of China ODM Business, resulting decrease in the number of sales orders.

GROSS PROFIT

Gross profit is calculated as the net value of revenue less cost of sales. The table below shows the gross profit and gross profit margin of the Remaining Group by geographical locations:

	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Gross profit										
– International Business	216,652	18.4	199,315	15.9	234,873	18.4	88,396	14.1	243,700	27.1
– Retained China Business	62,601	15.3	51,317	14.8	63,920	14.4	23,348	13.4	24,230	13.1
Total	279,253	17.6	250,632	15.7	298,793	17.4	111,744	14.0	267,930	24.7

The gross profit margin of International Business for 1H2019 was approximately 27.1%, representing an increase by approximately 13.0% as compared with 1H2018. The increase was mainly attributed to the gross profit generated from ETI Solid State HK which was acquired by the Company in November 2018 and had gross profit margin of more than 30%.

As compared with 1H2018, the gross profit margin of the Retained China Business for 1H2019 decreased from 13.4% to 13.1%, which was maintained at stable level.

The gross profit margin of International Business for FY2018 was approximately 18.4%, representing an increase by approximately 2.5% as compared with FY2017. The increase was mainly due to the gross profit contribution from the acquisition of ETI Solid State HK and the gradual improvement in the price policy for major overseas customers.

The gross profit margin of International Business for FY2017 was approximately 15.9%, representing a decrease by approximately 2.5% as compared with FY2016. The decrease was mainly attributed to the more favourable price discounts offered in order to stabilise the order share of major clients at the international market, as well as, adverse exchange fluctuation during FY2017.

The gross profit margin of Retained China Business were stable and maintained within approximately 14.4% to 15.3% during the period from FY2016 to FY2018.

OTHER INCOME AND GAINS

The other income and gains mainly consist of dividend income, rental income, gain on sales of scrap materials, fair value gain of the derivative component of convertible bonds, government grants, and interest income.

The other income and gains of the Remaining Group for 1H2019 was approximately RMB365 million, representing an increase by approximately 87.4% as compared with 1H2018. The increase was mainly attributed to rise in dividend income received from the Target Group.

The other income and gains of the Remaining Group for FY2018 was approximately RMB836 million, representing an increase by approximately RMB793 million as compared with FY2017. The increase was mainly attributed to dividend income of approximately RMB671 million received from the Target Group during FY2018 and increase in fair value gain from change of derivative components of convertible bonds during FY2018.

The other income and gains of the Remaining Group for FY2017 was approximately RMB43 million, representing an increase by approximately 12.6% as compared with FY2016. The increase was mainly attributed to fair value gain from change of derivative components of convertible bonds during FY2017.

SELLING AND DISTRIBUTION COSTS

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

The selling and distribution costs of the Remaining Group for 1H2019 was approximately RMB138 million, representing an increase by approximately RMB94 million as compared with 1H2018. The ratio of selling and distribution costs of the Remaining Group to its total revenue for 1H2019 was approximately 12.7%, representing an increase by 7.2%, as compared with 1H2018. The increase was mainly due to rise in selling and distributed costs generate from ETI Solid State HK which was acquired by the Company in November 2018. In general, ETI Solid State HK's ratio of selling and distribution costs to its total revenue is higher than average of the Remaining Group.

The ratios of selling and distribution costs of the Remaining Group to its total revenue were stable and maintained within 5.8% to 6.0% during the period from FY2016 to FY2018. The selling and distribution costs of the Remaining Group increased during the period from FY2016 to FY2018 mainly due to the increase in staff costs, freight and promotional fees, in connection to the expansion of business and increase in selling activities.

ADMINISTRATIVE EXPENSES

The administrative expenses mainly consist of staff costs, amortisation and depreciation, research and development expenses, office expenses, impairment loss on trade and other receivables and other expenses including tax expenses, audit fees, other professional fees and other miscellaneous expenses.

The administrative expenses of the Remaining Group for 1H2019 was approximately RMB680 million, representing an increase by approximately RMB621 million as compared with 1H2018. The increase was mainly because the Remaining Group recorded an impairment loss of approximately RMB555 million on amounts due from a subsidiary of the Company, NVC Lighting (China) Co., Ltd. which was disposed during 1H2019.

The administrative expenses of the Remaining Group for FY2018 was approximately RMB191 million, representing an increase by approximately 29.2% as compared with FY2017. The increase was mainly due to increase of staff costs and professional service fees related to acquisitions during FY2018.

The administrative expenses of the Remaining Group for FY2017 was approximately RMB148 million, representing an decrease by approximately 9.1% as compared with FY2016. The decrease was mainly due to drop of loss on impairment of certain receivables.

OTHER EXPENSES

The other expenses mainly consist of losses on disposal of property, plant and equipment and scrap, impairment and provision in relation to the litigations, loss on modification of terms of convertible bonds, fair value loss of derivative financial instruments, net exchange losses, donation and other miscellaneous expenses.

The other expenses of the Remaining Group for 1H2019 was approximately RMB8 million, representing a decrease by approximately RMB73 million as compared with 1H2018. The decrease was mainly due to loss of approximately RMB78 million arising from modification of terms and extension of maturity of convertible bonds during 1H2018. No such loss incurred during 1H2019 and the convertible bonds were fully converted into shares of the Company during FY2018.

The other expenses of the Remaining Group for FY2018 was approximately RMB554 million, representing an increase by approximately RMB505 million as compared with FY2017. The increase was mainly because there were loss on the impairment of certain other receivables and the provision for losses on financial guarantee contracts in relation to certain litigations during FY2018.

The other expenses of the Remaining Group for FY2017 was approximately RMB49 million, representing an decrease by approximately 36.2% as compared with FY2016. The decrease was mainly due to decline in loss on fair value change derivative component of convertible bonds during FY2017.

FINANCE COSTS

The finance costs mainly represent interests on bank loans, lease liabilities and convertible bonds.

The finance costs of the Remaining Group for FY2016, FY2017, FY2018 and 1H2019 were approximately RMB24 million, RMB42 million, RMB36 million and RMB4 million, respectively. The fluctuations of finance costs were mainly attributed to changes in average level of Interest-bearing loans and borrowings and convertible bonds – liability component during the Track Record Period.

GAIN ON DISPOSAL OF A SUBSIDIARY

The gain on disposal of a subsidiary represents the Remaining Group's gain from the disposal of subsidiary during the Reporting Period.

The Remaining Group recorded the gain on disposal of a subsidiary of approximately RMB7 million and RMB761 million during FY2016 and 1H2019, respectively. Save for aforementioned, no gain on disposal of a subsidiary was recorded during the Track Record Period.

INCOME TAX

The Remaining Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which most of the companies within the Remaining Group are domiciled and operate.

The income tax expenses of the Remaining Group for 1H2019 was approximately RMB2 million, representing a decrease by approximately RMB68 million as compared with 1H2018. The decrease was mainly due to the effect of deferred income tax arising from potential distribution of the unremitted distributable earnings by the Company's subsidiaries in the PRC to the Company.

The income tax expenses of the Remaining Group for FY2018 was approximately RMB232 million, representing an increase by approximately RMB213 million as compared with FY2017. The significant increase was mainly due to accrual of withholding tax on the profits distributed by its subsidiaries in the PRC, deferred tax related to withholding tax on estimated profits to be distributed and provisions of withholding income tax expenses from its internal restructuring.

The income tax expenses of the Remaining Group for FY2017 was approximately RMB19 million, representing an increase by approximately 2.2% as compared with FY2016. The slight increase was mainly due to increase in taxable profits of certain entities of the Remaining Group due to enhanced profitability.

CAPITAL STRUCTURE AND MANAGEMENT

The primary goal of the Remaining Group's capital management is to maintain the stability and growth of the Remaining Group's financial position. The management of the Remaining Group regularly reviews and manages the capital structure and make corresponding adjustments, after taking into consideration changes in economic conditions, the Remaining Group's future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The management of the Remaining Group manages the capital by monitoring the gearing ratio (which is calculated as net debt divided by the total equity attributable to owners of the parent). Net debt is the balance of interest-bearing loans and convertible bonds – liability component less cash and cash equivalents and short-term deposits. The table below sets out gearing ratio of the Remaining Group as at 31 December 2016, 2017 and 2018 and 30 June 2019:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing loans and borrowings and convertible bonds – liability component	488,683	446,169	416,069	20,663
Total debt	488,683	446,169	416,069	20,663
Cash and cash equivalents and short-term deposits*	1,077,801	556,957	526,291	428,552
Net debt	N/A	N/A	N/A	N/A
Total equity attributable to owners of the parent	626,396	778,927	1,199,354	1,551,146
Gearing ratio	N/A	N/A	N/A	N/A

Interest-bearing loans and borrowings and convertible bonds – liability component were mainly denominated in HK$, RMB, and GBP, while Cash and cash equivalents and short-term deposits were mainly denominated in HK$, RMB, US$, Brazilian real ("**BRL**") and Great Britain Sterling Pound ("**GBP**").

CAPITAL COMMITMENTS

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Remaining Group had following capital commitments:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Property, plant and equipment	52,486	78,283	81,514	94,769
Acquisition of interest in investments	–	500	600	500
Investments in associates	1,450	5,400	17,500	17,500
	53,936	84,183	99,614	112,769

INTEREST-BEARING LOANS AND BORROWINGS

The interest-bearing loans and borrowings of the Remaining Group as at 31 December 2016, 2017 and 2018 and 30 June 2019 are analysed as follow:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing loans and borrowings				
– repayable within one year	48,411	24,940	416,069	20,663
	48,411	24,940	416,069	20,663
Interest-bearing loans and borrowings				
– at fixed interest rate	1,064	936	412,602	836
– at variable interest rate	47,347	24,004	3,467	19,827
	48,411	24,940	416,069	20,663

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing loans and borrowings				
– denominated in HK$	–	–	411,815	–
– denominated in RMB	1,064	936	787	836
– denominated in GBP	47,347	24,004	3,467	19,827
	48,411	24,940	416,069	20,663

CONVERTIBLE BONDS

On 7 June 2016, the Company issued the Convertible Bonds denominated in HK$ in an aggregate amount of HK$500 million. The Convertible Bonds bear interest at the rate of 7.8% per annum on the principal amount of the bonds outstanding. The table below set out the carrying amounts of the Convertible Bonds as at 31 December 2016, 2017 and 2018 and 30 June 2019:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liability component of Convertible Bonds	440,272	421,229	–	–
Derivative component of Convertible Bonds	60,230	11,933	–	–
Total	500,502	433,162	–	–

FOREIGN CURRENCY RISK MANAGEMENT

The Remaining Group is exposed to transactional currency risk. Such risk arises from sales or procurement by an operating unit in currencies other than its functional currency. As a result, the Remaining Group is exposed to fluctuations in the exchange rate between the functional currencies and foreign currencies. During the Track Record Period, the Remaining Group had entered into several forward exchange contracts in place to hedge the foreign exchange exposure.

PLEDGE OF ASSETS

As at 31 December 2016, 2017 and 2018 and 30 June 2019, certain assets of the Remaining Group were pledged as follows:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment – pledged to secure the bank borrowings and for the Group's applications of assets preservation in certain PRC legal proceedings	130,985	131,673	119,786	121,393
Prepaid land lease payments – pledged to secure the bank borrowings and for the Group's applications of assets preservation in certain PRC legal proceedings	19,183	18,739	18,296	18,074
Trade and bills receivables – pledged to secure the bank borrowings	47,347	24,004	3,467	19,827
Pledged deposits – pledged for issuing letters of guarantee and borrowing facilities	–	15,522	100,022	66,592
Total	197,515	189,938	241,571	225,886

CONTINGENT LIABILITIES

Save for contingent liabilities as disclosed in the 2016 Annual Report, 2017 Annual Report, 2018 Annual Report and 2019 Interim Report, the Remaining Group did not have any contingent liability.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL

Save for significant investments and material acquisition and disposals disclosed in the 2016 Annual Report, 2017 Annual Report, 2018 Annual Report and 2019 Interim Report, the Remaining Group did not have any significant investments and material acquisition and disposal during the Track Record Period.

REMUNERATION POLICIES AND EMPLOYEE INFORMATION

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Remaining Group had approximately 2,932, 2,460, 3,244 and 2,950 employees in total respectively. The Remaining 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, employee provident fund schemes, discretionary incentive and share option schemes.

CORPORATE STRATEGIES AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

After the Closing, the Company will indirectly hold 30% interest in Target Companies and Target Business. The Remaining Group will be primarily engaged in: (i) the Retained China Business and (ii) the International Business. Regarding the Retained China Business, the Remaining Group expects it will remain stable.

The Remaining Group is expected to continuously expand its International Business and make efforts for its existing channels and businesses. The Remaining Group is building its Vietnam factory to combat existing tariff pressure from North America business and at the same time the new facility will support South East Asia NVC brand building activities starting from June 2020.

The Remaining Group has plans to upgrade the three existing factories in China to support its diverted business region characteristic and new categories development for improved product mix and reduced dependence on OEM supply.

Meanwhile, the Remaining Group will restructure its commercial and technical teams to organize a business unit to focus on accelerating the development of standardized smart home and commercial control modules to support all regions' demand on wireless residential, commercial and industrial applications.

In terms of internal management, the Remaining Group will continue to adhere to the established policy of reducing cost and improving efficiency of its business and to improve the overall operation of the Remaining Group through adjusting and optimizing organizational structure, promoting refined management and innovating technological process. In terms of human resources strategy, talents from target business regions will be recruited for achieving localized best practice to develop avenues for NVC branded channel development.

I. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA INFORMATION OF THE REMAINING GROUP

Introduction

The following is a summary of illustrative unaudited pro forma financial information of the Remaining Group in connection with the Group's disposal (the "Disposal") of 100% equity interests in Huizhou NVC Lighting Technology Company Limited, Blue Light (HK) Trading Co., Limited and Zhuhai Yaohui Technology Co., Ltd. and their subsidiaries (collectively referred to as the "Target Group") in the Company's circular dated 31 October 2019 (the "Circular") at the consideration of the Cash Consideration and Share Consideration pursuant to the share purchase agreement dated 10 August 2019 (the "Share Purchase Agreement") entered into between the Company, LED Holdings Limited ("LED Holdings"), a subsidiary of the Company, Brilliant Lights International Holding Pte. Ltd. ("Holdco") (a company which owns 100% of the share capital of the Purchaser), Brilliant Lights Investment Pte. Ltd. (the "Purchaser") and Lighting Holdings II Pte. Ltd. ("Lighting Holdings II") (a company which owns 100% of the share capital of Holdco). Moreover, certain steps of group reorganisation (the "Reorganisation") will be carried out and should be completed before the Disposal as one of the conditions for the completion of the Disposal as described in section "Letter from the Board" of the Circular. The unaudited pro forma financial information presented below is prepared to illustrate (i) the financial position of the Remaining Group as at 30 June 2019 as if the Disposal had been completed on 30 June 2019; and (ii) the financial performance and cash flows of the Remaining Group for the year ended 31 December 2018 as if the Disposal had been completed on 1 January 2018.

The unaudited pro forma financial information is prepared in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited pro forma financial information of the Remaining Group is based on:

(i) the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019 (the "2019 Interim Financial Statements), which have been derived from the Company's interim report for the six months ended 30 June 2019 and the consolidated financial statements of the Group for the year ended 31 December 2018 (the "2018 Annual Financial Statements"), which have been derived from the Company's annual report for the year ended 31 December 2018, as included as links in Appendix I to the Circular. The auditor has issued reports dated 26 August 2019 and 26 March 2019 with qualified conclusion on the 2019 Interim Financial Statements and qualified opinion on the 2018 Annual Financial Statements respectively, pertaining to the impairment of other receivables and uncertainties relating to financial guarantee contracts and provision for loss on financial guarantee contract. Details of the qualified conclusion and the qualified opinion are set out in the 2019 Interim Financial Statements and the 2018 Annual Financial Statements which are included as links in Appendix I to the Circular. Since the qualified conclusion on the 2019 Interim Financial Statements is related to the comparability of the related figures in the interim condensed consolidated financial statements for the six months ended 30 June 2018 only, it does not have any impact on the amounts presented in the unaudited pro forma consolidated statement of financial position as at 30 June 2019.

However, as detailed in the independent auditor's report on the 2018 Annual Financial Statements, the Company, with reference to then currently available information, including but not limited to legal opinion, count judgments, and additional claims from other creditors against the relevant borrower, has decided to make full amounts of impairment of other receivables and provision for loss on financial guarantee contracts of the Group for the year ended 31 December 2018 in relation to the litigations mentioned in note 33 headed "Litigations" to the 2018 Annual Financial Statements. During the year ended 31 December 2018, aforementioned impairment of other receivables of RMB320,960,000 and provision for losses on financial guarantee contracts of the Group of RMB151,519,000 were recorded as "other expenses" in the consolidated statement of profit or loss, and as "impairment of prepayments and other receivables, net" and "provision for losses on financial guarantee contracts" in the consolidated statement of cash flows for the year ended 31 December 2018. The auditor qualified its opinion on the 2018 Annual Financial Statements because of the effect of audit scope limitations in the audit of 2017 consolidated financial statements on (a) the consequential impact on the amounts of impairment of other receivables and provision for loss on financial guarantee contracts for the year ended 31 December 2018; and (b) the comparability of the related 2017 figures and 2018 figures in the 2018 Annual Financial Statements. The qualified opinion on the 2018 Annual Financial Statements would have an impact on the amount of "other expenses" presented in the unaudited pro forma consolidated statement of profit or loss; and the amounts of "impairment of prepayments and other receivables, net" and "provision for losses on financial guarantee contracts" presented in the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2018; and

(ii) pro forma adjustments to reflect the effect of the Disposal on the respective dates, which are directly attributable to the Disposal and factually supportable.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with the historical financial information of the Group as set out in the 2019 Interim Financial Statements and 2018 Annual Financial Statements and other financial information included elsewhere in the Circular.

The unaudited pro forma financial information of the Remaining Group has been prepared by the directors of the Company based on a number of assumptions, estimates, uncertainties, currently available information and is prepared for illustrative purpose only. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position, financial performance and cash flows of the Remaining Group that would have been attained had the Disposal been completed on 1 January 2018, 30 June 2019 or any other date.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	The Group as at 30 June 2019	Pro forma adjustments													Pro forma the Remaining Group as at 30 June 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 3)*	*(Note 5)*	*(Note 8(a))*	*(Note 8(b))*	*(Note 8(c))*	*(Note 8(d))*	*(Note 8(e))*	*(Note 7)*	*(Note 9)*	*(Note 10(a))*	*(Note (10(a))*	*(Note 13)*	*(Note 14)*	
NON-CURRENT ASSETS															
Property, plant and equipment	658,750	(332,957)	1,514												327,307
Right-of-use assets	286,204	(225,187)	3,538												64,555
Goodwill	1,129,734	–	(745,131)												384,603
Other intangible assets	665,508	(282,516)	–								18,700				401,692
Investments in associates	42,440	(108,124)	65,682	513							452,456				452,967
Investment in a joint venture	48,703	(48,703)	–												–
Investments in subsidiaries	–	(1,963,375)	1,950,175		13,200										–
Long term investments	37,738	(37,738)	–												–
Deferred tax assets	75,875	(61,170)	(2,000)												12,705
Prepayments	310,224	(299,990)	–												10,234
Total non-current assets	3,255,176														1,654,063
CURRENT ASSETS															
Inventories	704,765	(339,506)	4,386						2,381						372,026
Trade and bills receivables	1,431,517	(982,708)	–												448,809
Prepayments, deposits and other receivables	331,028	(281,756)	(5,302)			460					48,703				93,133
Income tax recoverable	1,458	(349)	–												1,109
Other current assets	33,857	(16,012)	–												17,845
Held-for-trading investments	32,582	(32,582)	–												–

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	The Group as at 30 June 2019	Pro forma adjustments													Pro forma the Remaining Group as at 30 June 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 3)*	*(Note 5)*	*(Note 8(a))*	*(Note 8(b))*	*(Note 8(c))*	*(Note 8(d))*	*(Note 8(e))*	*(Note 7)*	*(Note 9)*	*(Note 10(a))*	*(Note (10(a))*	*(Note 13)*	*(Note 14)*	
Restricted bank balances and short-term deposits	244,626	(138,035)	–												106,591
Cash and cash equivalents	763,320	(509,443)	(5,757)		(70,000)	14		(84,058)			4,611,308	(398,226)	(3,398,226)	(29,500)	879,432
Amounts due from the Target Group	–	(6,879,389)	5,334,885	(513)	(90,446)			840,578		1,330,170					535,285
Total current assets	3,543,153														2,454,230
CURRENT LIABILITIES															
Trade and bills payables	1,470,113	(1,088,803)	–			114									381,424
Other payables and accruals	741,311	(559,762)	–												181,549
Interest-bearing loans and borrowings	489,370	(468,707)	–												20,663
Lease liabilities	25,039	(22,735)	1,769												4,073
Government grants	561	(471)	–												90
Income tax payable	228,563	(136,177)	–												92,386
Amounts due to the Remaining Group	–	(6,033,179)	4,703,009							1,330,170					–
Total current liabilities	2,954,957														680,185
NET CURRENT ASSETS	588,196														1,774,045
TOTAL ASSETS LESS CURRENT LIABILITIES	3,843,372														3,428,108

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	The Group as at 30 June 2019	Pro forma adjustments													Pro forma the Remaining Group as at 30 June 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 3)*	*(Note 5)*	*(Note 8(a))*	*(Note 8(b))*	*(Note 8(c))*	*(Note 8(d))*	*(Note 8(e))*	*(Note 7)*	*(Note 9)*	*(Note 10(a))*	*(Note (10(a))*	*(Note 13)*	*(Note 14)*	
NON-CURRENT LIABILITIES															
Lease liabilities	73,894	(32,426)	2,606												44,074
Government grants	10,974	(8,173)													2,801
Deferred tax liabilities	175,957	(75,346)													100,611
Total non-current liabilities	260,825														147,486
Net assets	3,582,547														3,280,622
EQUITY															
Equity attributable to owners of the parent															
Share capital	3	–													3
Reserves	3,462,460	(581)		123			(724)	(84,058)	2,381		3,656,896	(398,226)	(3,398,226)	(29,500)	3,210,545
	3,462,463														3,210,548
Non-controlling interests	120,084	(37,872)	22,162		(34,300)										70,074
Total equity	3,582,547														3,280,622

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	The Group for the year ended 31 December 2018	Pro forma adjustments								Pro forma the Remaining Group for the year ended 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 2)	*(Note 4)*	*(Note 6)*	*(Note 8(a))*	*(Note 7)*	*(Note 10(b))*	*(Note 10(b))*	*(Note 12)*	*(Note 14)*	
REVENUE	4,904,848	(6,969,416)	3,499,224		101,197					1,535,853
Cost of sales	(3,426,560)	5,478,333	(3,221,630)		(101,225)					(1,271,082)
Gross profit	1,478,288									264,771
Other income and gains	253,538	(1,180,774)	1,049,021		22,429					144,214
Selling and distribution costs	(517,646)	670,829	(229,503)							(76,320)
Administrative expenses	(449,166)	296,924	(34,059)		(1,985)				(29,500)	(217,786)
Other expenses	(612,039)	58,726	(638)							(553,951)
Finance costs	(59,895)	44,906	(383)		(20,454)					(35,826)
Share of results of associates	5,259	(4,823)	(436)	31				82,773		82,804
Share of results of a joint venture	(35,200)	49,332								14,132
Gain on disposal of the Target Group	–	–				3,275,504				3,275,504
PROFIT BEFORE INCOME TAX	63,139									2,897,542
Income tax	(365,475)	159,707	(22,246)				(383,584)			(611,598)
(LOSS)/PROFIT FOR THE YEAR	(302,336)									2,285,944
Attributable to:										
Owners of the parent	(327,592)	(1,377,464)	1,031,899	31	(38)	3,275,504	(383,584)	82,773	(29,500)	2,272,029
Non-controlling interests	25,256	(18,792)	7,451							13,915
	(302,336)									2,285,944

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	The Group for the year ended 31 December 2018	Pro forma adjustments								Pro forma the Remaining Group for the year ended 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 2)	*(Note 4)*	*(Note 6)*	*(Note 8(a))*	*(Note 7)*	*(Note 10(b))*	*(Note 10(b))*	*(Note 12)*	*(Note 14)*	
(LOSS)/PROFIT FOR THE YEAR	(302,336)	(1,396,256)	1,039,350	31	(38)	3,275,504	(383,584)	82,773	(29,500)	2,285,944
OTHER COMPREHENSIVE INCOME										
Items that may be reclassified subsequently to profit or loss:										
Exchange differences on translation of foreign operations	(10,596)	(687)	597							(10,686)
Released upon disposal of the Target Group	–	14								14
	(10,596)									(10,672)
Item that will not be reclassified subsequently to profit or loss:										
Fair value change on financial assets at fair value through other comprehensive income, net of tax	6,500	(10,161)								(3,661)
	(4,096)									(14,333)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(306,432)									2,271,611
Attributable to:										
Owners of the parent	(332,437)	(1,388,298)	1,032,496	31	(38)	3,275,504	(383,584)	82,773	(29,500)	2,256,947
Non-controlling interests	26,005	(18,792)	7,451							14,664
	(306,432)									2,271,611

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group for the year ended 31 December 2018	Pro forma adjustments								Pro forma the Remaining Group for the year ended 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 2)	*(Note 4)*	*(Note 6)*	*(Note 8(a))*	*(Note 7)*	*(Note 10(b) and 11)*	*(Note 10(b))*	*(Note 12)*	*(Note 14)*	
CASH FLOWS FROM OPERATING ACTIVITIES										
Profit before income tax	63,139	(1,555,963)	1,061,596	31	(38)	3,275,504		82,773	(29,500)	2,897,542
Adjustments for:										
Interest income	(14,287)	8,424	289		(20,454)					(26,028)
Finance costs	59,895	(44,906)	383		20,454					35,826
Dividend income	–	1,010,200	(1,010,200)							–
Share of results of associates	(5,259)	4,823	436	(31)				(82,773)		(82,804)
Share of results of a joint venture	35,200	(49,332)								(14,132)
Loss on disposal of items of property, plant and equipment	2,229	(2,162)								67
Depreciation of items of property, plant and equipment	86,374	(60,938)	682							26,118
Amortisation of prepaid land lease payments	1,319	(876)								443
Amortisation of other intangible assets	12,125	(1,584)	3							10,544
Impairment of property, plant and equipment	1,538	(1,538)								–
Impairment of/(reversal of impairment of) trade receivables, net	26,437	(26,419)	(1,232)							(1,214)
Impairment of prepayments and other receivables, net	319,880	705								320,585
Reversal of write-down of inventories	5,836	(4,585)								1,251
Write-off of other receivables	–	(1,677)	1,677							–
Government grants released to consolidated statement of profit or loss	(25,577)	6,549								(19,028)
Fair value change of derivative component of convertible bonds	(82,903)									(82,903)
Fair value gain on deemed disposal of an associate	(85,958)		85,958							–
Loss on modification of terms of convertible bonds	78,387									78,387
Provision for losses on financial guarantee contracts	151,519									151,519
Fair value change on derivative financial liabilities	10,689	(10,689)								–

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group for the year ended 31 December 2018	Pro forma adjustments							Pro forma the Remaining Group for the year ended 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 2)	*(Note 4)*	*(Note 6)*	*(Note 8(a))*	*(Note 7)*	*(Note 10(b) and 11)*	*(Note 10(b))*	*(Note 14)*	
Unrealised exchange difference	8,347								8,347
Fair value change of held-for-trading investments	44,596	(44,596)							–
Gain on disposal of a subsidiary	–	28,249	(28,249)						–
Gain on disposal of an associate	–	5,939	(5,939)						–
Gain on disposal of the Target Group	–					(3,275,504)			(3,275,504)
	693,526								29,016
Increase in inventories	(35,403)	17,063	(9,869)		38				(28,171)
(Increase)/decrease in trade and bills receivables	(182,558)	304,751	(54,871)						67,322
Decrease in prepayments, deposits and other receivables	72,405	106,910	(168,811)						10,504
Decrease/(increase) in other current assets	8,468	(11,784)							(3,316)
Increase/(decrease) in trade and bills payables	65,811	(191,937)	85,604						(40,522)
Decrease in other payables and accruals	(119,637)	(58,758)	63,898						(114,497)
Receipt of government grants	22,203	(6,636)							15,567
Decrease in amounts due from group companies	–	1,870,228	5,000						1,875,228
Decrease in amounts due to group companies	–	(1,477,141)							(1,477,141)
Cash generated from operations	524,815								333,990
Income tax paid	(160,336)	120,229	(45,407)				(383,584)		(469,098)
Net cash generated from/(used in) operating activities	364,479								(135,108)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group for the year ended 31 December 2018	Pro forma adjustments									Pro forma the Remaining Group for the year ended 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 2)	*(Note 4)*	*(Note 6)*	*(Note 8(a))*	*(Note 7)*	*(Note 10(b) and 11)*	*(Note 10(b))*	*(Note 12)*	*(Note 13)*	*(Note 14)*	
CASH FLOWS FROM INVESTING ACTIVITIES											
Interest received	14,287	(7,822)	(289)								6,176
Dividend received from subsidiaries	–	(578,200)	578,200								–
Proceeds from disposal of items of property, plant and equipment	6,558	(6,300)									258
Purchases of items of property, plant and equipment	(99,852)	78,247	(6,148)								(27,753)
Dividend received from associates	9,000	(5,600)	600					691,111			695,111
Acquisition of additional equity interests in subsidiaries	(25,000)	25,000									–
Acquisitions of subsidiaries	(1,266,828)										(1,266,828)
Investments in subsidiaries	–	19,100	(19,100)								–
Purchase of long term investments	(100)	100									–
Investments in associates	(5,000)	5,000									–
Disposal of an associate	–	(2,500)	2,500								–
Additions to other intangible assets	(5,242)	3,058	(46)								(2,230)
(Increase)/decrease in the restricted bank balances and short-term deposits	(289,213)	278,580									(10,633)
Net proceeds from disposal of the Target Group	–					3,718,126					3,718,126
Net cash (used in)/generated from investing activities	(1,661,390)										3,112,227

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group for the year ended 31 December 2018	Pro forma adjustments									Pro forma the Remaining Group for the year ended 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 2)	*(Note 4)*	*(Note 6)*	*(Note 8(a))*	*(Note 7)*	*(Note 10(b) and 11)*	*(Note 10(b))*	*(Note 12)*	*(Note 13)*	*(Note 14)*	
CASH FLOWS FROM FINANCING ACTIVITIES											
Capital contribution from non-controlling shareholders	900		(900)								–
Dividends paid to non-controlling shareholders	(9,800)	1,500	8,300								–
Dividends paid	(29,940)	1,279,111	(588,000)					(691,111)	(3,398,226)		(3,428,166)
New bank loans	1,060,670	(648,855)	(19,448)								392,367
Repayment of bank loans	(22,246)	21,008									(1,238)
Interest paid	(56,226)	44,906	(383)								(11,703)
Shares repurchased	(1,371)										(1,371)
Capital injection	–	(11,800)	11,800								–
Net cash generated from/(used in) financing activities	941,987										(3,050,111)
Net (decrease)/increase in cash and cash equivalents	(354,924)	427,082	(51,966)			3,718,126	(383,584)		(3,398,226)	(29,500)	(72,992)
Cash and cash equivalents at beginning of year	1,265,589	(976,936)	83,754								372,407
Effect of foreign exchange rate changes, net	2,333										2,333
CASH AND CASH EQUIVALENTS AT END OF YEAR	912,998										301,748

Notes:

1. The amounts are extracted from the condensed consolidated statement of financial position of the Group as at 30 June 2019 as set out in the published interim report of the Company for the six months ended 30 June 2019.

2. The amounts are extracted from the consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2018 as set out in the published annual report of the Company for the year ended 31 December 2018.

3. The adjustment represents the exclusion of assets, liabilities, non-controlling interests and foreign currency translation reserve attributable to the entities and sub-groups within the Target Group (the "Disposal Entities") by aggregation of the amounts extracted from their individual statements of financial position as at 30 June 2019 as set out in Appendix II to the Circular as if the Disposal had been completed on 30 June 2019 for the financial position of the Remaining Group.

4. The adjustment represents the exclusion of financial performance and cash flows of the Disposal Entities by aggregation of the amounts extracted from their individual statements of profit or loss, statements of comprehensive income and statements of cash flows for the year ended 31 December 2018 as set out in Appendix II to the Circular as if the Disposal had been completed on 1 January 2018 for the financial performance and cash flows of the Remaining Group.

5. The adjustment mainly represents (i) elimination of intercompany balances, investment costs and transactions as at 30 June 2019 within the Disposal Entities; and (ii) fair value adjustments on assets and liabilities, and recognition of items arising from the Group's historical business combinations of certain Disposal Entities.

6. The adjustment mainly represents (i) elimination of intercompany transactions for the year ended 31 December 2018 within the Disposal Entities; and (ii) additional depreciation and amortisation and relevant deferred tax impact related to fair value adjustments on assets and liabilities and adjustments to eliminate the acquirees' pre-acquisition results related to the Group's historical business combinations of certain Disposal Entities.

7. The adjustment represents the reversal of elimination of the intercompany transactions between the Target Group and the Remaining Group, which were reflected in the consolidated financial statements of the Group for the year ended 31 December 2018, as if the Disposal had been completed on 1 January 2018 and 30 June 2019 for the purpose of the financial performance and cash flows of the Remaining Group and financial position of the Remaining Group respectively. These intercompany transactions are expected to have continuing effect on the Remaining Group.

8. The adjustment represents financial impact of the following steps of the Reorganisation which affect the net assets value of the Target Group and hence the gain on the Disposal as if they were completed on 1 January 2018 or 30 June 2019 where applicable:

   (a) Transfer of certain investments in associates from the Target Group to the Remaining Group

	At 30 June 2019 *RMB'000*	**At 1 January 2018** *RMB'000*
Aggregate consideration payable by the Remaining Group	513	513
Carrying value of the Target Group's investments in the associates	(387)	(368)
Gain on the Target Group's disposal of associates	126	145
Less: estimated tax expense	(3)	(3)
Net gain on disposal of associates and the amount to be adjusted to the net assets value of the Target Group upon the Closing	123	142
Share of results of the associates for the year ended 31 December 2018	N/A	31

The net assets and the results of these associates were accounted for by certain Disposal Entities under the equity method. Pursuant to the reorganisation memorandum appended to the Share Purchase Agreement (the "Reorganisation Memo"), the aggregate consideration of the transfer is RMB513,000. Upon the transfer of the equity interests of the associates from the Target Group to the Remaining Group, the Remaining Group recognises investments in associates at cost, i.e. the aggregate consideration of RMB513,000. The net gain on disposal of the associates as at 30 June 2019 and 1 January 2018 of RMB123,000 and RMB142,000 respectively, is adjusted to the net assets value of the Target Group upon the Closing.

(b) Transfer of investments in certain subsidiaries from the Target Group to the Remaining Group after the related subsidiary's distribution of dividends

	At 30 June 2019	**At 1 January 2018**
	RMB'000	*RMB'000*
Dividend distributed by the subsidiary	70,000	70,000
Less: dividend attributable to the non-controlling interest	(34,300)	(34,300)
Dividend attributable to the Target Group	35,700	35,700
Aggregate consideration payable by the Remaining Group	90,446	90,280
Carrying value of the Target Group's investment costs in the subsidiaries on company level	(13,200)	(10,200)
Gain on disposal of subsidiaries on company level	77,246	80,080
Less: estimated tax expense	–	–
Net gain on disposal of subsidiaries	77,246	80,080
Amount to be adjusted to the net assets value of the Target Group upon the Closing	112,946	115,780

The investment costs in these subsidiaries were recorded in the statements of financial position of certain Disposal Entities as at 30 June 2019 and 1 January 2018. The investment costs of these subsidiaries were not eliminated in adjustment in Note 5 as they are not within the scope of the Disposal.

Pursuant to the Reorganisation Memo, before the transfer of the subsidiaries from the Target Group to the Remaining Group, one of the subsidiaries will declare a dividend of RMB70,000,000 to its shareholders. The subsidiary is owed as to 51% by a Disposal Entity and 49% by a non-controlling shareholder. Accordingly, the Target Group and the non-controlling shareholder will be entitled to the dividend in an amount of RMB35,700,000 and RMB34,300,000 respectively. After the distribution of the dividend, the subsidiaries will be transferred at an aggregate consideration of RMB90,446,000.

Assuming these transactions had been completed on 30 June 2019 and 1 January 2018, the net assets value of the Target Group would increase by RMB112,946,000 and RMB115,780,000 respectively.

(c) Transfer of entire interest in one entity within the Target Group to the Remaining Group

	At 30 June 2019	At 1 January 2018
	RMB'000	*RMB'000*
Cash consideration	–	N/A
Less: carrying value of net assets of the entity	(360)	N/A
Loss on disposal	(360)	
Less: estimated tax expense	–	N/A
Net loss on disposal of a subsidiary and amount to be adjusted to the net assets value of the Target Group upon the Closing	(360)	N/A

The subsidiary was set up during the six months ended 30 June 2019 and its net assets and results were consolidated in the consolidated financial statements of a Disposal Entity. According to the Reorganisation Memo, the Target Group will transfer the entire interest in the subsidiary to the Remaining Group at RMB1. Upon the completion of the transfer, the assets and liabilities of the subsidiary will be consolidated to the Remaining Group. The net assets value of the subsidiary as at 30 June 2019 amounted to RMB360,000.

(d) Acquisition of additional interests in certain Disposal Entities by the Target Group after the related subsidiary's distribution of dividend

	At 30 June 2019	At 1 January 2018
	RMB'000	*RMB'000*
Dividend attributable to the non-controlling interest	(811)	–
Cash consideration paid	(900)	–
Add: carrying value of non-controlling interests acquired	987	200
	87	200
Amount to be adjusted to the net assets value of the Target Group upon the Closing	(724)	200

Pursuant to the Reorganisation Memo, the Target Group will acquire additional interests in these Disposal Entities so that they will become wholly-owned subsidiaries of the Target Group. Moreover, one of the subsidiaries, which was set up during the year ended 31 December 2018, will declare a dividend of RMB2,703,000 to its shareholders. As at 30 June 2019, the subsidiary is owed as to 70% by a Disposal Entity and 30% by a non-controlling shareholder. Accordingly, the Target Group and the non-controlling shareholder are entitled to a dividend in an amount of RMB1,892,000 and RMB811,000 respectively. Since the subsidiary is one of the entity within the Target Group, the dividend attributable to the Disposal Entity will be eliminated on Target Group level and will not reduce the net assets value of the Target Group. After the distribution of the dividend, the Target Group will acquire the non-controlling interests in these Disposal Entities at an aggregate consideration of RMB900,000.

As a result, assuming these transactions had been completed on 30 June 2019 and 1 January 2018, the net assets value of the Target Group would decrease by RMB724,000 and increase by RMB200,000 respectively.

(e) Distributions of dividends by the Disposal Entities to the Company for settlement of amount due from the Remaining Group to the Target Group in the aggregate amount of approximately RMB840,578,000, subject to withholding tax of 10%.

9. The adjustment represents reclassification of amounts between the Target Group and the Remaining Group as at 30 June 2019.

10. Pursuant to the Share Purchase Agreement, the Company and LED Holdings have conditionally agreed to dispose of, and the Purchaser has conditionally agreed to acquire the entire equity interests of the Target Companies at cash consideration of approximately RMB4,611,308,000 (the "Cash Consideration"), subject to certain possible adjustments in accordance with the Share Purchase Agreement and Holdco will issue new ordinary shares in Holdco to the Company representing 30% of the total issued share capital of Holdco (the "Share Consideration"). After the completion of the Disposal (the "Closing"), the Company and Lighting Holdings II will respectively indirectly hold 30% and 70% of the total equity interests in the Target Group.

The Cash Consideration payable is subject to the following adjustments, amongst others:

- If, between 31 December 2018 and the Closing, any leakage of value from the Target Group (other than those permitted in the Share Purchase Agreement) occurs, the Cash Consideration will be reduced on a dollar-for-dollar basis to compensate the Purchase for the value which has been leaked to the Remaining Group. Leakage is defined in detail in the Share Purchase Agreement but captures any payments, payments in kind, or other transfers of economic value from the Target Group to the Remaining Group. The directors are not aware of any unpermitted leakage from 1 January 2019 up to 30 June 2019 and do not expect any unpermitted leakage until the Closing.

- If the Target Group's Net Adjusted Cash Amount falls below RMB300 million at any time between the Closing and the date one month after the Closing, Lighting Holdings II shall have a right of additional equity injection to rectify such net cash shortfall if Lighting Holdings II exercises the right, Lighting Holdings II and the Company will be obliged to inject 70% and 30% of the shortfall respectively into Holdco in the form of additional equity. As at 1 January 2018 and 30 June 2019, the directors are not aware of any such shortfall and do not expect any such shortfall until the date one month after the Closing.

- The Purchaser will finance the payment of Cash Consideration partially by borrowings. As at Closing, if Holdco, indirectly through the Purchaser, borrows an amount, after minus (i) cash of the Purchaser and (ii) financing costs, in excess of RMB2,400,000,000 (the "Excess Borrowing Amount"), the Cash Consideration shall be increased by an amount equal to 30% of the Excess Borrowing Amount. Based on a confirmation letter from Holdco, there is no Excess Borrowing Amount and the directors expect that there will be no Excess Borrowing Amount and accordingly no additional Cash Consideration will be received at the Closing.

- The Group will receive proceeds from the realisation of assets and liabilities of a joint venture of one of the Disposal Entities by Holdco within a specified period after the Closing with a cap at RMB85,000,000. The related procedures have not been carried out as at 30 June 2019. The directors of the Company estimated that the realisation proceeds are close to the carrying amounts of the investment in the joint venture as at the respective dates and are expected to be received within 12 months following the Closing.

Apart from the foregoing, the Target Group will assign to the Remaining Group a right to use of the trademarks, that are relevant to the Remaining Business.

(a) After taking into account the above consideration adjustments and assignment of right to use of trademarks, assuming that the Closing had been completed on 30 June 2019, the adjustment represents:

(i) the Cash Consideration of approximately RMB4,611,308,000;

(ii) the Share Consideration representing the 30% equity interest in Holdco which is classified as "investments in associates" upon the Disposal and measured at fair value upon the Closing;

(iii) the fair value of right to use the trademarks to be assigned by the Target Group to the Remaining Group estimated by the directors of the Company with reference to a valuation performed by an independent firm of professionally qualified valuers which is determined using relief from royalty method;

(iv) the contingent consideration receivable arising from the estimated realisation proceeds in relation to a joint venture; and

(v) the estimated gain on the Disposal as if the Disposal had been completed on 30 June 2019, which is set out below:

	RMB'000
Cash Consideration	4,611,308
Share Consideration	452,456
Fair value of right to use the trademarks	
assigned by the Target Group	18,700
Contingent consideration receivable	48,703
Total consideration for the Disposal	5,131,167
Less: net assets of the Target Group	(1,489,575)
Add: – non-controlling interest of the Target Group	
– realisation of foreign currency translation reserve attributable to	14,723
the Target Group	581
Estimated gain on the Disposal	3,656,896
Less: estimated tax expense on the Disposal	(398,226)
Net gain on the Disposal	3,258,670

(b) After taking into account the above consideration adjustments and assignment of right to use of trademarks, assuming that the Closing had been completed on 1 January 2018, the adjustment represents:

(i) the Cash Consideration of approximately RMB4,611,308,000;

(ii) the Share Consideration representing the 30% equity interest in Holdco which is classified as "investments in associates" upon the Disposal and measured at fair value upon the Closing;

(iii) the fair value of right to use the trademarks to be assigned by the Target Group to the Remaining Group estimated by the directors of the Company with reference to a valuation performed by an independent firm of professionally qualified valuers which is determined using relief from royalty method;

(iv) the contingent consideration receivable arising from the estimated realisation proceeds in relation to a joint venture; and

(v) the estimated gain on the Disposal as if the Disposal had been completed on 1 January 2018, which is set out below:

	RMB'000
Cash Consideration	4,611,308
Share Consideration	306,033
Fair value of right to use the trademarks	
assigned by the Target Group	13,300
Contingent consideration receivable	85,000
Total consideration for the Disposal	5,015,641
Less: net assets of the Target Group	(1,748,542)
Add: – non-controlling interest of the Target Group	8,419
– realisation of foreign currency translation reserve attributable to	
the Target Group	(14)
Estimated gain on the Disposal	3,275,504
Less: estimated tax expense on the Disposal	(383,584)
Net gain on the Disposal	2,891,920

11. The adjustment represents the net cash inflows as if the Disposal had been completed on 1 January 2018:

	RMB'000
Cash Consideration for the Disposal	4,611,308
Less: Cash and cash equivalents held by the Target Group as at 1 January 2018	(893,182)
Net cash inflows for the Disposal	3,718,126

12. The Target Group will become 30%-owned associate of the Group immediately after the Disposal and the adjustment represents the Group's share of results of the Target Group for the year ended 31 December 2018 calculated as follows:

	RMB'000
Profit attributable to the Target Group for the year	345,572
Less: Additional depreciation and amortisation arising from fair value adjustments on property, plant and equipment, other intangible assets and inventories of the Target Group as at 1 January 2018	(92,881)
Add: Deferred tax impact	23,220
Adjusted profit attributable to the Target Group for the year	275,911
Thereon at 30%	82,773

Similarly, the dividend paid by the Target Group to the Remaining Group during the year ended 31 December 2018 of RMB691,111,000 has been reclassified to dividend received from associates as if the Disposal had been completed on 1 January 2018 for the purpose of cash flows of the Remaining Group.

13. Subject to the approval of the shareholders of the Company at the extraordinary general meeting and the Closing, the Company intends to declare a special dividend of not less than HK$0.9 per share, totalling approximately RMB3,398,226,000 (equivalent to approximately HK$3,804,553,000), to its shareholders.

14. The amount represents the estimated transaction costs directly attributable to the Disposal of RMB29,500,000.

15. No adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to 31 December 2018 or 30 June 2019 where applicable.

II. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of NVC Lighting Holding Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of NVC Lighting Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows and related notes as set out on pages IV-1 to IV-17 of Appendix IV to the Company's circular dated 31 October 2019 (the "Circular"), in connection with the Group's disposal (the "Proposed Disposal") of 100% equity interests in Huizhou NVC Lighting Technology Company Limited, Blue Light (HK) Trading Co., Limited and Zhuhai Yaohui Technology Co., Ltd. and their subsidiaries (the "Target Group"). The Group excluding the Target Group immediately after the completion of the Proposed Disposal is referred to as the "Remaining Group". The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are set out in Section I of Appendix IV to the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Disposal on the Group's financial position as at 30 June 2019 as if the Proposed Disposal had been completed on 30 June 2019, and on the Group's financial performance and cash flows for the year ended 31 December 2018 as if the Proposed Disposal had been completed as at 1 January 2018. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Company's interim financial statements for the six months ended 30 June 2019, on which a review report with qualified conclusion has been published, and information about the Group's financial performance and cash flows has been extracted by the directors of the Company from the Company's annual financial statements for the year ended 31 December 2018, on which an auditor's report with qualified opinion has been published. Details of the qualified conclusion and qualified opinion are set out in Section I of Appendix IV to the Circular.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at respective earlier dates selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Disposal at 30 June 2019 and 1 January 2018, respectively would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction, in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong

31 October 2019

仲量聯行

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31 October 2019

The Board of Directors
NVC Lighting Holding Limited
Cricket Square, Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Dear Sirs,

In accordance with instructions from NVC Lighting Holding Limited (the "Company"), we have undertaken a valuation exercise to determine an independent opinion on the fair value of 100 percent equity interest in Huizhou NVC Lighting Technology Company Limited, Blue Light (HK) Trading Co., Limited and Zhuhai Yaohui Technology Co., Ltd. (the "Target Group") as at 31 December 2018 (the "Valuation Date"). The report which follows is dated 31 October 2019 (the "Report Date").

The purpose of this valuation is to express an independent opinion on the fair value of 100 percent equity interest in the Target Group as at the Valuation Date for circular reference.

Our valuation was carried out on a fair value basis. Fair value is defined as "*the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date*".

As part of our analysis, we have been furnished with information prepared by the Company regarding the subject business. We have relied to a considerable extent on such information in arriving at our opinion of value.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Target Group. We have also considered various risks and uncertainties that have potential impact on the businesses. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the fair value of 100 percent equity interest in the Target Group as at the Valuation Date is reasonably stated as below:

Valuation Date	**Fair Value of 100 Percent Equity Interest** *(RMB'000)*
31 December 2018	4,131,041

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Regional Director

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INTRODUCTION

This report has been prepared in accordance with instructions from NVC Lighting Holding Limited (the "Company") to express an independent opinion of the fair value of 100 percent equity interest in Huizhou NVC Lighting Technology Company Limited, Blue Light (HK) Trading Co., Limited and Zhuhai Yaohui Technology Co., Ltd. (the "Target Group") as at 31 December 2018 (the "Valuation Date"). The report which follows is dated 31 October 2019 (the "Report Date").

PURPOSE OF VALUATION

The purpose of this valuation is for Circular Reference.

BASIS OF VALUE

Our valuation was carried out on a fair value basis. Fair value is defined as "*the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date*".

We have conducted our valuation in accordance with IFRS 13 – Fair Value Measurement and taken into account the International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

BACKGROUND

NVC Lighting Holding Limited (the "Company") is a leading supplier of lighting products in the PRC. It designs, develops, produces, markets and sells a variety of lighting products, with a strong focus on energy-saving products.

NVC Lighting Holding Limited (the "Company") holds 100 percent equity interest in Huizhou NVC Lighting Technology Company Limited, Blue Light (HK) Trading Co., Limited and Zhuhai Yaohui Technology Co., Ltd. (the "Target Group"). The Target Group is principally engaged in manufacturing, sales and distribution of commercial lighting products and home lighting products as well as e-commerce business in the PRC market.

SOURCES OF INFORMATION

This report was compiled after consideration of all relevant information obtained from the Company and other public sources. Documents received include, but were not limited to:

- 2018 Management Account of the Target Group;

- Corporate structure of the company;
- Company Introduction; and
- Company business registration number and related information.

Other sources of information included:

- We have held discussions with the management of the Company regarding the operational and the condition of the Target Group. We believe that the information provided is reliable.

METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely, market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Selection of Valuation Approach and Methodology

In our opinion, the income approach and cost approach are inappropriate for valuing the underlying asset. Firstly, the income approach, technically known as discounted cash flow method, devolves the future value of the business into a present market value. We are informed there is no secured contracts in the Target Group's future earnings, and the management of the Company could not provide a reliable amount of five-year economic income projection. Hence, the forecast of the reliable future cash flow of the Target Group is not available in this case. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the subject asset. We have therefore relied solely on the market approach based on the latest financial year Accountant's Report in determining our opinion of value. We applied P/E, P/B, and P/S multiples, which are calculated by using comparable companies' financial statements, to determine the fair value of the Target Group and then taken into account of market illiquidity discount as the appropriate adjustments.

MAJOR ASSUMPTIONS

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value.

The following key assumptions in determining the fair value of the 100 percent equity interest have been made:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group.

- The operational and contractual terms stipulated in the relevant contracts and agreements will be honored.

- The facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge.

- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

Summary of Market Approach

Listed comparable companies

We have considered the information of certain listed comparable companies which are engaged in the similar industry. The table below sets out the relevance of the comparable companies in terms of businesses, classification and revenue.

Comparable Company	Ticker	Classification	Revenue %	Financial Year 2018 Reporting Revenue
NVC Lighting Holding Ltd.	2222 HK EQUITY	LED Lighting Products	84.4%	4,904.8 million RMB
		Non-LED Lighting Products	15.6%	
Neo-Neon Holdings Limited	1868 HK EQUITY	Lighting Products	97.8%	822.6 million HKD
		Securities	2.2%	
Zhejiang Yankon Group Co., Ltd.	600261 CH EQUITY	LED	92.4%	5,570.7 million RMB
		Lighting System Manufacturing	7.6%	
Foshan Electrical & Lighting Co., Ltd.	000541 CH EQUITY	Lighting Products and Equipment	96.8%	3,765.6 million RMB
		Electrical Products	2.5%	
		Other Operating Revenue	0.6%	
Hengdian Group Tospo Lighting Co., Ltd.	603303 CH EQUITY	Lighting Electronic	99.9%	3,983.6 million RMB
		Other Business Income	0.01%	
Foshan NationStar Optoelectronics Co. Ltd.	002449 CH EQUITY	LED Components	89.6%	3,606.2 million RMB
		Lighting Application Classes	4.1%	
		Epitaxial Chips	3.7%	
		Other Operating Revenue	2.5%	
OPPLE Lighting Co., Ltd.	603515 CH EQUITY	Lighting Control and Others	100%	7,963.6 million RMB

The selection of comparable companies is based on the industry peer of the Target Group, which designs, manufactures and trades a variety of commercial lighting products, especially focus on energy-saving products in China with a reasonably sufficient listing period (more than one year). As the Company is listing on HKEX, we considered both Hong Kong and China main board capital markets.

To the best knowledge of ours, the companies listed in the table below are the most relevant companies for comparison with the Target Group based on the selection basis mentioned above.

For details of the description for the comparable companies, please refer to Exhibit C.

- **Multiples of comparable companies as at the Valuation Date**

Ticker	**P/E**	**P/B**	**P/S**
2222 HK EQUITY	5.68	0.52	0.32
1868 HK EQUITY	7.87	0.70	1.66
600261 CH EQUITY	12.61	1.39	0.89
000541 CH EQUITY	19.16	1.66	1.93
603303 CH EQUITY	19.54	1.88	1.21
603515 CH EQUITY	23.41	5.22	2.64
002449 CH EQUITY	14.42	1.87	1.78
Adopted Multiples	14.67	1.89	1.49

Note: Adopted multiples are calculated as mean multiples of comparable companies.

- **Financial Data from the Target Group**

Financial Year 2018 Net income *(RMB'000)*	**Financial Year 2018 Book value** *(RMB'000)*	**Financial Year 2018 Revenue** *(RMB'000)*
354,970	2,357,879	3,287,312

Note: All financial data is referred to the 2018 Management Account of the Target Group.

DISCOUNT FOR LACK OF MARKETABILITY

A factor to be considered in valuing closely held companies is the marketability of an interest in such businesses. Marketability is defined as the ability to convert the business interest into cash quickly, with minimum transaction and administrative costs, and with a high degree of certainty as to the amount of net proceeds. There is usually a cost and a time lag associated with locating interested and capable buyers of interests in privately-held companies, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a private-held company is worth less because no established market exists.

A discount for lack of marketability (DLOM) is a method used to calculate the value for closely held and restricted shares. The theory behind DLOM is that discounts exist between the value of a company's marketable stock and not marketable stock. Therefore, a value reduction will apply.

The Target Group do not have IPO Plan as at the Valuation Date, thus we refer to the article "Discount for lack of Marketability, Job Aid for IRS Valuation Professionals 2009" to derive the DLOM.

Since the Target Group's revenue in financial year 2018 over $100 million US dollars, average discount of 14.9% is used as a proxy for DLOM as at the Valuation Date.

Reference – Management Planning Study data

Analysis of restricted Stock Discounts by Revenue Size

Revenues	Number of Observations	Average Revenues *($ millions)*	Average Discounts	Range of Discounts Low	High
Under $10 million	14	$6.6	32.9%	2.8%	57.6%
$10 – $30 million	11	$22.5	30.8%	15.3%	49.8%
$30 – $50 million	10	$33.5	25.2%	5.2%	46.3%
$50 – $100 million	8	$63.5	19.4%	11.6%	29.3%
Over $100 million (adjusted)*	4	$224.9	14.9%	0.0%	24.1%
Overall sample averages					
Totals	47	$47.5	27.7%	0.0%	57.6%
*Over $100 million (actual calculation)	2	$187.1	25.1%	0.0%	46.5%
Totals	49				

Excludes Sudbury Holdings, Inc., whose private placement consisted of 125% of the pre-transaction shares outstanding.

Excludes Starrett Housing Corp., which is one of the five most thinly traded companies in the sample.

Sources: Quantifying Marketability Discounts, by Z. Christopher Mercer, ASA, CFA, Peabody Publishing, LP, 1997, Figure 12-1, page 346. Job Aid for IRS Valuation Professionals.

Kumar, N. (2009). How Emerging Giants Are Rewriting the Rules of M&A. Harvard Business Review.

VALUATION COMMENTS

As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, project documentation and other pertinent data concerning the project as has been made available to us. Such information has been provided by the Company. We have assumed the accuracy of, and have relied on such information. We have relied to a considerable extent on such information provided in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries and obtained such further information as is considered necessary for the purposes of this study.

In arriving at our assessed value, we have only considered the core business of the Target Group. We have not made provision for other non-operating cash flow items such as interest income, exchange rate gain/loss, etc. in the valuation model.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

RISK FACTORS

- **Economic considerations**

The PRC economy has experienced significant growth in the past decade, but such growth has been uneven geographically and rose among different sectors of the economy. There is no assurance that the expected economic growth will be realized and future social and economic changes in the PRC will be favorable to the Target Group. The competition in the industry may have adverse effect on the operating performance of the Target Group and hence affect the value of the business.

- **Changes in political, economic and regulatory environment in the PRC**

The Target Group is subject to various laws and regulations governing its operations in the PRC. Future political and legal changes in the PRC might have either favorable or unfavorable impacts on the Target Group.

OPINION OF VALUE

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the fair value of 100 percent equity interest in the Target Group as at the Valuation Date is reasonably stated as below:

Valuation Date	Fair Value of 100 Percent Equity Interest *(RMB'000)*
31 December 2018	4,131,041

LIMITING CONDITIONS

This report is issued subject to our Limiting Conditions as attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Regional Director

EXHIBIT A – LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. Even with our prior written consent for such, we are not be liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

EXHIBIT B – VALUERS' PROFESSIONAL DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.

- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.

- The reported analyses, opinions, and conclusions are independent and objective.

- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

- The valuers' compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.

- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.

- The under mentioned persons provided professional assistance in the compilation of this report:

  Simon M. K. Chan
  Regional Director

  Michael Q. Ding
  Local Director

  Joyce J. Xu
  Senior Manager

  Alice S.W. Zhao
  Senior Analyst

EXHIBIT C – COMPARABLE COMPANIES

Company Name	Ticker	Description
NVC Lighting Holding Ltd.	2222 HK EQUITY	NVC Lighting Holding Ltd designs, manufacturers and distributes lighting fixtures.
Neo-Neon Holdings Limited	1868 HK EQUITY	Neo-Neon Holdings Limited is a decorative lighting company stationed in Hong Kong. It engages in the research, development, manufacturing and distribution of lighting products including incandescent, LED, decorative and entertainment lighting products.
Zhejiang Yankon Group Co.	600261 CH EQUITY	Zhejiang Yankon Group Co., Ltd. manufacturers electronic energy-saving lamps, energy-saving fluorescence bulbs, and other related lighting systems. The Company sells its products domestically and exports to other countries.
Foshan Electrical & Light	000541 CH EQUITY	Foshan Electrical and Lighting Co., Ltd. manufactures electro-optical products and auxiliary luminary series products. The Company's products include bulbs, decorative bulbs, iodine-tungsten lamps, bromine-tungsten lamps, automobile lamps, motorcycle lamps, high-tension mercury lamps, high-tension sodium lamps, and other related products.
Hengdian Group Tospo Lighting Co., Ltd.	603303 CH EQUITY	Hengdian Group Tospo Lighting Co., Ltd. manufactures lighting products. The Company produces and sells compact fluorescent lamp bulbs, LED bulbs, lighting electronics, outdoor luminaries, and more. Hengdian Group Tospo Lighting markets its products throughout the world.
OPPLE Lighting Co., Ltd.	603515 CH EQUITY	Opple Lighting Co. Ltd. manufactures lighting products. The Company designs, produces, and sells bulbs, lighting fixtures, LED, and other related items around the world.
Foshan NationStar Optoelectronics Co. Ltd.	002449 CH EQUITY	Foshan NationStar Optoelectronics Co. Ltd, specializing in manufacturing LED and LED applied products, is a hi-tech enterprise of China, and a key hi-tech enterprise of the National Torch Plan. Founded in 1969, with advantages on capital, distribution channels, R&D, and management, it has been ranked in the list of the famous LED brands.

EXHIBIT D – MARKET APPROACH

Target Company	**The Target Group**
Valuation Date	12/31/2018

Comparable Company	Ticker	P/E	P/B	P/S
NVC Lighting Holding Ltd.	2222 HK EQUITY	5.68	0.52	0.32
Neo-Neon Holdings Limited	1868 HK EQUITY	7.87	0.70	1.66
Zhejiang Yankon Group Co.	600261 CH EQUITY	12.61	1.39	0.89
Foshan Electrical & Light	000541 CH EQUITY	19.16	1.66	1.93
Hengdian Group Tospo Lighting Co., Ltd.	603303 CH EQUITY	19.54	1.88	1.21
OPPLE Lighting Co., Ltd	603515 CH EQUITY	23.41	5.22	2.64
Foshan NationStar Optoelectronics Co. Ltd	002449 CH EQUITY	14.42	1.87	1.78

Source: Bloomberg

Multiples	P/E	P/B	P/S
MAX	23.41	5.22	2.64
MEAN	14.67	1.89	1.49
MEDIAN	14.42	1.66	1.66
MIN	5.68	0.52	0.32

Mean multiples of P/E, P/B, and P/S of comparable companies are adopted to determine 100% equity value.

RMB'000 Financial Figures	P/E Financial year 2018 Net income	P/B Financial year 2018 Book value	P/S Financial year 2018 Revenue
	354,970	2,357,879	3,287,312
Multiples (MEAN)	14.67	1.89	1.49
Target Company 100% equity value (Before DLOM and Control Premium)	5,207,983	4,462,758	4,892,272
DLOM 14.90%	775,989	664,951	728,948
Target Company Fair Value	4,431,993	3,797,807	4,163,323
Average Target Company 100% equity value			4,131,041

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or recorded in the register required to be maintained pursuant to Section 352 of Part XV of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the provisions of the Model Code were as follows:

Long positions in the Company

Name of Director	Nature of Interest	Class of Shares	Number of Shares or underlying Shares	Percentage of the Total Shares Issued
YE Yong	Beneficial owner	Ordinary Shares	274,039,000 (L) *(Note 1)*	6.48%
	Spouse's Interest	Ordinary Shares	7,433,000 (L) *(Note 2)*	0.18%

Notes:

1. (L) represents long position.

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company have or are deemed to have interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or recorded in the register required to be maintained pursuant to Section 352 of Part XV of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the provisions of the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules.

(b) Interests of Directors as director or employee of a substantial shareholder or any subsidiaries of a substantial shareholder

Mr. WANG Donglei holds 90% equity interest in Wuhu Elec-Tech Investment Co., Ltd.* (蕪湖德豪投資有限公司), Wuhu Elec-Tech Investment Co., Ltd.* (蕪湖德豪投資有限公司) in turn holds 16.02% of the shares of ETIC, and ETIC in turn holds 20.59% of the issued Shares (870,346,000 Shares as at the Latest Practicable Date) of the Company. Mr. WANG Donglei is also a director of ETIC and holds directorships in a number of subsidiaries of ETIC Group. Apart from this, Mr. XIAO Yu holds directorships in a number of subsidiaries of ETIC Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares in the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO.

(c) Interests of Substantial Shareholders

As of the Latest Practicable Date, to the best knowledge of the Directors and chief executives of the Company, the following Shareholders (other than Directors or chief executive of the Company) had 5% or more interests or short positions in the issued Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares	Percentage of the Total Issued Shares
Elec-Tech International (H.K.) Company Limited	Beneficial owner	Ordinary Shares	870,346,000 (L) *(Note 1)*	20.59%
ETIC	Interest of corporation controlled by the substantial shareholders	Ordinary Shares	870,346,000 (L) *(Note 2)*	20.59%

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares	Percentage of the Total Issued Shares
Haitong International Credit Company Limited	Security interest in Shares	Ordinary Shares	870,346,000 (L)	20.59%
Haitong International Securities Group Limited	Interest of corporation controlled by the substantial shareholders	Ordinary Shares	870,346,000 (L) *(Note 3)*	20.59%
Haitong International Holdings Limited	Interest of corporation controlled by the substantial shareholders	Ordinary Shares	870,346,000 (L) *(Note 3)*	20.59%
Haitong Securities Co., Ltd.	Interest of corporation controlled by the substantial shareholders	Ordinary Shares	870,346,000 (L) *(Note 3)*	20.59%
SU Lixin	Beneficial owner	Ordinary Shares	649,350,649 (L)	15.36%
Schneider Electric Asia Pacific Limited	Beneficial owner	Ordinary Shares	288,371,000 (L)	6.82%
Schneider Electric Industries SAS	Interest of corporation controlled by the substantial shareholders	Ordinary Shares	288,371,000 (L) *(Note 4)*	6.82%
Schneider Electric SE	Interest of corporation controlled by the substantial shareholders	Ordinary Shares	288,371,000 (L) *(Note 4)*	6.82%

Notes:

1. (L) represents long position.

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

3. Haitong International Credit Company Limited has a security interest in these Shares. As Haitong International Credit Company Limited is a wholly-owned subsidiary of Haitong International Finance Company Limited, which in turn is a wholly-owned subsidiary of Haitong International Securities Group Limited, 63.08% interest of Haitong International Securities Group Limited is held by Haitong International Holdings Limited, which is a wholly-owned subsidiary of Haitong Securities Co., Ltd., Haitong Securities Co., Ltd., Haitong International Holdings Limited and Haitong International Securities Group Limited are deemed to be interested in these Shares.

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

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

3. DIRECTOR'S INTERESTS IN COMPETING BUSINESS

Save for those disclosed below, as at the Latest Practicable Date, none of the Directors or their respective associates (as defined under the Listing Rules) of the Company was interested in any business which competes or is likely to compete with the businesses of the Group.

Mr. WANG Donglei, an Executive Director and the Chairman of the Company, holds 90% equity interest in Wuhu Elec-Tech Investment Co., Ltd.* (蕪湖德豪投資有限公司), Wuhu Elec-Tech Investment Co., Ltd.* (蕪湖德豪投資有限公司) in turn holds 16.02% of the shares of ETIC, and ETIC in turn holds 20.59% of the issued Shares (870,346,000 Shares as at 31 December 2018) of the Company. Mr. WANG Donglei is also a director of ETIC and holds directorships in a number of subsidiaries of ETIC Group. Apart from this, Mr. XIAO Yu holds directorships in a number of subsidiaries of ETIC Group. To the best knowledge of the Company, ETIC was established on 14 May 1996 with issued capital of RMB1,764,720,000 as at 31 December 2018, the shares of which were listed on the Shenzhen Stock Exchange in June 2004. Based on the revised annual report of ETIC dated 28 August 2019, its operating revenue for the year of 2018 is approximately RMB4,001,232,000, its net loss is approximately RMB689,723,000 and its total assets is approximately RMB10,441,609,000. The principal business of ETIC is production and sale of small household appliances and LED products, while the Group's subsidiaries are principally engaged in the production and sale of lamp products, luminaire products and lighting electronic products, including a variety of LED lamps, luminaires and electrical products. As a result, Mr. WANG Donglei and Mr. XIAO Yu are deemed to be interested, directly or indirectly, in the business that competes or may compete with that of the Company and/or its subsidiaries.

4. DIRECTOR'S INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. DIRECTOR'S SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTOR'S INTERESTS IN CONTRACTS OR ARRANGEMENTS

Mr. WANG Donglei indirectly holds equity interests in ETIC, is a director of ETIC and holds directorships in a number of subsidiaries of ETIC Group. Mr. XIAO Yu holds directorships in a number of subsidiaries of ETIC Group. Therefore, Mr. WANG Donglei and Mr. XIAO Yu are deemed to be interested in several connected transactions and continuing connected transactions entered between the Group and ETIC, including (i) a transportation and warehousing services framework agreement entered between the Company and ETIC on 22 December 2017, details of which were disclosed in the announcement dated 22 December 2017 of the Company; (ii) a renewed framework finished products and raw materials purchase agreement entered between the Company and ETIC on 10 December 2018 and further revised on 21 August 2019, details of which were disclosed in the announcement dated 10 December 2018 and 21 August 2019; (iii) a renewed framework finished products and raw materials sales agreement entered between the Company and ETIC on 10 December 2018, details of which were disclosed in the announcement dated 10 December 2018; (iv) two lease agreements between the Company and ETIC on 10 December 2018, details of which were disclosed in the announcement dated 10 December 2018; and (v) a trademark licensing agreement entered between Huizhou NVC and a subsidiary of ETIC on 2 August 2019, details of which were disclosed in the announcement dated 2 August 2019 of the Company.

The spouse of Mr. YE Yong is interested in over 30% equity interests of Sichuan NVC Lighting Equipment Operations Co., Ltd.* (四川雷士照明器材運營有限公司) (the "**Sichuan NVC**"). Therefore, Mr. YE Yong is deemed to be interested in several continuing connected transactions entered between the Group and Sichuan NVC, including (i) a sales framework agreement entered between the Company and Sichuan NVC on 20 December 2018, details of which were disclosed in the announcement dated 20 December 2018 of the Company; and (ii) a transportation and warehousing service framework agreement entered between the Company and Sichuan NVC on 20 December 2018, details of which were disclosed in the announcement dated 20 December 2018 of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group.

7. MATERIAL LITIGATION

Neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claims of material importance which is known to the Directors to be pending or threatened by or against either the Company or any of its subsidiaries as at the Latest Practicable Date.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

On 23 May 2018, the Company entered into two sale and purchase agreements with Roman International (HK) Co., Limited and Mr. Zhang Peng for the acquisition of 60% equity interest in Blue Light (HK) Trading Co., Limited at a consideration of RMB500,000,000 and 5% equity interest in Wuhu NVC Lighting E-Commerce Limited at a consideration of RMB45,000,000, respectively.

On 30 August 2018, the Company entered into a formal share purchase agreement with Jadestone China High-technology Industry Investment Fund LP (the "**Jadestone**"), pursuant to which the Company agreed to acquire, and Jadestone agreed to sell, 100% equity interest in the Elec-Tech Solid State Lighting (HK) Limited at a consideration of RMB890,000,000, subject to adjustments provided in the formal share purchase agreement.

On 10 August 2019, the Company, LED Holdings, Holdco, the Purchaser and Lighting Holdings II entered into the Share Purchase Agreement (as supplemented by the Amendment Letter dated 29 October 2019), pursuant to which the Company and LED Holdings have conditionally agreed to dispose of, and the Purchaser has conditionally agreed to acquire the Target Companies with a valuation of 100% of the equity of the Target Companies of RMB5,559,010,897 subject to the terms of the Share Purchase Agreement (as supplemented by the Amendment Letter dated 29 October 2019). The Target Group is principally engaged in the China NVC-lighting Business (as defined above).

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice, which are contained or referred to in this circular:

Name	Qualification
BDO Limited	Certified Public Accountants
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent valuer

As at the Latest Practicable Date, each of the experts mentioned above:

(a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;

(b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(c) did not have any direct or indirect interest in any assets which had been since 31 December 2018 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at Unit 608, 6/F, Lakeside 1, No. 8 Science Park West Avenue, Hong Kong Science Park, Pak Shek Kok, Sha Tin, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) The memorandum of association and articles of association of the Company;

(b) the material contracts referred to in the section headed "8. Material Contracts" in this Appendix;

(c) All the agreements and contracts mentioned in the paragraphs headed "Director's Interests in Assets", "Director's Interests in Contracts or Arrangements" and "Material Litigation" in this Appendix;

(d) The letter from Gram Capital, the texts of which is set out in this circular;

(e) The review reports on unaudited financial information of the Disposal Entities, which are mentioned in Appendix II to this circular;

(f) The assurance report on the compilation of unaudited pro forma financial information of the Remaining Group, the texts of which are set out in Appendix IV to this circular;

(g) The valuation report on the Target Group, the texts of which are set out in Appendix V to this circular;

(h) The annual reports of the Company for each of the three years ended 31 December 2016, 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019, respectively;

(i) The written consents referred to in the paragraphs headed "Experts and Consents" in this Appendix; and

(j) This circular.

11. GENERAL INFORMATION

(a) The company secretary of the Company is Miss Leung Ching Ching (梁晶晶). Miss Leung Ching Ching is a Chartered Secretary and a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

(b) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(c) The head office and principal place of business in Hong Kong of the Company is Unit 608, 6/F, Lakeside 1, No. 8 Science Park West Avenue, Hong Kong Science Park, Pak Shek Kok, Sha Tin, Hong Kong.

(d) The share registrar and transfer office in the Cayman Islands of the Company is SMP Partners (Cayman) Limited at Royal Bank House – 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, Cayman Islands.

(e) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Service Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

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)

Notice is hereby given that the EGM of the Company will be held at The Dynasty Club, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Monday, 18 November 2019 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions:

Capitalised terms used herein without definition shall have the same meanings as in the circular issued by the Company on 31 October 2019, unless the context otherwise requires.

ORDINARY RESOLUTIONS

"**THAT**

1(a) the terms of and the transactions contemplated under the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement) and the Amendment Letter (a copy of which marked "A" has been produced before the EGM and initialed by the chairman of the EGM for identification purpose) in respect of the Disposal be and are hereby approved, and any one director of the Company be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, perform and deliver all such arrangements, instruments, documents and deeds, and do all such acts or things and take all such steps as he/she/they may in his/her/their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or to give effect to the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement), the Amendment Letter and all matters incidental thereto, and to agree to any amendment and/or supplement to any of the terms of the Share Purchase Agreement and all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement) as he/she/they may consider to be necessary, desirable, appropriate or expedient and do all such acts and things, and sign and execute any further arrangements, instruments, documents and deeds, and take all steps to give effect to such amendment and/or supplement;

1(b) subject to the Closing, a Special Dividend of HK$0.9 per Share to the Shareholders be declared and paid in the capital of the Company whose names appear on the register of members of the Company on a record date to be determined and any director of the Company be and is hereby authorized to take such action, do such things and execute such further documents as the director may at his/her absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the payment of the Special Dividend."

By Order of the Board
NVC Lighting Holding Limited
WANG Donglei
Chairman

Hong Kong, 31 October 2019

Notes:

1. All resolutions at the EGM (except those relate purely to the procedural or administrative matters, which should be taken by a show of hands as the chairman of the EGM may decide, in good faith) will be taken by a poll pursuant to the Listing Rules and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

2. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy (or more than one proxy if he/she is the holder of two or more shares) to attend and, on a poll, vote on his/her behalf. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the form of proxy shall specify the number of shares in respect of which each such proxy is so appointed. In case of a poll every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.

3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 10:00 a.m. on Saturday, 16 November 2019). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. The register of members of the Company will be closed from Wednesday, 13 November 2019 to Monday, 18 November 2019 (both dates inclusive) and from Friday, 22 November 2019 to Monday, 25 November 2019 (both dates inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Tuesday, 12 November 2019. In order to qualify for the proposed Special Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at the abovementioned address for registration before 4:30 p.m. on Thursday, 21 November 2019.

5. References to time and dates of this notice are to Hong Kong time and dates.

6. As at the date of this notice, the Board consists of the following directors:

Executive Directors:
WANG Donglei
WANG Dongming
XIAO Yu
WANG Keven Dun
CHAN Kim Yung, Eva

Non-executive Director:
YE Yong

Independent Non-executive Directors:
LEE Kong Wai, Conway
WANG Xuexian
WEI Hongxiong
SU Ling