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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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)

(1) MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF ELEC-TECH SOLID STATE LIGHTING (HK) LIMITED AND (2) 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 extraordinary general meeting of NVC Lighting Holding Limited to be held at Room 3 & 4, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 29 October 2018 at 10:00 a.m. is set out on pages 154 to 155 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, 27 October 2018). Please note that 27 October 2018 is not a working day and Computershare Hong Kong Investor Services Limited's offices will not be opened on the day for physical delivery of the form of proxy. 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.

10 October 2018

CONTENTS

Page

DEFINITIONS 1

LETTER FROM THE BOARD 7

LETTER FROM THE INDEPENDENT BOARD COMMITTEE 35

LETTER FROM GRAM CAPITAL 36

APPENDIX I – FINANCIAL INFORMATION OF THE GROUP 50

APPENDIX II – FINANCIAL INFORMATION OF THE TARGET GROUP 54

APPENDIX III – MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP 106

APPENDIX IV – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP 118

APPENDIX V – VALUATION REPORT ON THE ASSETS TO BE ACQUIRED 126

APPENDIX VI – GENERAL INFORMATION 143

NOTICE OF EGM 154

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

"2017 Audited Financial Report"	has meaning ascribed to it in the section headed "2. The Proposed Acquisition – A. Principal terms of the Heads of Agreement – Consideration" of this circular
"Acceptable Evidence of Payment"	has meaning ascribed to it in the section headed "2. The Proposed Acquisition – B. Principal terms of the Formal Share Purchase Agreement – Consideration" of this circular
"Advance Payment"	has meaning ascribed to it in the section headed "2. The Proposed Acquisition – Consideration" of this circular
"Announcement No. 37"	the Announcement on Issues concerning the Withholding of Enterprise Income Tax at Source on Non-Resident Enterprises promulgated by State Administration of Taxation on 17 October 2017
"Announcements"	has meaning ascribed to it in the section headed "1. Introduction" of this circular
"Articles of Association"	the articles of association of the Company currently in force
"Audited Net Assets"	has meaning ascribed to it in the section headed "2. The Proposed Acquisition – A. Principal terms of the Heads of Agreement – Consideration" of this circular
"Audited Net Profit"	has meaning ascribed to it in the section headed "2. The Proposed Acquisition – A. Principal terms of the Heads of Agreement – Consideration" of this circular
"Auditor"	has meaning ascribed to it in the section headed "2. The Proposed Acquisition – A. Principal terms of the Heads of Agreement – Consideration" of this circular
"Board"	the board of Directors
"Bondholder"	Guoyuan Investment Fund Series SPC
"Business Day"	a day other than a Saturday or Sunday on which banks are open for commercial business in Hong Kong and China

"China" or "PRC"	the People's Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Circular No. 7"	the Circular on Several Issues concerning the Enterprise Income Tax on Indirect Asset Transfer by Non-Resident Enterprises promulgated by State Administration of Taxation on 3 February 2015
"Company" or "We"	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 Shares of the Company are listed on the main board of the Stock Exchange
"Completion"	completion of the Proposed Acquisition
"Completion Date"	the third Business Day following the day on which all the conditions precedent have been satisfied or, as the case may be, waived by the Company in writing under the Formal Share Purchase Agreement
"connected person"	has the same meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting to be convened and held by the Company on Monday, 29 October 2018 to consider and, if thought fit, approve the Heads of Agreement, the Formal Share Purchase Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group immediately after the completion of the Proposed Acquisition
"Escrow Account"	has meaning ascribed to it in the section headed "2. The Proposed Acquisition – B. Principal terms of the Formal Share Purchase Agreement – Consideration" of this circular

"ETIC"	Elec-Tech International Co., Ltd.* (廣東德豪潤達電氣股份有限公司), a PRC incorporated company which is currently listed on the Shenzhen Stock Exchange (stock code: 002005). It is a substantial shareholder of the Company
"ETIC Group"	ETIC and its subsidiaries
"Exclusivity Period"	a period of six months from the date of the Heads of Agreement
"Formal Share Purchase Agreement"	the definitive acquisition agreement in respect of the Proposed Acquisition entered into between the Company and Jadestone dated 30 August 2018
"Guarantor"	Mr. REN Wei, a limited Partner and the ultimate beneficiary of Jadestone
"Group"	the Company and its subsidiaries
"Guoyuan Asset (Asia)"	Guoyuan Asset Management (Asia) Limited, an exempted company incorporated in the Cayman Islands with limited liability
"Guoyuan Asset (HK)"	Guoyuan Asset Management (Hong Kong) Limited
"Heads of Agreement"	the heads of agreement for the sale and purchase of 100% equity interest in Target Company entered into between the Company and Jadestone dated 25 April 2018
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"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 Heads of Agreement, the Formal Share Purchase Agreement 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 Heads of Agreement, the Formal Share Purchase Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than those required to abstain from voting on the resolution(s) at the EGM under the Listing Rules
"Independent Valuer" or "JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a qualified independent valuer in Hong Kong
"Jadestone"	Jadestone China High-technology Industry Investment Fund LP, an exempted limited partnership established under the laws of Cayman Islands
"Latest Practicable Date"	8 October 2018, being the latest practicable date for the purpose of ascertaining certain information referred to in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longstop Date"	the date falling the expiration of 9 months after the date of the Formal Share Purchase Agreement, or such later date as Jadestone and the Company may agree in writing
"Party(ies)"	a party or parties of the Heads of Agreement and the Formal Share Purchase Agreement, namely the Company, Jadestone and Mr. REN Wei
"Percentage Ratios"	has the same meaning ascribed to it under Chapter 14 of Listing Rules
"PRC Enterprise Income Tax"	any and all tax payable with respect to the Proposed Acquisition pursuant to the relevant taxation laws in the PRC, including without limitation Circular No. 7 and Announcement No. 37
"Preliminary Purchase Price"	the purchase price for the Target Shares under the Heads of Agreement

"Previous Transaction"	the acquisition of the entire equity interest in the Target Company by Jadestone from ETIC completed on 30 December 2016
"Proposed Acquisition"	the proposed acquisition of all the issued shares in the share capital of the Target Company contemplated under the Heads of Agreement and the Formal Share Purchase Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"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 issued capital of the Company or if there has been a subsequent subdivision, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
"Share Charge Agreement"	a share charge agreement entered into between the Company and Jadestone pursuant to the terms of the Heads of Agreement and the Formal Share Purchase Agreement
"Share Purchase Price"	RMB890,000,000, being the purchase price for the Target Shares under the Formal Share Purchase Agreement
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the same meaning ascribed to it under the Listing Rules
"Target Company"	Elec-Tech Solid State Lighting (HK) Limited, a limited company incorporated in Hong Kong on 31 May 2010
"Target Group"	the Target Company and its subsidiaries
"Target Shares"	all the issued shares in the share capital of the Target Company

"Third Party Negotiations"	has meaning ascribed to it in the section headed "2. The Proposed Acquisition – Exclusivity" of this circular
"USA" or "United States"	the United States of America
"USD"	USA dollars, the lawful currency of the USA
"Withholding Amount"	has meaning ascribed to it in the section headed "2. The Proposed Acquisition – B. Principal terms of the Formal Share Purchase Agreement – Consideration" of this circular
"%"	percent

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

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

Non-executive Directors:
LI Huating
LI Wei

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

Headquarters:
NVC Industrial Park
Ruhu Town
Huizhou City
Guangdong Province
The People's Republic of China

Principal Place of Business in Hong Kong:
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Hong Kong, 10 October 2018

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF ELEC-TECH SOLID STATE LIGHTING (HK) LIMITED

1. INTRODUCTION

We refer to the announcements of the Company dated 25 April 2018, 26 April 2018, 29 June 2018 and 30 August 2018 (the "**Announcements**") in relation to, among others, the entering into of the Heads of Agreement and the Formal Share Purchase Agreement in relation to the Proposed Acquisition of the Target Group.

As disclosed in the Announcements, the Proposed Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company will also voluntarily comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the Proposed Acquisition.

The purpose of this circular is to provide the Shareholders with (i) further information on the Heads of Agreement, the Formal Share Purchase Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its opinion and recommendation to the Independent Shareholders in respect of the Heads of Agreement, the Formal Share Purchase Agreement and the transactions contemplated thereunder; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Heads of Agreement, the Formal Share Purchase Agreement and the transactions contemplated thereunder; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice of the EGM.

2. THE PROPOSED ACQUISITION

A. Principal terms of the Heads of Agreement

Date	25 April 2018
Parties	Purchaser: the Company Seller: Jadestone
Assets to be acquired	All the issued shares in the share capital of the Target Company (the "**Target Shares**") free from all liens, charges and other encumbrances and together with all rights attaching to the Target Shares.
Consideration	The aggregate purchase price for the Target Shares and the shareholder loan(s) extended by Jadestone to the Target Company (the "**Preliminary Purchase Price**") is RMB900,000,000 to be satisfied in cash payable to Jadestone, subject to the following adjustments.

Preliminary Purchase Price adjustments:

If the actual audited combined net profit of the Target Group (the "**Audited Net Profit**") shown in the audited financial report of the Target Group for the year 2017, which will be issued by BDO Limited or such other auditor as otherwise agreed by the Parties in writing (the "**Auditor**") following the date of the Heads of Agreement (the "**2017 Audited Financial Report**"), is less than RMB70,000,000, then the Preliminary Purchase Price Shall be adjusted on Completion to an amount equals to the Audited Net Profit multiplied by 12.

If the actual audited combined net asset value of the Target Group (the "**Audited Net Assets**") shown in the 2017 Audited Financial Report is less than RMB150,000,000, Jadestone shall make up (or cause to be made up) the shortfall between the Audited Net Assets and RMB150,000,000.

For avoidance of doubt, if the Audited Net Profit equals to or exceeds RMB70,000,000, no adjustment shall be made to the Preliminary Purchase Price.

The Company shall comply with the disclosure requirements in Rule 14A.63 of the Listing Rules.

Further, unless otherwise agreed in the Formal Share Purchase Agreement, the Preliminary Purchase Price shall include all amounts which may be required to be paid to eliminate outstanding share options or the like granted by any member of the Target Group, and the amount of the Preliminary Purchase Price payable to Jadestone shall be reduced accordingly.

Based on further due diligence on the Target Group, there were no outstanding share options or the like granted by any member of the Target Group.

Basis of consideration:

The Preliminary Purchase Price was determined after arm's length negotiations between the Company and Jadestone, after taking into account the then current status of audit and due diligence on the Target Group. In determining the Preliminary Purchase Price, the Directors considered that the Audited Net Profit for the year ended 31 December 2017 was guaranteed by Jadestone to be not less than RMB70,000,000, implying a price-earnings multiple of 12.86 which fell within the range of price-earnings ratios of the comparable companies whose principal activity is similar to that of the Target Group. The amount of RMB70,000,000 was determined after taking into consideration of unaudited net profit of the Target Group for the year ended 31 December 2017 extracted from its management account and the then current status of due diligence on the Target Group as at the date of the Heads of Agreement.

The selections of the aforementioned comparable companies are based on the industry peer of the Company, which designs, manufactures and trades LED lighting products in China and overseas with a reasonably sufficient listing period (more than one year). As the headquarters and production plant of the Company are located in Hong Kong and mainland China respectively, both Hong Kong and China main board capital markets are considered. Details of the aforementioned comparable companies are set out in Exhibit C of Appendix V to this circular. Considering the selection basis mentioned above, the Board is of the view that the selections of the comparable companies are fair and representative.

Payment of consideration

Payment of the Preliminary Purchase Price (as adjusted) will be made as follows:

(a) approximately 22.22% of the Preliminary Purchase Price (before adjustment), being RMB200,000,000, on the seventh Business Day from the later of the signing of the Heads of Agreement or the Share Charge Agreement according to the wiring instruction given by Jadestone in writing (the "**Advance Payment**"); and

(b) the USD or HKD equivalent of the remainder of the Preliminary Purchase Price (after adjustment) to the designated bank account of Jadestone, upon Completion.

The exchange rate or the mechanism to determine the exchange rate to calculate the USD or HKD equivalent of the foregoing amount in RMB will be agreed in the Formal Share Purchase Agreement.

If Completion does not taking place by 31 October 2018 or a later date agreed upon by the Parties in writing or the negotiation between the Parties subsequently terminates in accordance with the terms of the Heads of Agreement, Jadestone shall, within three Business Days of the Company's request, refund the Advance Payment to the Company without interest.

Conditions precedent

Unless otherwise agreed by the Parties in the Formal Share Purchase Agreement, the Proposed Acquisition is conditional on the following:

(a) the Company conducting, and being satisfied with the results of, its due diligence investigation of the respective financial, corporate, taxation and trading positions and prospects of each member of the Target Group and the title of each member of the Target Group to its respective assets;

(b) Jadestone allowing the Company and its advisers full access to such records, key employees, advisers and operations of the Target Group as will allow them to complete the investigations required;

(c) the board of directors and shareholders of the Company and Jadestone approving the Proposed Acquisition;

(d) all regulatory, governmental and other consents to the Proposed Acquisition and all notification, report and announcement requirements being obtained and/or complied with in form and substance satisfactory to the Company;

(e) the Parties signing the Formal Share Purchase Agreement prepared by the Company's advisers, which will incorporate warranties and indemnities and other terms negotiated between the Parties, including certain restrictive covenants;

(f) warranties and indemnities in the Formal Share Purchase Agreement being accurate at Completion;

(g) there being no material adverse change in the business of the Target Group between the date of this Heads of Agreement and Completion;

(h) Jadestone entering into restrictive covenants on behalf of itself and its group (other than the Target Group) preventing its group from (i) competing with the business of the Target Group for three (3) years after Completion; (ii) approaching any employees of the Target Group for three (3) years after Completion, and (iii) approaching any customers of the Target Group for three (3) years after Completion;

(i) no government or governmental supranational or state agency or regulatory body or trade or works council or association or any other person or organisation shall have proposed or enacted any statute or regulation which would prohibit, materially restrict or materially delay implementation of the Proposed Acquisition or the operation of the Target Group after Completion;

(j) there being no circumstances relating to the Target Group or the Target Shares which, in the Company's opinion, would or could give rise to any material liability;

(k) purchase of the Target Shares entitling the Company to become the sole legal and beneficial owner thereof with no encumbrances, charges or liens of any nature attaching thereto;

(l) the 2017 Audited Financial Report produced by the Auditor being approved and accepted by the Company;

(m) Jadestone providing such guarantee and other security as are satisfactory to the Company with respect to its obligations hereunder and under the Formal Share Purchase Agreement;

(n) Jadestone agreeing to undertake such liabilities (whether actual or contingent) relating to the Target Group as are identified by the Company on terms satisfactory to the Company;

(o) Jadestone producing legal opinions from its legal advisers (the selection of which will be approved by the Company), in a form and substance satisfactory to the Company, with respect to Jadestone's capacity and the relevant aspects of the Target Group; and

(p) any other matters as the Company may require to be made as conditions precedent following its due diligence on the Target Group.

Formal Share Purchase Agreement

The Formal Share Purchase Agreement will contain the following:

(a) usual and customary warranties, representations and indemnities from Jadestone which give the Company the option to recover for breach on a dollar-for-dollar basis and which concern, among other matters, the business, assets and affairs of the Target Group in all aspects;

(b) usual and customary completion obligations on the part of Jadestone in order effectively and legally to transfer the Target Shares to the Company at Completion;

(c) certain non-competition restrictions to be imposed upon Jadestone (see paragraph h) under "Conditions precedent" above);

(d) if signing of the Formal Share Purchase Agreement and Completion are not simultaneous, restrictions on the Target Group's carrying out activities outside its ordinary course of trading during this period without the prior written consent of the Company; and a provision that the Formal Share Purchase Agreement may be terminated by the Company prior to Completion in the event of a breach of any representation or warranty, pre-completion undertaking or covenant, any failure to fulfil any condition precedent to Completion, or any material adverse change;

(e) a guarantee from Jadestone's limited partner(s) or such other persons to the satisfaction of the Company subject to agreement of relevant guarantor(s);

(f) a tax deed dealing with any tax liabilities with respect to the Target Group and the transaction contemplated hereby (if any);

(g) Completion is expected to take place on or before 31 July 2018; and

(h) such other provisions as the Company thinks desirable.

Completion Completion is expected to take place on or before 31 July 2018.

The Company and Jadestone entered into the Formal Share Purchase Agreement on 30 August 2018. Completion of the Proposed Acquisition will be subject to the fulfillment or waiver of the conditions precedent under the Formal Share Purchase Agreement. As of the Latest Practicable Date, the Proposed Acquisition has yet been completed.

Security Jadestone agrees to charge in favour of the Company by way of first fixed charge its entire right, title and interest in and to 3,333,333 shares of the Target Company, representing approximately 22.22% of the Target Shares, in accordance with the Share Charge Agreement.

The foregoing share charge provided by Jadestone in favour of the Company secured the Advance Payment made by the Company under the Heads of Agreement. The Directors are of the view that the foregoing share charge will (i) effectively secure the Advance Payment made by the Company under the Heads of Agreement, and the number of shares being charged as compared to the total Target Shares is in proportion to the Advance Payment as compared to the Preliminary Purchase Price; and (ii) bind the Parties to the Exclusivity Period which will help facilitate the negotiations of the Formal Share Purchase Agreement.

Exclusivity Jadestone shall immediately terminate any discussions between Jadestone and anyone other than the Company relating to any investment in the Target Company or the acquisition of any of the Target Company's shares, any part of its business or any of its major assets (the "**Third Party Negotiations**").

Jadestone must not, for the Exclusivity Period, directly or indirectly

(a) participate in any Third Party Negotiations, or

(b) seek, encourage or respond to any approach that might lead to Third Party Negotiations, or

(c) enter into any letter of intent, agreement or arrangement pursuant to any Third Party Negotiations; or

(d) disclose any information about the Target Company to a party that wishes to enter into Third Party Negotiations (unless the information is publicly available).

Jadestone must ensure that its employees, agents and advisers and the Target Company and its employees, agents and advisers comply with the undertakings in the above paragraph as if they were Jadestone.

If Jadestone breaches such exclusivity terms, it shall indemnify the Company for all costs, fees and expenses incurred in connection with the investigation of the Target Company and the negotiation of this Heads of Agreement and other documents connected with the Proposed Acquisition.

Costs and termination

Unless otherwise agreed to by the Parties in the Formal Share Purchase Agreement, each Party is responsible for its own costs in connection with the Proposed Acquisition.

Any Party may end negotiations in relation to the Proposed Acquisition at any time, without having to give any reasons for doing so or incurring any liability to any other party, provided that Jadestone shall have no right to end negotiations during the Exclusivity Period.

B. Principal terms of the Formal Share Purchase Agreement

Date

30 August 2018

Parties

Purchaser: the Company

Seller: Jadestone

Guarantor: REN Wei (a limited partner of Jadestone)

Assets to be acquired	The Target Shares with full title guarantee and free from all liens, charges and other encumbrances and together with all rights of any nature which are now or which may at any time become attached to or accrue in respect of the Target Shares including all dividends and distributions declared paid or made in respect of the Target Shares on or after the date of the Formal Share Purchase Agreement.
Consideration	The Share Purchase Price is RMB890,000,000 or its equivalent in HKD to be satisfied in cash payable to Jadestone, subject to adjustment as set out below: If the Audited Net Assets shown in the 2017 Audited Financial Report is less than RMB150,000,000, Jadestone shall make up (or cause to be made up) the shortfall between the Audited Net Assets and RMB150,000,000 on or before the Completion, in a way satisfactory to the Company. The amount of RMB150,000,000 was determined after arm's length negotiation between the Company and Jadestone, taking into consideration the prevailing status of audit of the Target Group as of the date of the Formal Share Purchase Agreement. According to the 2017 Audited Financial Report, the net assets of the Target Group is RMB150,016,000 which is more than RMB150,000,000.

Basis of consideration:

The Share Purchase Price was determined after arm's length negotiations (including the performance of legal and financial due diligence on the Target Group and discussions around the appropriate purchase price taking into account the results of such due diligence) between the Company and Jadestone. In determining the Share Purchase Price, the Directors considered that (1) the Target Group recorded net profit of approximately RMB77,998,000 for the year ended 31 December 2017, implying price-earnings multiple of 11.41 which fell within the range of price-earnings ratio of the comparable companies whose principal activity is similar to that of the Target Group; and (2) the fair value of the 100% equity value of the Target Group as at 31 March 2018 based on a valuation performed by the Independent Valuer using the market approach was RMB891,213,770, which was close to the Share Purchase Price and represented a premium of approximately 0.14% to the Share Purchase Price. A copy of the final valuation report is attached in Appendix V of this circular, in which the financial data adopted in the valuation model, namely, net income, book value and revenue for the year ended 31 December 2017 was extracted from the Accountants' Report as disclosed in Appendix II.

The selections of the aforementioned comparable companies are based on the industry peer of the Company, which designs, manufactures and trades LED lighting products in China and overseas with a reasonably sufficient listing period (more than one year). As the headquarters and production plant of the Company are located in Hong Kong and mainland China respectively, both Hong Kong and China main board capital markets are considered. Details of the aforementioned comparable companies are set out in Exhibit C of Appendix V to this circular. Considering the selection basis mentioned above, the Board is of the view that the selections of the comparable companies are fair and representative.

The Directors consider that the use of market approach valuation and the selection of comparable companies based on similarity of business nature and profitability are appropriate methods to present a true and fair value of the Target Group for the purpose of determining the consideration of the Proposed Acquisition for the following reasons: (i) the Target Group has no reliable future cash flow and therefore income approach is not an appropriate valuation method; (ii) legal and financial due diligence has been performed in respect of the Target Group to the satisfaction of the Company and the valuation was prepared based on the audited figures; and (iii) the Company has appointed JLL, a reputable and qualified independent valuer to perform the valuation.

Tax withholding arrangement:

Jadestone and the Company shall cooperate with each other to make all applicable reporting and registrations required to be made with respect to the Proposed Acquisition to the relevant governmental authorities in the PRC as required under the Announcement No. 37 and Circular No. 7, including without limitation providing all relevant documents and taking all actions on part of the relevant party necessary for such tax filing, and pay the applicable PRC Enterprise Income Tax in accordance with the Formal Share Purchase Agreement.

Jadestone and the Company shall jointly establish an escrow account in the name of the Target Company in the PRC (the "**Escrow Account**") and at the expense of Jadestone as soon as practicable after the date of the Formal Share Purchase Agreement, whereby any fund transfer in such Escrow Account shall be subject to approval of two authorized signatories respectively designated by Jadestone and the Company thereunder. Any and all the interest accrued on the funds in the Escrow Account shall belong to the Target Company.

The Company shall (a) deduct from the Share Purchase Price an amount RMB35,000,000 (the "**Withholding Amount**") and pay the Withholding Amount to the Escrow Account by wire transfer of immediately available funds upon the later occurrence of (1) the Completion; and (2) the date when the Escrow Account has been duly established by Jadestone and the Company, and (b) hold such Withholding Amount in the Escrow Account together with Jadestone.

To the extent that Jadestone is determined by the relevant PRC tax governmental authority to be required under the Announcement No. 37 and Circular No. 7 to pay applicable PRC Enterprise Income Tax in connection with the Proposed Acquisition:

(a) if the PRC Enterprise Income Tax with respect to Jadestone payable to the relevant PRC tax governmental authority is no more than the relevant Withholding Amount, Jadestone and the Company shall promptly and jointly (and shall cause the authorized signatories respectively designated by them to) (i) release such amount equivalent to the corresponding PRC Enterprise Income Tax in the Escrow Account to pay such PRC Enterprise Income Tax within such time limit as required by the relevant PRC tax governmental authority; and (ii) release any remaining amount of the relevant Withholding Amount (i.e. the Withholding Amount less the relevant PRC Enterprise Income Tax) to Jadestone according to the Formal Share Purchase Agreement, and

(b) if the PRC Enterprise Income Tax with respect to Jadestone payable to the relevant PRC tax governmental authority is more than the Withholding Amount, (i) Jadestone and the Company shall promptly and jointly (and shall cause the authorized signatories respectively designated by them to) release the Withholding Amount in the Escrow Account to pay such PRC Enterprise Income Tax within such time limit as required by the relevant PRC tax governmental authority; and (ii) Jadestone shall pay the shortfall between the Withholding Amount and the relevant PRC Enterprise Income Tax to the relevant PRC tax governmental authority concurrently with the release of the Withholding Amount from the Escrow Account;

Jadestone shall provide the Company, as soon as reasonably practicable, a copy of the Acceptable Evidence of Payment. Within five (5) Business Days after the receipt of the Acceptable Evidence of Payment, Jadestone and the Company shall promptly and jointly (and shall cause the authorized signatories respectively designated by them to) release the Withholding Amount less the relevant PRC Enterprise Income Tax (if any surplus remains) to the bank account of Jadestone. For the purposes of the Formal Share Purchase Agreement, "**Acceptable Evidence of Payment**" means a receipt of payment issued by the relevant PRC tax governmental authority evidencing that the PRC Enterprise Income Tax has been paid by Jadestone. Within five (5) Business Days after the receipt of the Acceptable Evidences of Payment from Jadestone, Jadestone and the Company shall release its control over the Escrow Account by removing its authorized signatory.

Payment of consideration

The payment of the Share Purchase Price shall be made in the following manner:

(a) the Advance Payment, which has been paid by the Company to the Jadestone; and

(b) the remainder of the Share Purchase Price shall be paid, subject to the deduction of the Withholding Amount in accordance with the Formal Share Purchase Agreement, by the Company to Jadestone at Completion.

If the Completion does not take place by the Longstop Date or if the Formal Share Purchase Agreement is terminated, Jadestone shall, within three (3) Business Days of the Company's request, refund the Advance Payment to the Company without interest.

Indemnity

If there is any breach or non fulfilment of any of Jadestone's warranties under the Formal Share Purchase Agreement resulting in: (a) the value of any of the Target Company's assets being or becoming less than it would have been had the relevant circumstances been as so warranted; or (b) the Target Company having incurred or incurring any liability or an increase in a liability which it would not have incurred had the relevant circumstances been as so warranted, then Jadestone agrees to pay to the Company on demand (at the option of the Company) an amount equal to either: (aa) the reduction in value of the assets or (as the case may be) the liability or increased liability incurred by the Target Company as a result of such a breach or non-fulfilment of any of Jadestone's warranties under the Formal Share Purchase Agreement; or (bb) an amount equal to the reduction caused in the value of the Target Shares.

Jadestone agrees to indemnify the Company in full for and against all costs (including legal costs) and expenses incurred by the Company either before or after the commencement of any action in connection with: (a) the settlement of any claim that any of Jadestone's warranties under the Formal Share Purchase Agreement has been breached or is untrue, inaccurate or misleading; (b) any legal proceedings arising out of or in connection with any claim for breach of Jadestone's warranty under the Formal Share Purchase Agreement in which judgment is given in favour of the Company; or (c) the enforcement of any such settlement or judgment.

Guarantee

If there is any breach or non fulfilment of any of the Guarantor's warranties under the Formal Share Purchase Agreement resulting in: (a) the value of any of the Target Company's assets being or becoming less than it would have been had the relevant circumstances been as so warranted; or (b) the Target Company having incurred or incurring any liability or an increase in a liability which it would not have incurred had the relevant circumstances been as so warranted, then the Guarantor agrees to pay to the Company on demand (at the option of the Company) an amount equal to either: (aa) the reduction in value of the assets or (as the case may be) the liability or increased liability incurred by the Target Company as a result of such a breach or non-fulfilment of any of the Guarantor's warranties under the Formal Share Purchase Agreement; or (bb) an amount equal to the reduction caused in the value of the Target Shares.

The Guarantor agrees to indemnify the Company in full for and against all costs (including legal costs) and expenses incurred by the Company either before or after the commencement of any action in connection with: (a) the settlement of any claim that any of the Guarantor's warranties under the Formal Share Purchase Agreement has been breached or is untrue, inaccurate or misleading; (b) any legal proceedings arising out of or in connection with any claim for breach of the Guarantor's warranties under the Formal Share Purchase Agreement in which judgment is given in favour of the Company; or (c) the enforcement of any such settlement or judgment.

The Guarantor (a) unconditionally and irrevocably guarantee to the Company the due and punctual performance and observance by Jadestone of all its obligations, commitments, undertakings, warranties, indemnities and covenants under or pursuant to the Formal Share Purchase Agreement and other transaction documents (including the Heads of Agreement, the Share Charge Agreement, etc.); and (b) agrees to indemnify the Company against all losses which the Company may suffer or incur through or arising from any breach by Jadestone of such obligations, commitments, warranties, undertakings, indemnities or covenants.

Given that the Guarantor is the limited partner, the capital contributor and the ultimate beneficiary of Jadestone, the Board is of the view that the Guarantor is able to indemnify all losses arising from Jadestone's breaches of the Formal Share Purchase Agreement.

Limitation on liabilities

Usual and customary warranties (including, but not limited to, issues with respect to the management account, assets and confidential information of the Target Group) are given by Jadestone under the Formal Share Purchase Agreement. The liabilities arising from such warranties are subject to the following limitations and qualifications:

(a) the representations and warranties of Jadestone contained in the Formal Share Purchase Agreement shall survive the Completion until the end of a period of 12 months after the Completion Date and no claim shall be brought against Jadestone in respect of any claim raised by the Company unless notice of such claim is given in writing by the Company setting out details of the specific matter in respect of which the claim is made within 12 months after the Completion Date and the failure to so notify Jadestone shall relieve Jadestone of its obligations hereunder;

(b) the maximum aggregate liability of Jadestone in respect of any and all claims raised by the Company under the Formal Share Purchase Agreement shall not exceed an amount equal to RMB50,000,000;

The maximum amount of RMB50,000,000 was determined on the basis of (i) the prevailing status of audit on the Target Group, in particular the expected value of the Audited Net Asset of RMB150,016,000 and the Audited Net Profit of RMB77,998,000 which were higher than those guaranteed by Jadestone in the Heads of Agreement and the Formal Share Purchase Agreement; (ii) the result of due diligence of the Target Group conducted by the Company, in which no material adverse finding was noted; and (iii) the arm's length negotiations between the Parties. Based on the negotiations, the RMB50,000,000 cap represents the maximum amount of liabilities acceptable to Jadestone, while the Guarantor has given warranties on matters (mainly including issues with respect to capacity and ownership of the Target Shares, good standing of the Target Group, litigation, offences and compliance with statutes by the Target Group and taxation, etc.) that are fundamental to the Proposed Acquisition and the due performance of the Target Group which are not subject to the RMB50,000,000 cap.

The Board is of the view that the above limitation is fair and reasonable and Jadestone's warranties are in the interest of the Company and the Shareholders as (i) the limitation was determined after arm's length negotiations between the Parties, which also reflected the financial performance of the Target Group and the results of due diligence conducted by the Company; and (ii) Such limitation is only applicable to Jadestone's warranties, while the Guarantor has given warranties on matters that are fundamental to the Proposed Acquisition and the due performance of the Target Group (including issues with respect to capacity and ownership of the Target Shares, good standing of the Target Group, litigation, offences and compliance with statutes by the Target Group, subsidiaries of the Target Company and taxation), which are not subject to the RMB50,000,000 cap. The Guarantor shall indemnify the Company against all losses which the Company may suffer or incur through or arising from any breach by the Guarantor of its obligations, and to indemnity the Company any reduction in the value of the Target Shares. The warranties provided by the Guarantor will survive the Completion until the end of a period of five years after the Completion Date.

(c) the Company shall not make, and Jadestone shall not be liable in respect of, any claim unless the aggregate amount of any individual claim (or a series of claims substantially based on the same fact or event) under the Formal Share Purchase Agreement exceeds RMB500,000. For the avoidance of doubt, if the aggregate amount of any individual claim (or a series of claims substantially based on the same fact or event) under the Formal Share Purchase Agreement exceeds RMB500,000, Jadestone shall be liable for the full amount of the claim instead of the amount in excess; and

(d) from and after the Completion, the warranties as set forth in the paragraph headed "Indemnity" above shall be the sole and exclusive remedy of the Company for any claim against Jadestone.

The Guarantor's warranties under the Formal Share Purchase Agreement shall survive the Completion until the end of a period of 5 years after the Completion Date.

The foregoing limitations shall not apply to any liability of Jadestone in respect of any claim arising from or in connection with fraud or willful misconduct, and Jadestone or the Guarantor shall not be liable for any consequential or punitive losses.

Vendor's undertaking

Jadestone confirms and undertakes to and covenants with the Company that as of the Completion:

(a) there is no outstanding shareholder loans, payables or claims of whatsoever nature owed and/or due by any member of the Target Group to Jadestone; and

(b) all the payables and receivables between Jadestone or any of its associates (except the Target Group) and any member of the Target Group shall have been fully settled or otherwise dealt with to the satisfaction of the Company.

Conditions precedent

Completion is subject to the fulfilment to the satisfaction of the Company or, as the case may be, the waiver by the Company, of the following conditions:

(a) Each of the representations and warranties of Jadestone contained in the Formal Share Purchase Agreement shall have been true and complete as of the date of the Formal Share Purchase Agreement till and as of the Completion with the same effect as though such representations and warranties had been made on each such date and as of the Completion Date, except in either case for those representations and warranties that address matters only as of a particular date, which representations will have been true and complete as of such particular date;

(b) Jadestone shall have performed and complied with all obligations and conditions contained in the Formal Share Purchase Agreement and the other transaction documents that are required to be performed or complied with by them on or before Completion;

(c) No government or governmental supranational or state agency or regulatory body or trade or works council or association or any other person or organisation shall have:

(i) instituted or threatened any action, suit or investigation to restrain, prohibit or otherwise challenge the acquisition of the Target Company or any of the members of the Target Group by the Company; or

(ii) threatened to take any action as a result of or in anticipation of the implementation of the transaction contemplated hereby; or

(iii) proposed or enacted any statute or regulation which would prohibit, materially restrict or materially delay implementation of the acquisition or the operation of the Target Company or any of the members of the Target Group after Completion;

(d) All corporate and other proceedings in connection with the transactions contemplated hereby on Completion and all documents and instruments incidental to such transactions shall be satisfactory in substance and form to the Company, and the Company shall have received all such counterpart originals or certified or other copies of such documents as it may reasonably request;

(e) All regulatory, governmental and other relevant consents and approvals, and all notification, report and announcement requirements, necessary for the transaction contemplated hereunder, including the internal approval of the Target Company and any third parties shall have been obtained and/or complied with in form and substance to the satisfaction of the Company;

(f) The Company shall have been satisfied with its due diligence review of the legal, financial and business affairs of the Target Group;

(g) Jadestone shall have executed and delivered to the Company, this Formal Share Purchase Agreement;

(h) The members of the Company in general meeting shall have passed a resolution approving the Formal Share Purchase Agreement and the transactions contemplated hereunder;

(i) There shall not have been any material adverse change in the business of the Target Group as of the date of the Formal Share Purchase Agreement till the Completion;

(j) The 2017 Audited Financial Report shall have been approved and accepted by the Company;

(k) The Company shall have received from the legal advisers of Jadestone (the selection of which shall have been approved by the Company), a legal opinion in form and substance satisfactory to the Company, with respect to Jadestone's capacity and the relevant aspects of the Target Group;

(l) The Company shall have received the amount equal to the shortfall between the Audited Net Assets and the RMB150,000,000 (if any); and

(m) The Company shall have received a completion certificate signed by Jadestone stating that the conditions precedent set out above have been fulfilled, in form and substance satisfactory to the Company.

As of the Latest Practicable Date, the condition (g) as mentioned above has been fulfilled; save for condition (g), no other condition has been fulfilled or waived by the Parties.

Completion Completion shall take place on the Completion Date.

Costs and termination Each of the Parties will bear and pay its own legal, accountancy and other fees and expenses incurred in and incidental to the preparation and implementation of the Formal Share Purchase Agreement and of all other documents in the agreed form.

The cost of all stamp duty and other similar duty payable in respect of the sale and purchase of the Target Shares will be borne by the Parties in equal shares.

The Formal Share Purchase Agreement may be terminated:

(a) with consensus of the Parties in writing;

(b) by the Company if the conditions precedent have not all been fulfilled or waived by the Company by the Longstop Date or such later date as may be agreed in writing by the Parties;

(c) by the Company if Completion does not take place on the Completion Date because Jadestone fails to comply with any of its obligations under the Formal Share Purchase Agreement; or

(d) if on or before the Completion Date, Jadestone is in material breach of any of the warranties or any other provision of the Formal Share Purchase Agreement, the occurrence of which caused a material adverse effect and a loss or losses to the Target Group as a whole or the Company in an amount of more than RMB50,000,000, the Company shall be entitled, by notice to Jadestone, to elect to proceed to Completion or terminate this Agreement with immediate effect.

Non-competition restriction

Jadestone undertakes to and covenants with the Company that it will not, for a period of two years after the date of the Formal Share Purchase Agreement, either on its own behalf or jointly with any other person, directly or indirectly:

(a) approach, canvass, solicit or otherwise act with a view to enticing away from or seeking in competition with any business of the Target Company or any member of the Target Group any person who is or has been a customer of the Company or any member of the Target Group at any time during the period of twelve (12) months preceding the Completion Date or at any time after the Completion Date prior to his ceasing to be a customer of the Target Company or any member of the Target Group; and during the period of two (2) years after the date of the Formal Share Purchase Agreement, Jadestone shall not use its knowledge of or influence over any such customer to or for its own benefit or the benefit of any other person carrying on business in competition with the Target Company or any member of the Target Group or otherwise use its knowledge of or influence over any such customer to the detriment of the Target Company or any member of the Target Group;

(b) seek to contract with or engage (in a way that would adversely affect the business of the Target Company or any member of the Target Group as carried on at the date of the Formal Share Purchase Agreement) any person who has been contracted with or engaged to manufacture, assemble, supply or deliver products, goods, materials or services to the Target Company or any member of the Target Group at any time during the period of twelve (12) months preceding the Completion Date or at any time after the Completion Date prior to his ceasing to be contracted with or engaged by the Target Company or any member of the Target Group;

(c) approach, canvass, solicit, engage or employ or otherwise endeavour to entice away any person who at any time during the period of twelve (12) months preceding the Completion Date or the date of his ceasing to be employed by the Target Company or any member of the Target Group, whichever is later, is or has been an employee, officer, manager, consultant, sub-contractor or agent of the Target Company or any member of the Target Group with a view to using the specific knowledge or skills of such person for the benefit of any person carrying on business in competition with the business carried on by the Target Company or any member of the Target Group; or

(d) be engaged, concerned or interested, in any capacity, in carrying on any business in competition with the business carried on by the Target Company or any member of the Target Group at the date of the Formal Share Purchase Agreement in the territories in which such business is carried on at the date of the Formal Share Purchase Agreement, including the PRC, Hong Kong and the USA.

The non-competition restriction period was amended from three years, as provided under the Heads of Agreement, to two years under the Formal Share Purchase Agreement. The terms of non-competition restriction under the Heads of Agreement are legally binding general terms, which reflected the intention of the Parties and are subject to further negotiation and the Formal Share Purchase Agreement. During the subsequent negotiations, the terms of non-competition restriction were amended to be more strict and detailed with more comprehensive and detailed restrictions on Jadestone's behavior (especially on restrictions to approach the Target Group's customers, suppliers, employees and be engaged in any business in competition with the Target Group's business in the territories in which such business is carried on at the date of the Formal Share Purchase Agreement). Given the amendments above and with reference to the prevailing industrial practice, the Parties have agreed to amend the non-competition restriction period from three years to two years.

The Directors, with reference to (i) the prevailing industrial practice in respect of terms of non-competition restrictions; (ii) the arm's length negotiations between the Parties; and (iii) the fact that the terms of non-competition restriction are more strict and detailed under the Formal Share Purchase Agreement as compared to those under the Heads of Agreement, are of the view that the foregoing amendment is fair and reasonable and the non-competition restriction under the Formal Shares Purchase Agreement is in the interest of the Company and the Shareholders as a whole as although the valid period of non-competition restriction has been shortened, the overall terms of non-competition restriction are more strict and detailed and therefore in the benefits of the Company and the Shareholders as a whole.

Governing Law The Formal Share Purchase Agreement will be governed by and construed in accordance with the laws of Hong Kong.

C. Information about the Target Group

The Target Company is a limited company incorporated in Hong Kong on 31 May 2010. The Target Group's principal business activities involve the design, manufacturing and sale of LED lighting products mainly to North America markets. The headquarters and research and development departments of the Target Group are located in Hong Kong and the PRC respectively, the sales and marketing departments and warehouses of the Target Group are located in USA (Chicago and Atlanta), and the facilities of the Target Group are located in the PRC and USA.

Prior to the Previous Transaction (as defined in the paragraph immediately below), the Target Company was wholly-owned by ETIC. ETIC is a substantial shareholder holding 20.57% interest in the Company as at the Latest Practicable Date. ETIC is principally engaged in the production and sale of small household appliances and LED products in the PRC.

In December 2016, ETIC sold its entire interest in the Target Company to Jadestone at a cash consideration of RMB190,000,000 (the "**Previous Transaction**"). Jadestone also agreed to repay a debt in the amount of RMB377,000,000 owed by the Target Group to ETIC and its subsidiaries. The Previous Transaction was completed on 30 December 2016.

The total original acquisition cost of the Target Group by Jadestone was RMB567,000,000.

As at the Latest Practicable Date, the Target Company owns, directly or indirectly, 100% issued share capital of: (i) ETI Solid State Lighting (Zhuhai) Limited* 怡迅(珠海)光電科技有限公司 (Unified Social Credit Code: 91440400398016319T); (ii) ETI Solid State Lighting (Wuhu) Limited* 怡迅(蕪湖)光電科技有限公司(Unified Social Credit Code 91340200564966388K), and (iii) ETI Solid State Lighting Inc. (Employer Identification Number (EIN): 45-2791194).

Set out below is the audited combined financial information of the Target Group for the two years ended 31 December 2016 and 2017, respectively. A copy of the accountants' report on the Target Group is attached in Appendix II of this circular.

	Financial year ended 31 December 2016	**Financial year ended 31 December 2017**
	RMB in million	*RMB in million*
Profit before tax	77.3	96.6
Profit after tax	64.4	78.0

Please refer to Appendix III of this circular for the detailed management discussion and analysis on the Target Group.

D. Financial Effect of the Proposed Acquisition

Revenue

Upon Completion, the Company will hold 100% equity interest in Target Company and the Target Company will become a wholly-owned subsidiary of the Company. The financial results of the Target Group will be consolidated into the financial statements of the Group. It is expected that the Company will be able to record additional revenue stream from the Target Group upon the Completion.

Assets and liabilities

Based on the consolidated financial statements of the Group for the six months ended 30 June 2018, the net asset value of the Group as at 30 June 2018 was approximately RMB3,386.0 million. Based on the unaudited pro forma financial information of the Enlarged Group as if the Proposed Acquisition had been completed on 30 June 2018 as set out in Appendix IV to this circular, the total assets of the Enlarged Group would be increased from approximately RMB6,119.2 million to approximately RMB6,405.9 million and total liabilities of the Enlarged Group would be increased from approximately RMB2,733.2 million to approximately RMB3,025.9 million. Accordingly, the net asset value of the Enlarged Group would be increased from approximately RMB3,386.0 million to approximately RMB3,380.0 million.

The unaudited pro forma financial information on the Enlarged Group, illustrating the financial effects as if the Proposed Acquisition had been completed on 30 June 2018, is set out in Appendix IV headed "Unaudited Pro Forma Financial Information of the Enlarged Group" of this circular.

E. Reasons for and Benefits of the Proposed Acquisition

In the past two years, the profitability of lighting product manufacturers has reduced due to the sustained increase in costs of certain metal raw material, components and labour. In 2018, in order to strengthen its core competitiveness and achieve sustainable development, the Group formulated a strategy of gradually transforming from a manufacturing enterprise to a channel enterprise. Further, for the purpose of mitigating the risks of the Company's dependence on the single PRC market, as disclosed in the Company's 2017 results announcement and 2017 annual report, the Company is expanding into international markets such as Europe, Middle East, Southeast Asia and South America.

Since its establishment in 2010, the Target Group has been focusing on the design, manufacturing and sale of lighting products in the North America markets for around 6 years and has established long-term cooperation with large retailers and distributors, such as Home Depot, Rexel and Graybar. In particular, Target Company has been awarded as Home Depot's Global Excellent Supplier of Year for four consecutive years. The North America lighting products market is huge, and the Company has always wanted to enter into this market. However, doing so requires a localised operating team with deep knowledge of local market conditions and long-term capital and labour investments. These requirements have restricted the Company's desired expansion.

The Proposed Acquisition provides an opportunity for the Company to enter into the North America market and increase its overseas sales volume. Besides, the Company can also borrow the successful experience and viable business model from the operating team of the Target Group when establishing businesses in other overseas markets.

Based on the above, the Directors consider that the terms of the Heads of Agreement, the Formal Share Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of the business of the Group, fair and reasonable and in the interests of the Company and its shareholders as a whole. The independent non-executive Directors, after taking into consideration the advice of Gram Capital, consider that (i) the terms of the Heads of Agreement and the Formal Share Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

F. Information about the Parties

The Company

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.

Jadestone

Jadestone was established on 16 December 2016 in the form of an exempted limited partnership under the laws of Cayman Islands. It was set up for the purpose of carrying out the Previous Transaction and it is managed by its general partner, Guoyuan Asset (Asia).

Guoyuan Asset (Asia) is an exempted company incorporated in the Cayman Islands with limited liability and is principally engaged in investment arrangement. As the general partner of Jadestone, its overall responsibility includes the management, control and operation of the business and affairs of Jadestone.

REN Wei

Mr. REN Wei is a limited partner and the ultimate beneficiary of Jadestone and a third party independent of the Company and its connected persons.

3. LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios calculated in respect of the Proposed Acquisition is more than 25% but less than 100%, the Proposed Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In December 2016, Jadestone acquired the Target Group from ETIC, a substantial Shareholder (holding approximately 20.57% interest in the Company as at the Latest Practicable Date). Guoyuan Asset (Asia) is the general partner of Jadestone. As disclosed in the announcement of the Company dated 21 April 2017, Guoyuan Asset (Asia) (as the general partner) and the Company (as a limited partner) formed Guoyuan China Growth Investment Fund LP, under which the Company contributed USD30,000,000 and Guoyuan Asset (Asia) contributed USD10,000, for the purpose of making equity investment in emerging industries.

In addition, as disclosed in the announcements of the Company dated 20 May 2016, 9 June 2016, 6 May 2018 and 15 June 2018 and the circular dated 28 May 2018, the Company had issued certain convertible bonds in the principal amount of HK$500,000,000 due in 2020 to the Bondholder. Guoyuan Asset (HK), the investment manager of the Bondholder, and Guoyuan Asset (Asia), the general partner of Jadestone, are both wholly-owned subsidiaries of Guoyuan International Holdings Limited. On 9 August 2018, the Company received a conversion notice from the Bondholder in relation to the exercise in full of the conversion rights attached to such convertible bonds. Accordingly, 649,350,649 conversion shares were allotted to the Bondholder on 13 August 2018 pursuant to the terms and conditions of the convertible bonds. Upon such conversion and the issue and allotment of the conversion shares, the Bondholder became a substantial Shareholder. As of the Latest Practicable Date, the Bondholder has completed the sale of all Shares held by it and therefore ceased to be a Shareholder.

Other than the aforementioned, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Company does not have any existing business relationship with Jadestone, Guoyuan Asset (Asia) or any of their respective affiliates. The Company will voluntarily comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the Proposed Acquisition.

4. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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, has been established to advise the Independent Shareholders in respect of the Heads of Agreement, the Formal Share Purchase Agreement and the transactions contemplated thereunder.

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 Heads of Agreement, the Formal Share Purchase Agreement and the transactions contemplated thereunder.

5. EGM

The resolutions approving the Heads of Agreement, the Formal Share Purchase Agreement and the transactions contemplated thereunder shall be proposed at the EGM.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, none of Jadestone or its associates is a Shareholder and no Shareholder is considered to have a material interest in the Heads of Agreement, the Formal Share Purchase Agreement and the Proposed Acquisition. Accordingly, no Shareholder is required to abstain from voting on the resolutions to approve the Heads of Agreement, the Formal Share Purchase Agreement and the Proposed Acquisition at the EGM under the Listing Rules. As at the Latest Practicable Date, ETIC was interested in 870,346,000 Shares, representing approximately 20.57% of the total issued share capital of the Company, and will voluntarily abstain from voting on the resolutions to approve the Heads of Agreement, the Formal Share Purchase Agreement and the Proposed Acquisition at the EGM.

A notice convening the EGM to be held at Room 3 & 4, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 29 October 2018 at 10:00 a.m. is set out on pages 154 to 155 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, 27 October 2018). Please note that 27 October 2018 is not a working day and Computershare Hong Kong Investor Services Limited's offices will not be opened on the day for physical delivery of the form of proxy. 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.

6. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 35 of this circular which contains its recommendation to the Independent Shareholders on (i) the Heads of Agreement, the Formal Share Purchase Agreement 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 36 to 49 of this circular which contains its advices to the Independent Board Committee and the Independent Shareholders in relation to the Heads of Agreement, the Formal Share Purchase Agreement and the transactions contemplated thereunder.

The Directors consider that the Heads of Agreement, the Formal Share Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of the business of the Group, 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 Gram Capital, consider that (i) the terms of the Heads of Agreement and the Formal Share Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Acquisition 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 resolutions to be proposed at the EGM to consider and, if thought fit, approve the Heads of Agreement, the Formal Share Purchase Agreement and the transactions contemplated thereunder.

No Director has a material interest in the Heads of Agreement, the Formal Share Purchase Agreement and the Proposed Acquisition, and therefore none of the Directors has abstained from voting on the Board resolution approving the Heads of Agreement, the Formal Share Purchase Agreement and the Proposed Acquisition.

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)

10 October 2018

To the Independent Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE TARGET GROUP

We refer to the circular of the Company dated 10 October 2018 (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.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders as to whether, in our opinion, the Heads of Agreement, the Formal Share Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, are on normal commercial terms or better, and are in the interests of the Company and the Shareholders as a whole 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 34 of the Circular, and the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders set out on pages 36 to 49 of the Circular which contains its opinion in respect of the Heads of Agreement, the Formal Share Purchase Agreement 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 Heads of Agreement and the Formal Share Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Acquisition is 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 Heads of Agreement, the Formal Share Purchase Agreement and the Proposed Acquisition 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

10 October 2018

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

Dear Sirs,

MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE TARGET GROUP

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 Heads of Agreement, the Formal Share Purchase Agreement and the Proposed Acquisition, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 10 October 2018 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.

On 25 April 2018, the Company and Jadestone entered into the Heads of Agreement with Jadestone, pursuant to which the Company intended to acquire, and Jadestone intended to sell, 100% equity interest in the Target Company (i.e. the Target Shares) and the shareholder loan(s) extended by Jadestone to the Target Company at a consideration of RMB900 million, subject to adjustments.

On 30 August 2018, the Company, Jadestone and Mr. REN Wei entered into the Formal Share Purchase Agreement, pursuant to which the Company agreed to acquire, and Jadestone agreed to sell the Target Shares at a consideration of RMB890,000,000, subject to adjustments.

With reference to the Board Letter, the Proposed Acquisition constitutes a major transaction and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, the Company will voluntarily comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the Proposed Acquisition.

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) has been established to advise the Independent Shareholders on (i) whether the terms of the Heads of Agreement and the Formal Share Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Proposed Acquisition 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 Proposed Acquisition and the transactions contemplated thereunder 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 the opinion letter from the independent financial adviser contained in the 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. Notwithstanding (i) the aforesaid past engagements and (ii) an engagement of independence financial adviser regarding a possible notifiable and connected transaction of the Company (the "**Another IFA 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.

Besides that, apart from the advisory fee and expenses payable to us in connection with (i) the Another IFA Engagements; and (ii) our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

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 are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Proposed Acquisition. 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.

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 Company. 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 as contained in the Circular 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 have not made any independent evaluation or appraisal of the assets and liabilities of the Group or the Target Group, and we have not been furnished with any such evaluation or appraisal, save as and except for valuation report (the "**Valuation Report**") of the Target Group issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**") as contained in Appendix V to the Circular, with 31 March 2018 as the valuation date. Since we are not experts in the valuation of assets or business, we have relied solely upon the aforesaid asset valuation reports for the appraised value of the Target Group as at 31 March 2018.

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, Jadestone, Mr. REN Wei, the Target Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Proposed Acquisition. 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 Proposed Acquisition, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Proposed Acquisition

Business overview of the Group

With reference to the Board Letter, 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.

Set out below are the consolidated financial information of the Group for the six months ended 30 June 2018 and the two years ended 31 December 2017 as extracted from the Company's interim report for the six months ended 30 June 2018 (the "**2018 Interim Report**") and the Company's annual report for the year ended 31 December 2017 (the "**2017 Annual Report**"):

	For the six months ended 30 June 2018	**For the year ended 31 December 2017**	**For the year ended 31 December 2016**	**Change from 2016 to 2017**
	RMB'000	*RMB'000*	*RMB'000*	
	(unaudited)	*(audited)*	*(audited)*	*%*
Revenue	1,973,936	4,063,163	3,806,329	6.75
– Luminaire products	*1,356,790*	*2,882,289*	*2,644,430*	*8.99*
– Lamp products	*473,689*	*917,645*	*942,142*	*(2.60)*
– Lighting electronic products	*143,457*	*263,229*	*219,757*	*19.78*
Gross profit	542,651	1,172,858	1,020,958	14.88
Profit for the period/year	101,641	331,600	178,583	85.68

As depicted from the above table, the Group's revenue increased by approximately 6.75% for the year ended 31 December 2017 ("**FY2017**") as compared to that for the year ended 31 December 2016 ("**FY2016**"). With reference to the 2017 Annual Report, the aforesaid increase in the Group's revenue was mainly attributable to the increase in sales of luminaire products as a result of the successful transformation of the dual-channel development model of "commercial and home lighting". The Group's revenue generated from the PRC represented approximately 69.2% to the Group's total revenue for FY2017 (FY2016: 69.1%).

As advised by the Directors, due to (i) the increase in gross profit margin of the Group; (ii) the fair value change of the Company's convertible bonds; and (iii) the reduction of administrative expenses of the Group, the Group recorded substantial increase in the profit for FY2017 as compared to that for FY2016.

Information on Jadestone

With reference to the Board Letter, Jadestone was established on 16 December 2016 in the form of an exempted limited partnership under the laws of Cayman Islands. It was set up for the purpose of carrying out the Previous Transaction and it is managed by its general partner, Guoyuan Asset (Asia).

Guoyuan Asset (Asia) is an exempted company incorporated in the Cayman Islands with limited liability and is principally engaged in investment arrangement. As the general partner of Jadestone, its overall responsibility includes the management, control and operation of the business and affairs of Jadestone.

Information on Mr. REN Wei

With reference to the Board Letter, Mr. REN Wei is a limited partner and the ultimate beneficiary of Jadestone and a third party independent of the Company and its connected persons.

Information on the Target Group

With reference to the Board Letter, the Target Company is a limited company incorporated in Hong Kong on 31 May 2010. The Target Group's principal business activities involve the design, manufacturing and sale of LED lighting products mainly to North America markets. The headquarters and research and development departments of the Target Group are located in Hong Kong, the sales and marketing departments and warehouses of the Target Group are located in USA (Chicago and Atlanta), and the facilities of the Target Group are located in the PRC and USA.

The products sold by the Target Group mainly include its own-band manufactured LED lighting products and OEM products. The Target Group's sales division sources distributors in North America markets for sales of own-brand LED lighting products and retail client in North America markets who have demands for OEM services.

According to customers' requirements, the research and development team of the Target Group applies its design engineering knowledge in the course of manufacturing products and provide customers with advice to facilitate the manufacturing process and enhance the quality of the product as part of its OEM services.

In December 2016, ETIC, being a substantial Shareholder of the Company as at the Latest Practicable Date, sold its entire interest in the Target Company to Jadestone at a cash consideration of RMB190,000,000. Jadestone also agreed to repay a debt in the amount of RMB377,000,000 owed by the Target Company to ETIC and its subsidiaries. After the completion of the Previous Transaction on 30 December 2016, the Target Group has gradually scaled down its lighting business in the PRC and sales to ETIC and its subsidiaries and focused on expansion of the overseas lighting business. The total original acquisition cost of the Target Group by Jadestone was RMB567,000,000.

During FY2017, the Target Group further adjusted its business operation including (i) cessation of business with lower gross profit margin; and (ii) commencement of business with higher gross profit margin.

As at the Latest Practicable Date, the Target Company owned, directly or indirectly, 100% issued share capital of: (i) 怡迅(珠海)光電科技有限公司 (ETI Solid State Lighting (Zhuhai) Limited*); (ii) 怡迅(蕪湖)光電科技有限公司 (ETI Solid State Lighting (Wuhu) Limited*), and (iii) ETI Solid State Lighting Inc..

Set out below are the audited financial information of Target Group as extracted from Appendix II to the Circular:

	For the four months ended 30 April 2018	**For the year ended 31 December 2017**	**For the year ended 31 December 2016**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	192,382	657,305	1,330,501
– The PRC	*36,274*	*129,377*	*1,227,746*
– The United States	*156,108*	*527,928*	*102,755*
Gross profit	59,688	223,213	182,609
Profit after tax	10,123	77,998	64,361

The audited total assets and net assets of Target Group as at 30 April 2018 were RMB399.86 million and RMB160.11 million, respectively.

According to the above table, the Target Group's revenue decreased by approximately 50.6% for FY2017 as compared to that for FY2016. As advised by the Directors, such decrease was mainly because the Target Group gradually scaled down

PRC lighting business after completion of the ETIC Group Restructuring and focused on operation of overseas lighting business which typically rendered higher gross profit margin during the year ended 31 December 2017.

Despite that the Target Group recorded substantial decrease in revenue for FY2017, the Target Group recorded an increase of approximately 21.2% in profit after tax for FY2017 as compared to that for FY2016. As advised by the Directors, such increase in profit was mainly due to (i) the increase in gross profit margin of the Target Group (FY2017: 34.0% and FY2016: 13.7%) as a result of the ETIC Group Restructuring as mentioned above; and (ii) the decrease in administrative expenses.

The Target Group's revenue for the four months ended 30 April 2018 amounted to approximately RMB192.4 million, representing a decrease of approximately 12.7% as compared to the correspondence period in 2017. As advised by the Directors, the aforesaid decrease was mainly attributable to the change in products mix having more production on higher technology products, which resulted a higher gross profit margin, but lower sales volume during the four months ended 30 April 2018. Further, deprecation of RMB led to the declines in revenue from international market during the four months ended 30 April 2018.

Details of the ETIC Group Restructuring were set out under the section headed "History and background of the Target Group" in Appendix III to the Circular.

A. The Proposed Acquisition

Reasons for and benefits of the Proposed Acquisition

With reference to the Board Letter, in the past two years, the profitability of lighting product manufacturers has reduced due to the sustained increase in costs of certain metal raw material, components and labour. In 2018, in order to strengthen its core competitiveness and achieve sustainable development, the Group formulated a strategy of gradually transforming from a manufacturing enterprise to a channel enterprise. Further, for the purpose of mitigating the risks of the Company's dependence on the single PRC market, as disclosed in the Company's 2017 results announcement and the 2017 Annual Report, the Company is expanding into international markets such as Europe, Middle East, Southeast Asia and South America.

Since its establishment in 2010, the Target Group has been focusing on the design, manufacturing and sale of lighting products in the North America markets for around 6 years and has established long-term cooperation with large retailers and distributors, such as Home Depot, Rexel and Graybar. In particular, Target Company has been awarded as Home Depot's Global Excellent Supplier of Year for four consecutive years. The North America lighting products market is huge, and the Company has always wanted to enter into this market. However, doing so requires a localised operating team with deep knowledge of local market conditions and long-term capital and labour investments. These requirements have restricted the Company's desired expansion.

The Proposed Acquisition provides an opportunity for the Company to enter into the North America market and increase its overseas sales volume. Besides, the Company can also borrow the successful experience and viable business model from the operating team of the Target Group when establishing businesses in other overseas markets.

With reference to the 2017 Annual Report, as for the non-NVC Brand in the PRC and international market, the Group mainly supplied the well-known lighting enterprises with energy-saving lamps, energy-saving light tubes and other accessories in the form of ODM. During FY2017, the Group specialized in serving major clients in North America and Europe, and continuously strengthened input of market resources to develop new clients. By virtue of the favorable opportunities arising from LED lighting products that gradually dominated the market, the Group gradually promoted the LED lighting products to enter the sales channels of major clients by utilizing the cost, technology and scale strengths, thus increasing the percentage of LED lighting products in sales.

In 2018, the Group will continue to develop business all over the world, conduct comprehensive and in-depth reforms in domestic and overseas sales channel expanding as well as internal management improvement. In terms of expanding the overseas channels, the Group will continue focusing on channel expansion and breakthrough in engineering projects, and attach importance to expanding channels in Southeast Asia, other developing countries and Gulf countries in Middle East. As for channel expansion, by virtue of the talent resources in Southeast Asia and the back support of the Middle East office, the Group will assist the distributors in Indonesia to complete the development of 200 secondary distributors, and assist the Gulf countries in Middle East to complete the layout of 100 sales outlets. Meanwhile, the Group innovates upon the marketing models, and enters the markets of Italy and surrounding countries by franchising model, in an attempt to develop 10 franchised outlets in major cities of Italy. The Group is also considering extending its sales channels into North America markets in order to increase its overseas sales.

As mentioned in the 2018 Interim Report, during the six months ended 30 June 2018, the Group continued to carry on the strategy of dual-channel development of commercial lighting and home lighting, and gradually strengthened its control and expansion of channels; and will continue to focus on the expansion of the external channels and the enhancement of the internal management, so as to create new opportunities for the sustainable development of the Group.

In light of the reasons for the Proposed Acquisition above, including (i) the background of financial performance of the Target Group; and (ii) the Proposed Acquisition is in line with the Group's development plan, we concur with the Directors that the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Proposed Acquisition

Summarised below are the major terms for the Proposed Acquisition, details of which are set out under the sections headed "Principal terms of the Heads of Agreement" and "Principal terms of the Formal Share Purchase Agreement" of the Board Letter respectively.

Parties to the Proposed Acquisition:

(i) the Company (as purchaser);

(ii) Jadestone (as seller);

(iii) REN Wei (a limited partner of Jadestone) (as guarantor).

Assets to be acquired

The Target Shares with full title guarantee and free from all liens, charges and other encumbrances and together with all rights of any nature which are how or which may at any time become attached to or accrue in respect of the Target Shares including all dividends and distributions declared paid or made in respect of the Target Shares on or after the date of the Formal Share Purchase Agreement.

Consideration

The Share Purchase Price is RMB890,000,000 or its equivalent in HKD to be satisfied in cash payable to Jadestone, subject to adjustment as set out below:

If the Audited Net Assets shown in the 2017 Audited Financial Report is less than RMB150,000,000, Jadestone shall make up (or cause to be made up) the shortfall between the Audited Net Assets and RMB150,000,000 on or before the Completion, in a way satisfactory to the Company.

As at the Latest Practicable Date, according to audited financial information of Target Group as contained in Appendix II to the Circular, the net assets of the Target Group as at 31 December 2017 was RMB150,016,000 which is more than RMB150,000,000.

With reference to the Board Letter, the Share Purchase Price was determined after arm's length negotiations between the Company and Jadestone. In determining the Share Purchase Price, the Directors considered that (1) the Target Group recorded net profit of approximately RMB77,998,000 for the year ended 31 December 2017, implying price-earnings multiple of 11.41 which fell within the range of price-earnings ratio of the comparable companies whose principal activity is similar to that of the Target Group; and (2) the fair value of the 100% equity value of the Target Group as at 31 March 2018 based on a valuation performed by the Independent Valuer using the market approach was RMB891,213,770, which was close to the Share Purchase Price and represented a premium of approximately 0.14% to the Share Purchase Price.

We understood that the Company engaged JLL, a valuer independent to the Group, to conduct the valuation of 100% equity interest of the Target Group as at 31 March 2018 (i.e. the Valuation Date) (the "**Valuation**"). According to the Valuation Report and as mentioned above, the Valuation as at the Valuation Date was approximately RMB891.2 million. The consideration of the Share Purchase Price of RMB890 million represents a discount of approximately 0.14% to the Valuation.

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 Group.

The Valuation Report was prepared by JLL using the market approach. 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 have 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. We also obtained and discussed the supporting calculation/documents for the key assumptions and parameters under the Valuation Report.

We noted that JLL performed a trading multiples analysis which includes the price to earnings ratio ("**PER**"), the price to book ratio ("**PBR**") and the price to sales ratio ("**PSR**") for the purpose of arriving at the Target Group Valuation. JLL searched for listed companies in mainboard/SME board of Shanghai Stock Exchange, Shenzhen Stock Exchange and the Hong Kong Stock Exchange, which are engaged in LED lighting industry. Details of the comparables (the "**Comparables**") are set out under the section headed "Summary of Market Approach" in Appendix V to the Circular. For our due diligence purpose, we enquired into JLL regarding the basis for the selection of the Comparables.

Having considered the following factors, including:

(i) the experience and reputation of JLL, in particular the person who will sign off the Target Group Valuation Report has over 20 years of experience in business valuation (for our due diligence purpose, we obtained the person's curriculum vitae);

(ii) the Target Group 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 has not subjectively carved out any Comparables which met the aforesaid selection criteria; and

(iv) based on our independent research, the Comparables and the Target Group are engaged in LED lighting industry,

we do not doubt the fairness and representativeness of the Comparables.

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 not marketable stock. As the Target Company is not a listed company, the ability to convert the business interest into cash is not the same as the listed companies. As such, a valuation reduction was applied.

According to "Discount for lack of Marketability, Job Aid for IRS Valuation Professionals 2009", since the Target Group's revenue for financial year 2017 was over $100 million US dollars, average discount of 14.9% is used as a proxy for DLOM as at the Valuation Date. For our due diligence purpose, we obtained "Discount for lack of Marketability, Job Aid for IRS Valuation Professionals 2009".

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

Nevertheless, Shareholders should note that valuation of the Target Group involves assumptions and therefore the Valuation may or may not reflect the true market value of the Target Group accurately.

Having considered that (i) the price multiples analysis of the Proposed Acquisition as mentioned above; and (ii) the Share Purchase Price represents a discount to the Valuation, we are of view that the Proposed Acquisition is fair and reasonable so far as the Independent Shareholders are concerned.

Previous acquisition

In December 2016, ETIC sold its entire interest in the Target Company to Jadestone at a cash consideration of RMB190,000,000 (the "**Previous Transaction**"). Jadestone also agreed to repay a debt in the amount of RMB377,000,000 owed by the Target Company to ETIC and its subsidiaries. According to the announcement of ETIC in relation to its 2018 first quarter report, as at 27 April 2018, an amount of RMB303,480,000 had been repaid by Jadestone on behalf of the Target Company. The Previous Transaction was completed on 30 December 2016 (the "**Previous Transaction Completion Date**").

In light of (i) the Target Group gradually scaled down PRC lighting business after completion of the ETIC Group Restructuring and focused on operation of overseas lighting business which typically rendered higher gross profit margin during the year ended 31 December 2017; and (ii) the time lapse between the Previous Transaction Completion Date and date of Formal Share Purchase Agreement is over one and a half years, we do not consider the trading multiples of the Previous Transaction to be comparable to that of the Proposed Acquisition.

Security

As the Company would pay approximately 22.22% of the Preliminary Purchase Price (before adjustment) on the seventh Business Day from the later of the signing of the Heads of Agreement or the Share Charge Agreement according to the wiring instruction given by Jadestone in writing, Jadestone agrees to charge in favour of the Company by way of first fixed charge its entire right, title and interest in and to 3,333,333 shares of the Target Company, representing approximately 22.22% of the Target Shares, in accordance with the Share Charge Agreement.

Pursuant to the Share Charge Agreement, among other things,

(i) Jadestone shall remain liable to observe and perform all of the other conditions and obligations assumed by them in respect of any of security assets;

(ii) NVC shall not be required to perform or fulfil any obligation of Jadestone in respect of security assets or to make any payment, or to make any enquiry as to the nature or sufficiency of any payment received by it or Jadestone, or to present or file any claim or take any other action to collect or enforce the payment of any amount to which it may have been or to which it may be entitled under the Share Charge at any time or times;

(iii) Jadestone shall not appoint nor procure the appointment of any new director without the prior written consent of NVC.

We consider the possible Share Charge under the aforementioned circumstances to be beneficial to the Company.

Guarantee

The Guarantor (a) unconditionally and irrevocably guarantee to the Company the due and punctual performance and observance by Jadestone of all its obligations, commitments, undertakings, warranties, indemnities and covenants under or pursuant to the Formal Share Purchase Agreement and other transaction documents (including the Heads of Agreement, the Share Charge Agreement, etc.); and (b) agrees to indemnify the Company against all losses which the Company may suffer or incur through or arising from any breach by Jadestone of such obligations, commitments, warranties, undertakings, indemnities or covenants.

We consider that the guarantee arrangement may safeguard the Shareholder's interests.

Other terms of the Proposed Acquisition, such as Non-competition restriction (which we consider is in the interest of the Company and Shareholders as a whole), conditions precedent, etc., are set out under the section headed "The Proposed Acquisition" of the Board Letter.

Possible financial effects of the Proposed Acquisition

With reference to the Board Letter, upon completion, the Company will hold 100% equity interest in Target Company and the Target Group will become wholly-owned subsidiaries of the Company.

Based on the unaudited pro forma financial information on the Enlarged Group (which was for the purpose of illustrating the financial impact of the Proposed Acquisition on the assets and liabilities of the Group as if the Proposed Acquisition had been completed on 30 June 2018) as set out in Appendix IV to the Circular, the total assets of the Group as at 30 June 2018 would increase from approximately RMB6,119.2 million to approximately RMB6,405.9 million, and its total liabilities as at 30 June 2018 would increase from approximately RMB2,733.2 million to approximately RMB3,025.9 million, as a result of the Proposed Acquisition.

It should be noted that the aforementioned analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon the completion of the Proposed Acquisition.

Recommendation

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Heads of Agreement and the Formal Share Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Acquisition 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 Proposed Acquisition 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 2015, 2016, and 2017 and condensed consolidated financial statements of the Group for the six months ended 30 June 2018 are respectively disclosed in pages 140 to 307 of the annual report of the Company for the year ended 31 December 2015, 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 and pages 68 to 156 of the interim report of the Company for the six months ended 30 June 2018, 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 2015
   http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0428/LTN20160428411.pdf

2. Annual report of the Company for the year ended 31 December 2016
   http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0426/LTN201704261041.pdf

3. Annual report of the Company for the year ended 31 December 2017
   http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0426/LTN20180426731.pdf

4. Interim report of the Company for the six months ended 30 June 2018
   http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0921/LTN20180921373.pdf

INDEBTEDNESS STATEMENT

At the close of business on 31 August 2018, 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 Enlarged Group was as follows:

Borrowings

(i) Secured bank loans of approximately RMB420.4 million secured by the pledge over certain trade receivables, buildings and bank deposits of the Group.

(ii) Unsecured other borrowings of approximately RMB2.2 million.

Pledged assets

(i) Certain buildings included in property, plant and equipment with aggregate carrying amount of approximately RMB43.9 million were pledged for the Group's bank borrowings.

(ii) Certain trade receivables with aggregate carrying amount of approximately RMB11.7 million were pledged to secure bank borrowings.

(iii) Bank deposits with aggregate carrying amounts of approximately RMB400.0 million, RMB176.8 million and RMB0.7 million were pledged for bank borrowings, issuing of letters of guarantee and the Group's applications of assets preservation in certain PRC legal proceedings respectively.

Contingent liabilities

Guarantees given to banks and a finance company in connection with facilities granted to two PRC companies and Mrs. Wu Lian, an individual amounted to approximately RMB131.5 million.

The Group acted as defendant in lawsuits brought by two PRC banks and a PRC finance company alleging that the Group should assume guarantee liabilities of RMB131.5 million and related interests according to guarantee agreements, further details of which are set out under subsection 7(b) of Appendix VI to this circular. The directors consider that the likelihood of the Group sustaining losses from the guarantees is remote, and accordingly no provision for claims arising from the litigations is considered necessary as at 31 August 2018, save for the related legal and other costs. Based on the respective court judgements, interests are imposed on the principal amounts as disclosed above, which are calculated on (i) principal amount of approximately RMB62.0 million at 9.9% per annum plus compound interest at 9.9% per annum on unpaid interest since 21 October 2014, amounting to approximately RMB26.9 million as at 31 August 2018; (ii) principal amount of approximately RMB34.0 million at four times of six-month borrowing rate of the People's Bank of China since 8 October 2014, amounting to approximately RMB24.3 million as at 31 August 2018; and (iii) principal amount of approximately RMB35.5 million at 0.05% per day since 4 January 2015, amounting to approximately RMB23.9 million as at 31 August 2018.

In addition, during the year ended 31 December 2015, an entity in the United States (the "Plaintiff") filed a complaint on a subsidiary of the Target Group for patent infringement. On 23 February 2017, a final judgement of non-infringement was entered in favour of the subsidiary by the District Court of Delaware. The Plaintiff has filed an appeal to the Federal Court and whether the appeal will be accepted by the court and be proceeded to a trial are uncertain up to 31 August 2018. Accordingly, in the opinion of the directors, the possible claim, if any, cannot be reliably measured.

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 2018.

Save as aforesaid and apart from the intra-group liabilities and normal trade payables, the Enlarged Group did not have, at the close of business on 31 August 2018, 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 Enlarged Group since 31 August 2018.

WORKING CAPITAL

The Directors are of the view that, after taking into account of the Enlarged Group's presently available financial resources, the Enlarged 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 2017 (being the date to which the latest published audited annual consolidated financial statements of the Group made up).

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the annual report of the Group for the year ended 31 December 2017, the Group will continue to develop business all over the world, conduct comprehensive and in-depth reforms in domestic and overseas sales channel expanding as well as internal management improvement, gradually transform itself from a manufacturing enterprise to a channel enterprise, devote itself to commercial lighting, home lighting, kitchen & bathroom and township channels, strive to become the first brand of smart lighting solution provider, and achieve the ultimate mission of using innovative technology and artistic design to bring people an infinitely beautiful living experience space.

In 2018, the Group will focus on optimizing and integrating the resources on the three platforms of R&D, logistics and customer services, on the basis of promoting the four cost saving measures for reducing R&D cost, manufacturing cost, purchasing cost and labor cost. In terms of R&D platform, the Group will integrate internal resources to establish the Central Research Institute. Apart from completing the development of specialized commercial lighting products and home styled products in cooperation with the Group, the Central Research Institute will deeply research into the future lifestyle and healthy lighting, carry out upgrade and transformation of intelligent products and establish intelligent application scenario models, thereby opening the Group's new era in developing intelligent lighting. In terms of logistics platform, the Group will finish planning and layout of 8 logistics warehouses on the principle of resource optimization and concentrated operation in 2018, and establish then secondary distribution resource system by combining express delivery and logistics resources, thus realizing the "Next Day Delivery" of over 80% orders. In addition, the Group will launch the logistics system in 2018, which will connect through the information flows inside and outside various regions and refine data exchange platforms to achieve intensification, standardization and informationization of transport services. In terms of customer service platform, the Group will gradually promote use of 400 hotline on the basis of the existing standardized call center in 2018, thus enhancing the systematic degree of business handling process; meanwhile, the Group will present the after-sales service platform system, so as to complete the development of user management, order management, service provider management, engineer management and assistant management modules, optimize the quick response mechanism, and upgrade the customer satisfaction.

Looking forward, the Board considers to further enhance its distribution business, through exploring the opportunities to acquire potential business over the world. On 19 March 2018 and 23 May 2018, the Company entered into two sale and purchase agreements respectively, together to acquire 100% equity of Blue Light (HK) Trading Co., Limited, which will expand the online distribution channels of the Company and realize online and offline integration.

Set out below is the text of a report received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, which has been prepared for the purpose of incorporation in this circular.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NVC LIGHTING HOLDING LIMITED

Introduction

We report on the historical financial information of Elec-Tech Solid State Lighting (HK) Limited (the "Target Company") and its subsidiaries (together the "Target Group") set out on pages 57 to 105, which comprises the combined statements of financial position as at 31 December 2015, 2016 and 2017 and 30 April 2018 and the statements of financial position of the Target Company as at 31 December 2015, 2016 and 2017 and 30 April 2018, and the combined statements of profit or loss, the combined statements of other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages 57 to 105 forms an integral part of this report, which has been prepared for inclusion in the circular of NVC Lighting Holding Limited (the "Company") dated 10 October 2018 (the "Circular") in connection with the proposed acquisition of the entire equity interest in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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 the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2015, 2016 and 2017 and 30 April 2018, the Target Group's financial position as at 31 December 2015, 2016 and 2017 and 30 April 2018 and of the Target Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Target Group which comprises the combined statement of profit or loss, the combined statement of other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the four months ended 30 April 2017 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 57 have been made.

BDO Limited
Certified Public Accountants
Lam Siu Fung
Practising Certificate no. P05308

Hong Kong
10 October 2018

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report. The financial statements of the Target Group for the Track Record Period (also referred to as the "Relevant Periods"), on which the Historical Financial Information is based, were prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements") and were audited by BDO Limited.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

I. HISTORICAL FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December			Four months ended 30 April	
	Notes	**2015**	**2016**	**2017**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*5*	884,279	1,330,501	657,305	220,450	192,382
Cost of sales		(820,717)	(1,147,892)	(434,092)	(169,000)	(132,694)
Gross profit		63,562	182,609	223,213	51,450	59,688
Other income	*5*	16,642	20,525	9,521	3,626	2,666
Administrative expenses		(19,137)	(54,791)	(43,444)	(8,480)	(15,437)
Selling and distribution costs		(71,049)	(69,946)	(86,779)	(24,789)	(33,780)
Other expenses		(104)	(1,112)	(5,932)	(348)	(2,765)
(Loss)/profit before income tax	*6*	(10,086)	77,285	96,579	21,459	10,372
Income tax	*8*	1,499	(12,924)	(18,581)	(2,911)	(249)
(Loss)/profit for the year/period		(8,587)	64,361	77,998	18,548	10,123

COMBINED STATEMENTS OF OTHER COMPREHENSIVE INCOME

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(Loss)/profit for the year/period	(8,587)	64,361	77,998	18,548	10,123
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	(1,760)	(3,633)	2,443	(214)	(32)
Total comprehensive income for the year/period	(10,347)	60,728	80,441	18,334	10,091

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2015 RMB'000	2016 RMB'000	2017 RMB'000	As at 30 April 2018 RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*10*	57,084	43,205	41,203	35,800
Intangible assets	*11*	1,428	5,893	15,761	16,603
Prepayments		2,261	3,025	3,082	5,464
Deferred tax assets	*22*	5,152	1,862	2,434	6,846
		65,925	53,985	62,480	64,713
Current assets					
Inventories	*12*	238,431	95,126	89,704	108,202
Trade and bills receivables	*13*	131,045	112,447	78,582	93,916
Prepayments, deposits and other receivables	*14*	106,094	157,358	44,345	44,027
Amount due from shareholder	*23*	–	–	470	3,980
Other current assets comprising value-added tax recoverable		28,115	12,779	14,421	10,230
Pledged time deposits	*15*	–	–	23,223	30,450
Cash and cash equivalents		19,771	12,760	50,664	44,337
		523,456	390,470	301,409	335,142
Current liabilities					
Trade and bills payables	*16*	266,062	263,572	115,693	148,073
Other payables and accruals	*17*	310,282	385,692	80,159	72,988
Tax payable		2,763	10,891	18,021	18,687
		579,107	660,155	213,873	239,748
Net current (liabilities)/assets		(55,651)	(269,685)	87,536	95,394
Total assets less current liabilities		10,274	(215,700)	150,016	160,107
Net assets/(liabilities)		10,274	(215,700)	150,016	160,107
EQUITY					
Share capital	*18*	91,988	91,988	91,988	91,988
Reserves	*19*	(81,714)	(307,688)	58,028	68,119
Total equity		10,274	(215,700)	150,016	160,107

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2015 RMB'000	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 30 April 2018 RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*10*	–	–	8	7
Investments in subsidiaries	*24*	69,826	69,826	69,826	69,826
		69,826	69,826	69,834	69,833
Current assets					
Trade receivables	*13*	–	–	55,116	94,395
Prepayments, deposits and other receivables	*14*	22,462	322	42,396	53,508
Amount due from shareholder	*23*	–	–	62,596	70,876
Cash and cash equivalents		14	771	18,955	11,148
		22,476	1,093	179,063	229,927
Current liabilities					
Trade payables	*16*	–	–	95,580	130,602
Other payables and accruals	*17*	10	107,067	14,034	9,566
Tax payable		–	–	7,397	10,618
		10	107,067	117,011	150,786
Net current assets/(liabilities)		22,466	(105,974)	62,052	79,141
Total assets less current liabilities		92,292	(36,148)	131,886	148,974
Net assets/(liabilities)		92,292	(36,148)	131,886	148,974
EQUITY					
Share capital	*18*	91,988	91,988	91,988	91,988
Reserves	*19*	304	(128,136)	39,898	56,986
Total equity		92,292	(36,148)	131,886	148,974

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital RMB'000	(Accumulated losses)/ retained profits RMB'000	Statutory reserve RMB'000	Foreign currency translation reserve RMB'000	Other reserve RMB'000	Total equity RMB'000
Balance at 1 January 2015	91,988	(73,753)	–	2,386	–	20,621
Loss for the year	–	(8,587)	–	–	–	(8,587)
Other comprehensive income:						
Exchange differences on translation of foreign operations	–	–	–	(1,760)	–	(1,760)
Total comprehensive income for the year	–	(8,587)	–	(1,760)	–	(10,347)
Balance at 31 December 2015 and 1 January 2016	91,988	(82,340)	–	626	–	10,274
Profit for the year	–	64,361	–	–	–	64,361
Other comprehensive income:						
Exchange differences on translation of foreign operations	–	–	–	(3,633)	–	(3,633)
Total comprehensive income for the year	–	64,361	–	(3,633)	–	60,728
Disposal of subsidiaries under common control *(Note 29)*	–	–	–	–	(1,427)	(1,427)
Distributions to entities under common control*	–	–	–	–	(285,275)	(285,275)
Transfer to statutory reserve	–	(1,350)	1,350	–	–	–
Balance at 31 December 2016 and 1 January 2017	91,988	(19,329)	1,350	(3,007)	(286,702)	(215,700)
Profit for the year	–	77,998	–	–	–	77,998
Other comprehensive income:						
Exchange differences on translation of foreign operations	–	–	–	2,443	–	2,443
Total comprehensive income for the year	–	77,998	–	2,443	–	80,441
Shareholder's contribution#	–	–	–	–	285,275	285,275
Transfer to statutory reserve	–	(4,071)	4,071	–	–	–
Balance at 31 December 2017 and 1 January 2018	91,988	54,598	5,421	(564)	(1,427)	150,016
Profit for the period	–	10,123	–	–	–	10,123
Other comprehensive income:						
Exchange differences on translation of foreign operations	–	–	–	(32)	–	(32)
Total comprehensive income for the period	–	10,123	–	(32)	–	10,091
Transfer to statutory reserve	–	(509)	509	–	–	–
Balance at 30 April 2018	91,988	64,212	5,930	(596)	(1,427)	160,107
Balance at 1 January 2017	91,988	(19,329)	1,350	(3,007)	(286,702)	(215,700)
Profit for the period	–	18,548	–	–	–	18,548
Other comprehensive income:						
Exchange differences on translation of foreign operations	–	–	–	(214)	–	(214)
Total comprehensive income for the period	–	18,548	–	(214)	–	18,334
Transfer to statutory reserve	–	(1,739)	1,739	–	–	–
Balance at 30 April 2017 (Unaudited)	91,988	(2,520)	3,089	(3,221)	(286,702)	(197,366)

* During the year ended 31 December 2016, certain long-outstanding trade and other receivables were transferred from entities under the control of Elec-Tech (defined below in Note 13) at a consideration of RMB285,275,000. The fair value of these receivables was considered minimal at initial recognition. The Target Group was also under the control of Elec-Tech at the time of the above transfer. As a result, the difference between the consideration and the fair value was regarded as distributions to entities under common control recognised in other reserve.

\# During the year ended 31 December 2017, the Target Group's long-outstanding trade and other receivables in the gross amount of RMB285,275,000 with minimal fair value were borne by the shareholder of the Target Company and the corresponding contribution was regarded as shareholder's contribution recognised in other reserve, further details of which are set out in Note 30(b).

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cash flows from operating activities					
(Loss)/profit before income tax	(10,086)	77,285	96,579	21,459	10,372
Adjustments for:					
Depreciation of property, plant and equipment	13,072	12,125	11,676	3,148	3,220
Write-off of intangible assets	–	–	–	1,257	3,270
Amortisation of intangible assets	34	338	965	231	881
(Reversal of impairment)/impairment on deposits and other receivables	(840)	2,332	(3,359)	(1,565)	(1,425)
Impairment of property, plant and equipment	–	943	–	–	–
Loss on disposal of property, plant and equipment	–	–	–	–	290
Write-down of inventories	20,007	6,629	3,426	5,243	1,085
Interest income	(235)	(670)	(1,721)	(454)	(587)
Net exchange differences	(1,859)	(3,978)	15,676	(461)	1,013
Operating profit before working capital changes	20,093	95,004	123,242	28,858	18,119
(Increase)/decrease in inventories	(197,128)	73,157	1,996	3,182	(19,583)
(Increase)/decrease in trade and bills receivables	(85,835)	15,147	29,741	(34,606)	(15,334)
Decrease/(increase) in prepayments, deposits and other receivables	14,620	(36,188)	(146,231)	(119,003)	1,781
Increase/(decrease) in trade and bills payables	129,669	82,144	(17,055)	(91,170)	32,380
Increase/(decrease) in other payables and accruals	237,418	(69,311)	103,219	243,761	(7,171)
(Increase)/decrease in other current assets	(28,115)	11,621	(1,642)	6,347	4,191
	90,722	171,574	93,270	37,369	14,383
Income tax paid	(699)	(4,194)	(12,023)	(8,316)	(4,014)
Net cash generated from operating activities	90,023	167,380	81,247	29,053	10,369
Cash flows from investing activities					
Payments for purchase of property, plant and equipment	(72,440)	(49,829)	(12,746)	(2,460)	(3,659)
Net cash outflows from disposal of subsidiaries *(Note 29)*	–	(1,346)	–	–	–
Purchase of intangible assets	(1,335)	(4,752)	(10,898)	(2,000)	(5,055)
Proceeds from disposal of property, plant and equipment	578	11,664	2,936	118	3,111
Increase in amount due from shareholder	–	–	–	124	(3,510)
Increase in pledged time deposits	–	–	(23,223)	–	(7,227)
Interest received	235	670	1,721	454	587
Net cash used in investing activities	(72,962)	(43,593)	(42,210)	(3,764)	(15,753)
Cash flows from financing activity					
Distribution to entities under common control	–	(131,052)	–	–	–
Net cash used in financing activity	–	(131,052)	–	–	–
Net increase/(decrease) in cash and cash equivalents	17,061	(7,265)	39,037	25,289	(5,384)
Cash and cash equivalents at beginning of the year/period	2,622	19,771	12,760	12,760	50,664
Effect of exchange rate changes on cash and cash equivalents	88	254	(1,133)	20	(943)
Cash and cash equivalents at end of the year/period	19,771	12,760	50,664	38,069	44,337
Analysis of balances of cash and cash equivalents					
Cash and cash equivalents	19,771	12,760	50,664	38,069	44,337

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. INFORMATION ABOUT THE TARGET GROUP

(a) Corporate information

The Target Company is a limited liability company incorporated in Hong Kong on 31 May 2010. The registered office and the principal place of business of the Target Company is located at Unit 608, 6/F Lakeside 1, Phase Two, Hong Kong Science Park, Pak Shek Kok, N.T., Hong Kong.

The principal activity of the Target Company is trading of lighting products and investment holding. The principal activities of the subsidiaries are the design, manufacturing and trading of LED lighting products.

Pursuant to a group reorganisation (the "Reorganisation") carried out by the Target Group in preparation for the acquisition by Jadestone China High-technology Industry Investment Fund LP (the existing sole shareholder of the Target Company), the Target Company became the holding company of the companies now comprising the Target Group in 2016. Details of the Reorganisation are set out in the section headed "Management Discussion and Analysis on the Target Group" in the Circular.

(b) Reorganisation

Upon completion of the Reorganisation and as of the date of this report, the Target Company had direct or indirect interests in the following subsidiaries with limited liability:

Company name	Place and date of establishment	Particulars of issued share capital/registered capital	Percentage of issued share capital held by the Target Company: As at 31 December 2015	2016	2017	As at 30 April 2018	Principal activity
Directly held by the Target Company:							
ETI Solid State Lighting Inc.	The United States, 14 July 2011	USD25,000	*100%	100%	100%	100%	Trading LED lighting products
ETI Solid State Lighting (Wuhu) Ltd. 怡迅(蕪湖)光電科技有限公司	The People's Republic of China, (the "PRC"), 18 November 2010	USD15,000,000	100%	100%	100%	100%	Manufacturing and trading of LED lighting products
Indirectly held by the Target Company:							
ETI Solid State Lighting (Zhuhai) Ltd. 怡迅(珠海)光電科技有限公司	PRC, 25 June 2014	RMB130,000,000	*100%	100%	100%	100%	Manufacturing and trading of LED lighting products
蕪湖三頤照明有限公司 ("Wuhu 3E")	PRC, 19 May 2011	RMB30,000,000	*100%	–	–	–	Manufacturing and trading of LED lighting products
蚌埠雷士照明科技有限公司 ("BB Lighting")	PRC, 5 August 2011	RMB30,000,000	*100%	–	–	–	Manufacturing and trading of LED lighting products

* These subsidiaries were transferred to the Target Company during the year ended 31 December 2016 but they were deemed to be within the Target Group since the beginning of the Relevant Periods.

All companies now comprising the Target Group have adopted 31 December as their financial year end date.

2.1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Pursuant to the Reorganisation, the Target Company became the holding company of the subsidiaries now comprising the Target Group.

The Reorganisation involved the formation of the Target Group and is considered as business combinations under common control. Immediately after the Reorganisation, there was a continuation of the risks and benefits to the ultimate controlling party that existed prior to the Reorganisation. Accordingly the financial statements have been prepared using the merger basis of accounting as if the current group structure had always been in existence.

The combined statements of profit or loss, combined statements of other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Target Group for the Relevant Periods include the results and cash flows of the companies now comprising the Target Group as if the current group structure, after the completion of the above steps of the Reorganisation, had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, whichever was shorter.

The combined statements of financial position of the Target Group as at 31 December 2015, 2016, 2017 and 30 April 2018 have been prepared to present the state of the affairs of the Target Group as if the current group structure, after the completion of the above steps of the Reorganisation, had been in existence as at the respective dates.

All significant intra-group transactions and balances have been eliminated on combination.

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 2.2 below which conform to IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Historical Financial Information has been prepared under the historical cost convention.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The principal activities of the Target Group are expressed in RMB, and all are rounded to the nearest thousand except when otherwise indicated.

Accordingly, the Target Group uses RMB as its reporting currency.

2.2 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has consistently applied all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations (collectively referred to as "IFRSs") issued by the IASB which are effective for the accounting period commencing from 1 January 2018 throughout the Relevant Periods.

At the date of this report, the following new standards and amendments to standards, potentially relevant to the Target Group's Historical Financial Information, have been issued by the IASB, which are not yet effective and have not been early adopted by the Target Group in preparing this Historical Financial Information:

Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IAS 28 Investments in Associates and Joint Ventures[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3 Business Combinations[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11 Joint Arrangements[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12 Income Taxes[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23 Borrowing Costs[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
IFRS 16	Leases[1]
IFRIC 23	Uncertainty Over Income Tax Treatments[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

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

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

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 3 Business Combinations

The amendment clarifies that a company remeasures its previously held interest in a joint operation that is a business when it obtains control of the business. Paragraph 42A is added to clarify this requirement.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 12 Income Tax

The amendment clarifies that a company accounts for all income tax consequences of dividend payments in the same way as the entity recognised the originating transaction or event that generated the distributable profit giving rise to the dividend. Paragraph 57A to IAS 12 is added to clarify this point.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 23 Borrowing Costs

The amendment clarifies that when a qualifying asset is ready for its intended use or sale and (some of) the related specific borrowing remains outstanding, that borrowing is treated as general borrowings. Paragraph 14 of IAS 23 is amended to convey this principle.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

IFRS 16 – Leases

IFRS 16, which upon the effective date will supersede IAS 17 – Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 30 April 2018, the Target Group has non-cancellable operating lease commitments of approximately RMB5,420,000 as disclosed in Note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Target Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

IFRIC – Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

2.3 SIGNIFICANT ACCOUNTING POLICIES

Basis of combination and subsidiaries

The Historical Financial Information incorporates the financial statements of the Target Company and its subsidiaries comprising the Target Group for the Relevant Periods on a combined basis as further detailed in Note 2.1.

Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the combined financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

A subsidiary is an investee over which the Target Company is able to exercise control. The Target Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights to, variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The results of subsidiaries are included in the Target Company's statement of profit or loss to the extent of dividends received and receivable.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, assets held for sale, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Target Group;

  (ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of the parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a party, provides key management personnel services to the Target Group or the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives used for this purpose are as follows:

Furniture, fixtures and equipment	5 to 7 years
Leasehold improvements	2 years
Other computer hardware and software	3 to 5 years
Plant and machinery	5 to 10 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial period end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life on the straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial period end.

Intangible assets with indefinite useful lives are tested for impairment at least annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Target Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project; and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding three years, commencing from the date when the products are put into commercial production.

Patents

The patents were granted for a period of five to ten years by the relevant government agency in different jurisdiction with the option of renewal at the end of this period. Patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five to ten years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Target Group, other than legal title, are accounted for as finance leases. The Target Group had no finance leases during the Relevant Periods.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Financial assets

Classification

The Target Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Target Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Target Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and measurement

At initial recognition, the Target Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Target Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Target Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (OCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method.

- The Target Group had no equity instruments during the Relevant Periods.

Impairment

The Target Group's debt instruments carried at amortised cost including trade and bills receivables and deposits and other receivables are subject to IFRS 9's expected credit losses ("ECLs") model.

Under IFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Target Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Target Group has established a provision matrix that is based on the Target Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs are the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Target Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Target Group's historical experience and informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Group is exposed to credit risk.

(i) Significant increase in credit risk

The following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant changes in financial support from parent or group companies.

On top of the outcome of the above assessment, the Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due.

(ii) Definition of default

The Target Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group).

(iii) Credit-impaired financial assets

At each reporting date, the Target Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Target Group on terms that the Target Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

(iv) Measurement and recognition of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Target Group expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated further cash flows.

(v) Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate.

Any recoveries made are recognised in profit or loss.

Derecognition

The Target Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Target Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade and bills payables and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

After initial recognition, trade and bills payables and other payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Target Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred income tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and the revenue can be measured reliably, on the following basis:

Sale of goods

Revenue from the sale of goods is recognised at a point of time when the control of the goods have been transferred to the buyer. The credit periods generally range from 30 to 180 days for major customers. New customers are normally required to pay in advance. The Target Group also offers cash discount to major customers for early repayment. The cash discount is estimated using most likely amount method and recorded as a reduction of revenue as sales are recognised.

For sales commission paid to agents and salesmen, the Target Group is required to capitalise these sales commission as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commission can be expensed when incurred.

During the Relevant Periods, such sales commission was expensed when incurred as the expected amortisation period was one year or less.

The Target Group recorded advances from customers as contract liabilities under "Other payables and accruals". Advances from customers are recognised as revenue when relevant goods were transferred to the customers.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Commission income

Commission income was recognised over time when services were rendered. No credit period was granted.

Shipping and delivery income

Shipping and delivery income is recognised over time when services are rendered. No credit period is granted.

Rental income

Rental income arising from operating leases is recognised on straight-line basis over the lease terms.

Interest income

Interest income is recognised on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of financial assets.

Employee benefits

(a) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the period when the employees render the related service.

(b) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(c) Defined contribution plan for employees

The Target Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Target Group, in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Target Group with respect to the MPF Scheme is to make the required contributions under the Scheme.

The Target Group also participates in defined contribution retirement schemes organised by the relevant local government authorities in the PRC and the United States. Certain employees of the Target Group eligible for participating in the retirement schemes are entitled to retirement benefits from the schemes. The Target Group is required to make contributions to the retirement scheme up to the time of the retirement of the eligible employees, excluding those employee who resign before retirement, at a percentage that is specified by the local government authorities.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

(a) where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(b) receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the combined statements of financial position.

Dividends

Final dividends proposed by the directors are classified as a separate allocation within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Target Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The combined financial statements are presented in RMB, which is different from the Target Company's functional currency of United States Dollar ("US$"). Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Target Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Target Company and certain subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the relevant periods.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve, a separate component of equity. On disposal of a subsidiary with a functional currency other than RMB, the component of other comprehensive income relating to that particular subsidiary is recognised in the combined statements of profit or loss.

For the purpose of the combined statements of cash flows, the cash flows of the Target Company and certain subsidiaries, whose functional currencies are not RMB, are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Target Company and certain subsidiaries, whose functional currencies are not RMB, which arise throughout the reporting period are translated into RMB at the weighted average exchange rates for the reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Target Group's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the combined financial statements:

Corporate income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Target Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets

The Target Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumption to be applied in preparing cash flow projections including whether these cash flow projections are discounted using appropriate rates. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test significantly.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in Note 2.3. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. Further details are set out in Note 11.

Impairment of trade and other receivables

The impairment of trade and other receivables are based on estimation about risk of default and ECL rate in accordance with accounting policy stated in Note 2.3. The Target Group estimates the above broadly based on the available customers' historical data, existing market condition including forward looking estimates at the end of the reporting period.

Recognition of a deferred tax liability for withholding taxes

The PRC New Corporate Income Tax Law, which became effective on 1 January 2008, states that the distribution of dividends by a foreign-invested enterprise established in the PRC to its foreign investors, from its earnings after 31 December 2007, shall be subject to withholding corporate income taxes at a rate of 10% unless there is a tax treaty between the PRC and the jurisdiction of the foreign investors suggesting a lower withholding tax rate. The Target Group carefully evaluates the necessity of dividend distribution of its PRC subsidiaries out of profits earned after 31 December 2007 and makes decisions on such dividend distribution based on the senior management's judgement. Details are set out in Note 22.

4. SEGMENT REPORTING

(a) Business segment

For the Relevant Periods, the Target Group has one single reportable segment which was promoted and managed as a single strategic business unit that is engaged in the design, manufacturing and trading of LED lighting products. Information reported to the Target Group's chief operation decision-maker, for the purpose of resource allocation and assessment performance is focused on the operating results of the Target Group as a whole as the Target Group's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis is presented.

(b) Geographical information

(i) Revenue from external customers

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
The PRC	750,818	1,227,746	129,377	19,652	36,274
The United States	133,461	102,755	527,928	200,798	156,108
	884,279	1,330,501	657,305	220,450	192,382

The revenue information above is based on the locations of the customers.

(ii) Non-current assets

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The PRC	59,379	49,696	55,587	56,487
The United States	1,394	2,427	4,451	1,373
Hong Kong	–	–	8	7
	60,773	52,123	60,046	57,867

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets and financial assets.

(c) Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Target Group's revenue during the Relevant Periods, are set out below:

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Elec-Tech *(defined in Note 13)* and its subsidiaries	289,171	651,992	126,761	N/A*	34,768
Customer A	N/A*	N/A*	357,824	140,724	121,488

* Customer A and Elec-Tech and its subsidiaries contributed less than 10% of total revenue of the Target Group in the respective period.

(d) Timing of revenue recognition

All revenue from external customers is recognised at a point of time during the Relevant Periods.

5. REVENUE AND OTHER INCOME

Revenue represents sales of LED lighting products by the Target Group during the Relevant Periods. All the Target Group's revenue is derived from contracts with customers.

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Other income					
Government grants	–	2,320	5,078	1,813	892
Commission income	15,482	15,643	37	39	–
Shipping and delivery income	879	1,576	1,975	1,080	612
Rental income	–	–	710	240	232
Bank interest income	235	670	1,721	454	587
Sundry income	46	316	–	–	343
	16,642	20,525	9,521	3,626	2,666

6. (LOSS)/PROFIT BEFORE INCOME TAX

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
This is arrived at after charging/(crediting):					
Cost of inventories sold	800,710	1,141,263	430,666	163,757	131,609
Auditor's remuneration	759	330	512	119	379
Depreciation of property, plant and equipment	13,072	12,125	11,676	3,148	3,220
Amortisation of patents	–	79	176	18	72
Write-off of intangible assets	–	–	–	1,257	3,270
Operating lease charges	2,311	10,027	6,354	1,836	2,442
(Reversal of impairment)/impairment on deposits and other receivables	(840)	2,332	(3,359)	(1,565)	(1,425)
Impairment of property, plant and equipment	–	943	–	–	–
Loss on disposal of property, plant and equipment	–	–	–	–	290
Write-down of inventories	20,007	6,629	3,426	5,243	1,085
Research and development costs:					
Deferred expenditure amortised	34	259	789	213	809
Current year/period expenditure	4,329	19,074	7,793	937	2,346
	4,363	19,333	8,582	1,150	3,155
Staff costs (including director's emoluments)					
Wages and salaries	25,848	35,664	38,277	9,837	13,172
Pension scheme contributions (defined contribution scheme)	3,107	5,625	5,392	1,147	1,237
Other welfare expenses	929	3,084	2,459	585	960
	29,884	44,373	46,128	11,569	15,369

7. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) (the Ordinance) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (the Regulation) are as follows:

Year ended 31 December 2015

	Fees	Salaries, allowances and other benefits	Contributions to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of directors				
Wang Donglei	–	–	–	–
Jiang Yun Zheng	–	–	–	–
Zhang Gang	–	–	–	–
Chan Kim Yung Eva	–	1,255	–	1,255
	–	1,255	–	1,255

Year ended 31 December 2016

	Fees	Salaries, allowances and other benefits	Contributions to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of directors				
Wong Donglei (resigned on 31 December 2016)	–	–	–	–
Jiang Yun Zheng (resigned on 31 December 2016)	–	–	–	–
Zhang Gang (resigned on 31 December 2016)	–	–	–	–
Chan Kim Yung Eva	–	1,863	–	1,863
	–	1,863	–	1,863

Year ended 31 December 2017

	Fees	Salaries, allowances and other benefits	Contributions to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of directors				
Chan Kim Yung Eva	–	4,662	124	4,786
Zhao Chun (appointed on 10 April 2017)	–	–	–	–
	–	4,662	124	4,786

Four months ended 30 April 2018

	Fees	Salaries, allowances and other benefits	Contributions to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of directors				
Chan Kim Yung Eva	–	889	15	904
Zhao Chun (resigned on 15 January 2018)	–	–	–	–
Zhou Chun Hua (appointed on 15 January 2018)	–	–	–	–
	–	889	15	904

Four months ended 30 April 2017 (Unaudited)

	Fees	Salaries, allowances and other benefits	Contributions to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of directors				
Chan Kim Yung Eva	–	965	16	981
Zhao Chun (appointed on 10 April 2017)	–	–	–	–
	–	965	16	981

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no remuneration was paid by the Target Group to any director as an inducement to join or upon joining the Target Group or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Group for the Relevant Periods included 1, 1, 1, 1 and 1 director of the Target Company whose emoluments during the years ended 31 December 2015, 2016 and 2017 and four months ended 30 April 2017 and 2018 respectively are reflected in the analysis presented above.

Emoluments payable to the remaining highest paid individuals during the Relevant Periods are as follows:

	Four months ended 31 December			Year ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Salaries, allowances and other benefits	5,352	4,595	5,335	1,798	1,839
Contributions to retirement benefits scheme	184	198	204	74	90
	5,536	4,793	5,539	1,872	1,929

The emoluments of the remaining individuals were within the following bands:

	Number of individuals				
	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
				(Unaudited)	
RMBNil to RMB865,000 (HK$Nil to HK$1,000,000)	–	2	–	4	4
RMB865,001 to RMB1,297,500 (HK$1,000,001 to HK$1,500,000)	3	1	3	–	–
RMB1,297,001 to RMB1,730,000 (HK$1,500,001 to HK$2,000,000)	–	–	–	–	–
RMB1,730,001 to RMB2,162,500 (HK$2,000,001 to HK$2,500,000)	1	–	–	–	–
RMB2,162,501 to RMB2,595,000 (HK$2,500,001 to HK$3,000,000)	–	1	1	–	–

During the Relevant Periods, no emoluments were paid by the Target Group to any of the five highest paid employees as an inducement to join or upon joining the Target Group or as compensation for loss of office.

(c) The emoluments paid or payable to members of senior management (including directors) were within the following bands:

	Number of individuals				
	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
				(Unaudited)	
RMBNil to RMB865,000 (HK$Nil to HK$1,000,000)	3	3	1	1	2
RMB865,001 to RMB1,297,500 (HK$1,000,001 to HK$1,500,000)	1	–	–	1	1
RMB1,297,501 to RMB1,730,000 (HK$1,500,001 to HK$2,000,000)	–	–	–	–	–
RMB1,730,001 to RMB2,162,500 (HK$2,000,001 to HK$2,500,000)	–	1	–	–	–
RMB2,162,501 to RMB2,595,000 (HK$2,500,001 to HK$3,000,000)	–	–	–	–	–
RMB4,757,501 to RMB5,190,000 (HK$5,500,001 to HK$6,000,000)	–	–	1	–	–

8. INCOME TAX

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current tax – Hong Kong	–	–	7,475	2,523	3,460
Current tax – the PRC	3,653	13,012	11,678	4,144	1,220
Deferred	(5,152)	(88)	(572)	(3,756)	(4,431)
Income tax (credit)/expense	(1,499)	12,924	18,581	2,911	249

Reconciliations between accounting (loss)/profit at applicable rates and income tax are as follows:

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
(Loss)/profit before income tax	(10,086)	77,285	96,579	21,459	10,372
Notional tax on (loss)/profit before income tax, calculated at the rates applicable in the tax jurisdiction concerned	(3,476)	8,984	15,001	109	(1,739)
Tax effect of non-taxable income	(1,091)	(1,490)	(1,294)	(301)	(224)
Tax effect of non-deductible expenses	1,009	4,592	4,373	2,979	611
Tax effect of unrecognised temporary differences	690	822	101	531	(1,061)
Tax effect of unrecognised tax losses	1,369	16	790	–	2,686
Tax effect of utilisation of unrecognised tax losses	–	–	(365)	(380)	–
Tax concession	–	–	(25)	(27)	(24)
Income tax	(1,499)	12,924	18,581	2,911	249

Hong Kong profits tax were calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017; and at 8.25% on the first HK$2 million of estimated assessable profits and at 16.5% for the portion of the estimated assessable profits above HK$2 million for the four months ended 30 April 2018. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions during the Relevant Periods.

ETI Solid State Lighting (Zhuhai) Ltd. was recognised as a high-tech enterprise by the PRC tax authority and entitled a preferential tax rate of 15% for three years starting from year 2016.

The Company's other subsidiaries located in the PRC are subject to enterprise income tax at the statutory tax rate of 25%.

9. DIVIDEND

The directors of the Target Company do not recommend the payment of a dividend during the Relevant Periods.

10. PROPERTY, PLANT AND EQUIPMENT

The Target Group

	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Other computer hardware and software RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015							
Cost:							
At 1 January 2015	562	–	312	11	–	–	885
Additions	10,608	39	221	59,195	44	72	70,179
Transfer	–	–	–	29	–	(29)	–
Disposals	(194)	–	–	(437)	–	–	(631)
Exchange realignment	38	1	20	–	–	–	59
At 31 December 2015	11,014	40	553	58,798	44	43	70,492
Accumulated depreciation:							
At 1 January 2015	(283)	–	(87)	–	–	–	(370)
Charged for the year	(2,729)	(15)	(132)	(10,183)	(13)	–	(13,072)
Disposals	5	–	–	48	–	–	53
Exchange realignment	(11)	–	(8)	–	–	–	(19)
At 31 December 2015	(3,018)	(15)	(227)	(10,135)	(13)	–	(13,408)
Impairment:							
At 1 January 2015	–	–	–	–	–	–	–
Charged for the year	–	–	–	–	–	–	–
At 31 December 2015	–	–	–	–	–	–	–
Net carrying amount:							
At 31 December 2015	7,996	25	326	48,663	31	43	57,084

The Target Group

	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Other computer hardware and software RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2016							
Cost:							
At 1 January 2016	11,014	40	553	58,798	44	43	70,492
Additions	2,883	3,946	722	38,785	135	2,594	49,065
Transfer	26	–	–	1,142	–	(1,168)	–
Disposals	(5,032)	–	–	(11,261)	–	–	(16,293)
Disposal of subsidiaries under common control *(Note 29)*	(4,726)	–	–	(39,801)	(30)	(1,469)	(46,026)
Exchange realignment	82	2	72	–	–	–	156
At 31 December 2016	4,247	3,988	1,347	47,663	149	–	57,394

	Furniture, fixtures and equipment *RMB'000*	Leasehold improvements *RMB'000*	Other computer hardware and software *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Accumulated depreciation:							
At 1 January 2016	(3,018)	(15)	(227)	(10,135)	(13)	–	(13,408)
Charged for the year	(3,028)	(21)	(362)	(8,683)	(31)	–	(12,125)
Disposals	2,394	–	–	2,235	–	–	4,629
Disposal of subsidiaries under common control *(Note 29)*	2,253	–	–	4,496	29	–	6,778
Exchange realignment	(29)	(2)	(32)	–	–	–	(63)
At 31 December 2016	(1,428)	(38)	(621)	(12,087)	(15)	–	(14,189)
Impairment:							
At 1 January 2016	–	–	–	–	–	–	–
Charged for the year	–	–	–	(943	–	–	(943)
Disposal of subsidiaries under common control *(Note 29)*	–	–	–	943	–	–	943
At 31 December 2016	–	–	–	–	–	–	–
Net carrying amount:							
At 31 December 2016	2,819	3,950	726	35,576	134	–	43,205

The Target Group

	Furniture, fixtures and equipment *RMB'000*	Leasehold improvements *RMB'000*	Other computer hardware and software *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2017							
Cost:							
At 1 January 2017	4,247	3,988	1,347	47,663	149	–	57,394
Additions	3,733	1,211	640	6,971	122	12	12,689
Disposals	(201)	–	–	(4,279)	(54)	–	(4,534)
Exchange realignment	(66)	(4)	(76)	–	–	–	(146)
At 31 December 2017	7,713	5,195	1,911	50,355	217	12	65,403
Accumulated depreciation:							
At 1 January 2017	(1,428)	(38)	(621)	(12,087)	(15)	–	(14,189)
Charged for the year	(3,045)	(946)	(458)	(7,215)	(12)	–	(11,676)
Disposals	16	–	–	1,582	–	–	1,598
Exchange realignment	27	3	37	–	–	–	67
At 31 December 2017	(4,430)	(981)	(1,042)	(17,720)	(27)	–	(24,200)

	Furniture, fixtures and equipment *RMB'000*	Leasehold improvements *RMB'000*	Other computer hardware and software *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Impairment:							
At 1 January 2017	–	–	–	–	–	–	–
Charged for the year	–	–	–	–	–	–	–
At 31 December 2017	–	–	–	–	–	–	–
Net carrying amount:							
At 31 December 2017	3,283	4,214	869	32,635	190	12	41,203

The Target Group

	Furniture, fixtures and equipment *RMB'000*	Leasehold improvements *RMB'000*	Other computer hardware and software *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
30 April 2018							
Cost:							
At 1 January 2018	7,713	5,195	1,911	50,355	217	12	65,403
Additions	462	–	117	597	101	–	1,277
Disposals	(1,323)	–	(964)	(3,362)	–	(12)	(5,661)
Exchange realignment	(52)	(7)	(53)	–	–	–	(112)
At 30 April 2018	6,800	5,188	1,011	47,590	318	–	60,907
Accumulated depreciation:							
At 1 January 2018	(4,430)	(981)	(1,042)	(17,720)	(27)	–	(24,200)
Charged for the period	(833)	(363)	(101)	(1,912)	(11)	–	(3,220)
Disposals	1,194	–	261	805	–	–	2,260
Exchange realignment	20	3	30	–	–	–	53
At 30 April 2018	(4,049)	(1,341)	(852)	(18,827)	(38)	–	(25,107)
Impairment:							
At 1 January 2018	–	–	–	–	–	–	–
Charged for the period	–	–	–	–	–	–	–
At 30 April 2018	–	–	–	–	–	–	–
Net carrying amount:							
At 30 April 2018	2,751	3,847	159	28,763	280	–	35,800

The Target Company

	Furniture, fixtures and equipment
	RMB'000
31 December 2015, 2016 and 2017 and 30 April 2018	
Cost:	
At 1 January 2015, 31 December 2015 and 2016	–
Additions	9
At 31 December 2017 and 1 January 2018	9
Additions	–
At 30 April 2018	9
Accumulated depreciation:	
At 1 January 2015, 31 December 2015 and 2016	–
Charged for the year	(1)
At 31 December 2017 and 1 January 2018	(1)
Changed for the period	(1)
At 30 April 2018	(2)
Net carrying amount:	
At 31 December 2015 and 2016	–
At 31 December 2017	8
At 30 April 2018	7

11. INTANGIBLE ASSETS

	Deferred development costs	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2015			
Cost:			
At 1 January 2015	–	117	117
Additions	1,175	160	1,335
Exchange realignment	–	10	10
At 31 December 2015	1,175	287	1,462

	Deferred development costs *RMB'000*	Patents *RMB'000*	Total *RMB'000*
Accumulated amortisation:			
At 1 January 2015	–	–	–
Charged for the year	(34)	–	(34)
At 31 December 2015	(34)	–	(34)
Net carrying amount:			
At 31 December 2015	1,141	287	1,428

	Deferred development costs *RMB'000*	Patents *RMB'000*	Total *RMB'000*
31 December 2016:			
At 1 January 2016	1,175	287	1,462
Additions	3,989	763	4,752
Exchange realignment	–	54	54
At 31 December 2016	5,164	1,104	6,268
Accumulated amortisation:			
At 1 January 2016	(34)	–	(34)
Charged for the year	(259)	(79)	(338)
Exchange realignment	–	(3)	(3)
At 31 December 2016	(293)	(82)	(375)
Net carrying amount:			
At 31 December 2016	4,871	1,022	5,893

	Deferred development costs *RMB'000*	Patents *RMB'000*	Total *RMB'000*
31 December 2017			
Cost:			
At 1 January 2017	5,164	1,104	6,268
Additions	9,313	1,585	10,898
Exchange realignment	–	(71)	(71)
At 31 December 2017	14,477	2,618	17,095

	Deferred development costs	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*
Accumulated amortisation:			
At 1 January 2017	(293)	(82)	(375)
Charged for the year	(789)	(176)	(965)
Exchange realignment	–	6	6
At 31 December 2017	(1,082)	(252)	(1,334)
Net carrying amount:			
At 31 December 2017	13,395	2,366	15,761

	Deferred development costs	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*
30 April 2018			
Cost:			
At 1 January 2018	14,477	2,618	17,095
Additions	4,017	1,038	5,055
Write-off	–	(3,588)	(3,588)
Exchange realignment	–	(68)	(68)
At 30 April 2018	18,494	–	18,494
Accumulated amortisation:			
At 1 January 2018	(1,082)	(252)	(1,334)
Charged for the period	(809)	(72)	(881)
Write-off	–	318	318
Exchange realignment	–	6	6
At 30 April 2018	(1,891)	–	(1,891)
Net carrying amount:			
At 30 April 2018	16,603	–	16,603

12. INVENTORIES

	Year ended 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	21,752	26,949	32,556	33,977
Work in progress	3,643	5,568	885	19,006
Finished goods	213,036	62,609	56,263	55,219
	238,431	95,126	89,704	108,202

Write-down of inventories for the years ended 31 December 2015, 2016 and 2017 and four months ended 30 April 2017 and 2018 amounted to RMB20,007,000, RMB6,629,000, RMB3,426,000, RMB5,243,000 and RMB1,085,000 respectively was recorded in "Cost of sales" in the combined statements of profit or loss for the Relevant Periods.

13. TRADE AND BILLS RECEIVABLES

The Target Group

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables from third parties	58,192	20,576	55,471	62,552
Trade receivables from Elec-Tech and its subsidiaries	50,588	91,521	7,855	12,809
Trade receivables from entities over which Elec-Tech has significant influence	10,360	–	–	–
Bills receivables from third parties	–	350	–	7,202
Bills receivables from Elec-Tech and its subsidiaries	11,905	–	15,256	11,353
	131,045	112,447	78,582	93,916

The Target Company

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables from third parties	–	–	25,628	26,706
Trade receivables from a subsidiary	–	–	29,488	67,689
	–	–	55,116	94,395

Trade receivables of the Target Company and Target Group represented proceeds receivable from sale of goods. The Target Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit periods generally range from 30 to 180 days for major customers. Each customer has a maximum credit limit. The Target Company and Target Group seek to maintain strict control over its outstanding receivables and have a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Target Company and Target Group do not hold any collateral or other credit enhancements over its trade receivable balance.

The Target Group applies the simplified approach to provide for ECL prescribed by IFRS 9. During the Relevant Periods, no impairment was made against the gross amounts of trade receivables.

An aged analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of provision, is as follows:

The Target Group

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	116,395	104,393	58,501	66,007
4 to 6 months	1,540	6,472	2,931	7,331
7 to 12 months	795	95	1,551	833
1 to 2 years	295	783	17	893
Over 2 years	115	354	326	297
	119,140	112,097	63,326	75,361

The Target Company

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	–	–	53,918	93,089
4 to 6 months	–	–	584	796
7 to 12 months	–	–	614	–
1 to 2 years	–	–	–	510
	–	–	55,116	94,395

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

The Target Group

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	92,007	95,218	49,887	59,496
Less than 2 months past due	24,579	14,122	7,746	12,068
2 to 6 months past due	1,433	1,508	2,377	2,397
7 to 12 months past due	864	173	2,725	720
Over 1 year past due	257	1,076	591	680
	119,140	112,097	63,326	75,361

The Target Company

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	–	–	52,786	91,515
Less than 2 months past due	–	–	1,318	1,305
2 to 6 months past due	–	–	167	1,248
7 to 12 months past due	–	–	845	169
Over 1 year past due	–	–	–	158
	–	–	55,116	94,395

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target Group. Based on past experience, the Target Group considered that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, included in the Target Group's trade and bills receivables are amounts due from Elec-tech International Co., Ltd ("Elec-Tech"), of which directors of the Target Company, Wong Donglei and Chan Kim Yung Eva, are directors, and its subsidiaries, which are repayable on similar credit terms to those offered to the major customers of the Target Group.

The maturity of the bills receivables of the Target Group as at 31 December 2015, 2016 and 2017 and 30 April 2018 is within 6 months.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Target Group

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments to third parties	1,795	1,057	3,328	510
Prepayments to related parties	–	–	46	360
	1,795	1,057	3,374	870
Deposits and other receivables from third parties	3,022	2,562	3,336	4,756
Deposits and other receivables from Elec-Tech and its subsidiaries	105,883	160,730	41,233	40,536
Impairment	(4,606)	(6,991)	(3,598)	(2,135)
	104,299	156,301	40,971	43,157
	106,094	157,358	44,345	44,027

The Target Company

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments to third parties	–	–	28	225
Deposits and other receivables from third parties	299	322	516	506
Deposits and other receivables from subsidiaries	–	–	43,285	52,311
Deposits and other receivables from Elec-Tech and its subsidiaries	23,171	–	–	487
Impairment	(1,008)	–	(1,433)	(21)
	22,462	322	42,368	53,283
	22,462	322	42,396	53,508

The movements in provision for impairment of deposits and other receivables of the Target Group are as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	5,405	4,606	6,991	3,598
(Reversal of impairment)/impairment	(840)	2,332	(3,359)	(1,425)
Exchange realignment	41	53	(34)	(38)
At end of year/period	4,606	6,991	3,598	2,135

The movements in provision for impairment of deposits and other receivables of the Target Company are as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	975	1,008	–	1,433
(Reversal of impairment)/impairment	(8)	(1,043)	1,448	(1,376)
Exchange realignment	41	35	(15)	(36)
At end of year/period	1,008	–	1,433	21

15. PLEDGED TIME DEPOSITS

The deposits were pledged for issuing letters of guarantee.

16. TRADE AND BILLS PAYABLES

The Target Group

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bill payables to third parties	11,569	37,970	30,405	23,654
Bill payables to Elec-Tech and its subsidiaries	–	–	8,810	8,720
Trade payables to third parties	77,455	47,126	69,790	85,446
Trade payables to Elec-Tech and its subsidiaries	177,038	178,476	6,688	30,253
	266,062	263,572	115,693	148,073

The Target Company

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables to subsidiaries	–	–	95,580	125,554
Trade payables to Elec-Tech and its subsidiaries	–	–	–	5,048
	–	–	95,580	130,602

Trade and bills payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

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

The Target Group

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	143,459	93,383	55,385	57,498
4 to 6 months	35,573	53,248	56,360	82,497
7 to 12 months	72,292	40,395	2,316	1,142
1 to 2 years	14,708	75,959	885	6,670
Over 2 years	30	587	747	266
	266,062	263,572	115,693	148,073

The Target Company

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	–	–	80,390	73,360
4 to 6 months	–	–	15,190	57,242
	–	–	95,580	130,602

17. OTHER PAYABLES AND ACCRUALS

The Target Group

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables to third parties and accruals	25,719	39,101	47,172	50,408
Contract liabilities	1,840	–	2,062	899
Amounts due to Elec-Tech and its subsidiaries	274,702	346,591	30,925	21,681
Amounts due to entities over which Elec-Tech has significant influence	8,021	–	–	–
	310,282	385,692	80,159	72,988

The Target Company

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables to third parties and accruals	10	22	972	1,008
Contract liabilities	–	–	1,874	687
Amount due to a subsidiary	–	–	11,188	7,871
Amounts due to Elec-Tech and its subsidiaries	–	107,045	–	–
	10	107,067	14,034	9,566

The contract liabilities primarily relate to the advances received from customers for sales of goods, for which revenue is recognised when control of goods is transferred. Changes in the contract liabilities balances during the Relevant Periods are as follows:

The Target Group

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at beginning of year/period	–	1,840	–	2,062
Cash received	39,059	–	2,338	69
Recognised as revenue	(37,219)	(1,840)	(256)	(1,185)
Exchange realignment	–	–	(20)	(47)
As at end of year/period	1,840	–	2,062	899

The Target Company

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at beginning of year/period	–	–	–	1,874
Cash received	–	–	1,940	45
Recognised as revenue	–	–	(46)	(1,185)
Exchange realignment	–	–	(20)	(47)
As at end of year/period	–	–	1,874	687

The contract liabilities were expected to be recognised as revenue in the next 12 months. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts which have an original expected duration of one year or less is not disclosed.

Amounts due to related parties are unsecured, interest-free and repayable on demand.

18. SHARE CAPITAL

	Number of shares	Amount	Amount equivalent
	'000	*USD'000*	*RMB'000*
Issued and fully paid:			
Ordinary shares			
At 1 January 2015, 31 December 2015, 2016 and 2017 and 30 April 2018	15,000	15,000	91,988

19. RESERVES

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the combined statements of changes in equity. The nature and purpose of reserves are as follows:

(a) Foreign currency translation reserve

Exchange differences arising from the translation of the net assets of the Target Group's foreign operation from its functional currency to the Target Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. The reserve is dealt with in accordance with the accounting policy of foreign currencies set out in Note 2.3 to the Historical Financial Information.

(b) (Accumulated losses)/retained profits

This represents cumulative net profits and losses recognised in profit or loss.

(c) Movements of the Target Company's reserves for the Relevant Periods are as follows:

	(Accumulated losses)/retained profits *RMB'000*	Foreign currency translation reserve *RMB'000*	Other reserve *RMB'000*	Total *RMB'000*
As at 1 January 2015	(2,987)	2,376	–	(611)
Loss for the year	(5)	–	–	(5)
Other comprehensive income:				
Exchange differences on translation of foreign operations	–	920	–	920
Total comprehensive income for the year	(5)	920	–	915
As at 31 December 2015 and 1 January 2016	(2,992)	3,296	–	304
Profit for the year	854	–	–	854
Other comprehensive income:				
Exchange differences on translation of foreign operations	–	1,758	–	1,758
Total comprehensive income for the year	854	1,758	–	2,612
Distributions to entities under common control	–	–	(131,052)	(131,052)
As at 31 December 2016 and 1 January 2017	(2,138)	5,054	(131,052)	(128,136)
Profit for the year	38,672	–	–	38,672
Other comprehensive income:				
Exchange differences on translation of foreign operations	–	(1,690)	–	(1,690)
Total comprehensive income for the year	38,672	(1,690)	–	36,982
Shareholder's contribution	–	–	131,052	131,052
As at 31 December 2017 and 1 January 2018	36,534	3,364	–	39,898
Profit for the period	19,033	–	–	19,033
Other comprehensive income:				
Exchange differences on translation of foreign operations	–	(1,945)	–	(1,945)
Total comprehensive income for the period	19,033	(1,945)	–	17,088
Shareholder's contribution	–	–	–	–
As at 30 April 2018	55,567	1,419	–	56,986
As at 1 January 2017	(2,138)	5,054	(131,052)	(128,136)
Profit for the period	12,806	–	–	12,806
Other comprehensive income:				
Exchange differences on translation of foreign operations	–	(113)	–	(113)
Total comprehensive income for the period	12,806	(113)	–	12,693
As at 30 April 2017 (Unaudited)	10,668	4,941	(131,052)	(115,443)

20. RELATED PARTY TRANSACTIONS

Members of key management personnel of the Target Group during the Relevant Periods comprised only the directors of the Target Company whose emoluments are set out in Note 7.

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Target Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Elec-Tech					
Purchase of property, plant and equipment	736	3,264	101	–	–
Purchase of raw materials	27,288	59,301	9,058	667	–
Purchase of finished goods	138,657	65,549	–	–	–
Sales of finished goods	210,851	225,864	2,039	2,039	–
Sales of property, plant and equipment	–	–	21	–	–
Service fee	–	–	1,445	–	–
Subsidiaries of Elec-Tech					
Purchase of property, plant and equipment	68,416	35,549	3,716	–	–
Purchase of raw materials	174,862	241,046	38,019	14,186	18,421
Purchase of finished goods	408,827	170,545	41,422	31,983	5,801
Service fee	–	3,695	–	–	–
Sales of raw materials	–	–	15,301	–	5,505
Sales of finished goods	78,320	426,128	109,421	17,680	29,263
Sales of property, plant and equipment	118	–	2,748	–	2
Rental income	–	–	467	163	150
Commission income	14,106	15,643	–	–	–
Operating lease charges	–	6,067	–	–	–
Entities over which Elec-Tech has significant influence					
Sales of finished goods	21,508	34,125	–	–	–

The above transactions were entered into in accordance with the terms mutually agreed between parties.

21. COMMITMENTS

The Target Group had the following capital commitments at the end of the Relevant Periods:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Property, plant and equipment	4,569	2,186	2,974	6,570

The Target Company had no significant capital commitments at the end of each of the Relevant Periods.

22. DEFERRED TAX

	Deductible temporary differences *RMB'000*
At 1 January 2015	–
Deferred tax credited to profit or loss during the year	5,152
At 31 December 2015 and 1 January 2016	5,152
Deferred tax charged to profit or loss during the year	(1,108)
Effect of change in tax rate	1,196
Disposal of subsidiaries under common control *(Note 29)*	(3,378)
At 31 December 2016 and 1 January 2017	1,862
Deferred tax credited to profit or loss during the year	572
At 31 December 2017 and 1 January 2018	2,434
Deferred tax credited to profit or loss during the period	4,431
Exchange realignment	(19)
At 30 April 2018	6,846

The Target Group has accumulated tax losses of RMB2,141,000, RMB2,305,000, RMBNil and RMBNil as at 31 December 2015, 2016 and 2017 and 30 April 2018 respectively that are available indefinitely for offsetting against future taxable profits of the respective group companies in which the losses arose. In addition, the Target Group has accumulated tax losses of RMB2,680,000, RMB2,743,000, RMB5,901,000 and RMB14,801,000 as at 31 December 2015, 2016 and 2017 and 30 April 2018 respectively, which will expire in one to five years for offsetting against taxable future profits. Besides, the Target Group has accumulated tax losses of RMB67,276,000, RMB5,510,000, RMB3,504,000 and RMB6,955,000 as at 31 December 2015, 2016 and 2017 and 30 April 2018 respectively, which will expire in one to ten years for offsetting against taxable future profits.

No deferred tax asset has been recognised in respect of the tax losses arising from the subsidiaries as it is not considered probable that taxable profits will be available in the foreseeable future against which the accumulated tax losses can be utilised.

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Target Group, the applicable tax rate is 10% for the unremitted profits of the PRC subsidiaries. The Target Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008. As at 31 December 2015, 2016 and 2017 and 30 April 2018, the Target Group has not recognised deferred tax liabilities of RMB414,000, RMB7,169,000, RMB10,833,000 and RMB11,292,000 in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB4,142,000, RMB71,685,000, RMB108,328,000 and RMB112,920,000 respectively, that would be payable on the distribution of these retained profits as the Target Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Target Company to its shareholder.

23. AMOUNT DUE FROM SHAREHOLDER

The amount is unsecured, interest-free and repayable on demand.

24. INVESTMENTS IN SUBSIDIARIES

No impairment losses on investments in subsidiaries were recognised as at 31 December 2015, 2016 and 2017 and 30 April 2018. Particulars of the Target Company's subsidiaries are set out in Note 1(b).

25. OPERATING LEASE COMMITMENTS

The Target Group leases certain of its office properties and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years. There are no restrictions placed on the Target Group by entering into these leases. At the end of each of the Relevant Periods, the total future minimum lease payments of the Target Group under non-cancellable operating leases in respect of these premises are payable as follows:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	3,876	2,768	5,843	3,913
In the second to fifth years, inclusive	4,695	2,646	2,370	1,507
	8,571	5,414	8,213	5,420

The Target Company had the following operating lease commitments at the end of the Relevant Periods:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	385	86	521	517
In the second to fifth years, inclusive	80	–	561	484
	465	86	1,082	1,001

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group is exposed to a variety of financial risks, as detailed below, which are managed by the directors of the Target Company:

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Group. The Target Group's exposure to credit risk arises from trade and bills receivables, deposits and other receivables and bank balances.

The Target Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of each of the Relevant Periods, the Target Group has concentration of credit risk at 51%, 86%, 34% and 81% as at 31 December 2015, 2016 and 2017 and 30 April 2018 due from the five largest customers, respectively, while 42%, 82%, 15% and 51% of the trade receivables due from the Target Group's largest customer. The Target Group has policies in place to ensure that services are rendered to customers with appropriate credit history and performs credit evaluation on new and existing customers, as appropriate.

The Target Group's bank balances are deposited with banks with good credit ratings. In addition, the Target Group's bills receivables are acceptance bills which payments are guaranteed by PRC banks and companies with good credit ratings. The Target Group has no other significant exposure to credit risk apart from trade and other receivables as disclosed in Note 13 and 14.

The Target Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. To measure the ECLs, the trade receivables have been grouped based on shared credit risk characteristics (i.e. usually by locations) and the days past due. The ECLs on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The ECLs also incorporated forward looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, no provision was made against the gross amount of trade receivables respectively.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

ECL model for other receivables is summarised below:

Other receivables that are not credit-impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by the Target Group. The ECL is measured on a 12-month basis.

– If a significant increase in credit risk (as define below) since initial recognition is identified, the financial instrument is moved to "Stage 2" but it not yet deemed to be credit-impaired. The ECL is measured on lifetime basis.

– If the other receivable is credit-impaired, the financial instrument is then moved to "Stage 3". The ECL is measured on lifetime basis.

– At Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Target Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The impairment of other receivables was provided based on the "three-stage" model by referring to the changes in credit quality since initial recognition.

The key judgements and assumptions adopted by the Target Group in addressing the requirements of the standard are detailed in the Target Group's accounting policy.

(b) Liquidity risk

Liquidity risk relates to the risk that the Target Group will not be able to meet its obligations associated with its financial liabilities. The Target Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The maturity profile of the Target Group's financial liabilities at the end of each of the Relevant Periods, based on the remaining contractual maturities, is as follows:

	Carrying amount	**Total contractual undiscounted cash flows**	**Within one year or on demand**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2015			
Trade and bills payables	266,062	266,062	266,062
Other payables and accruals	310,282	310,282	310,282
	576,344	576,344	576,344

	Carrying amount	Total contractual undiscounted cash flows	Within one year or on demand
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2016			
Trade and bills payables	263,572	263,572	263,572
Other payables and accruals	385,692	385,692	385,692
	649,264	649,264	649,264
As at 31 December 2017			
Trade and bills payables	115,693	115,693	115,693
Other payables and accruals	80,159	80,159	80,159
	195,852	195,852	195,852
As at 30 April 2018			
Trade and bills payables	148,073	148,073	148,073
Other payables and accruals	72,988	72,988	72,988
	221,061	221,061	221,061

(c) Foreign currency risk

The Target Group has transactional currency exposure. This exposure mainly arises from sales by an operating unit in a currency other than the unit's functional currency. The Target Group's PRC entities sell their products to overseas customers. These sales are predominately conducted in US$. As a result, the Target Group is exposed to fluctuations in the exchange rate between US$ and RMB.

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Target Group's profit or loss before income tax (due to changes in the fair value of monetary assets and liabilities).

Year ended 31 December 2015	Increase/ (decrease) in foreign currency exchange rate	Increase/ (decrease) in loss before income tax
	%	*RMB'000*
If RMB weakens against US$	5	233
If RMB strengthens against US$	(5)	(233)

Year ended 31 December 2016	Increase/ (decrease) in foreign currency exchange rate	Increase/ (decrease) in profit before income tax
	%	*RMB'000*
If RMB weakens against US$	5	624
If RMB strengthens against US$	(5)	(624)

Year ended 31 December 2017	Increase/ (decrease) in foreign currency exchange rate	Increase/ (decrease) in profit before income tax
	%	*RMB'000*
If RMB weakens against US$	5	304
If RMB strengthens against US$	(5)	(304)

Four months ended 30 April 2018	Increase/ (decrease) in foreign currency exchange rate	Increase/ (decrease) in profit before income tax
	%	*RMB'000*
If RMB weakens against US$	5	(466)
If RMB strengthens against US$	(5)	466

(d) Fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2015, 2016 and 2017 and 30 April 2018 largely due to their short term maturity.

Fair value of bills receivables was measured based on recent transaction prices at the end of each of the Relevant Periods. The fair value measurement of bills receivables adopted significant observable inputs which was classified as a level 2 fair value measurement.

(e) Categories of financial assets and financial liabilities

The carrying amounts of each of the categories of financial instruments at the end of each of the Relevant Periods are as follows:

Target Group

	At 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets measured at amortised cost				
Trade receivables	119,140	112,097	63,326	75,361
Deposits and other receivables	104,299	156,301	40,971	43,157
Amount due from shareholder	–	–	470	3,980
Pledged time deposits	–	–	23,223	30,450
Cash and cash equivalents	19,771	12,760	50,664	44,337
	243,210	281,158	178,654	197,285
Financial assets at fair value through other comprehensive income				
Bills receivables	11,905	350	15,256	18,555
Financial liabilities measured at amortised cost				
Trade and bills payables	266,062	263,572	115,693	148,073
Other payables and accruals	310,282	385,692	80,159	72,988
	576,344	649,264	195,852	221,061

27. CAPITAL RISK MANAGEMENT

The primary objective of the Target Group's capital management is to maintain the Target Group's stability and growth. The Target Group regularly reviews and manages its capital structure and makes adjustments to it, taking into consideration changes in economic conditions, future capital requirements of the Target Group, current and projected profitability and operating cash flows, projected capital expenditure and projected strategic investment opportunities.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total equity of the Target Company. Net debt includes borrowings less cash and cash equivalents. The Target Group's policy is to maintain a gearing ratio at a reasonable level. The gearing ratios as at the end of the Relevant Periods were as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	–	–	–	–
Less: cash and cash equivalents	19,771	12,760	50,664	44,337
Net debts	N/A	N/A	N/A	N/A
Total Equity	10,274	(215,700)	150,016	160,107
	N/A	N/A	N/A	N/A

The Target Group is not subject to externally imposed capital requirements.

28. CONTINGENT LIABILITIES

During the year ended 31 December 2015, an entity in the United States (the "Plaintiff") filed a complaint on a subsidiary of the Target Group for patent infringement. On 23 February 2017, a final judgement of non-infringement was entered in favour of the subsidiary by the District Court of Delaware. The Plaintiff has filed an appeal to the Federal Court and whether the appeal will be accepted by the court and be proceeded to a trial are uncertain up to the date of the report. Accordingly, in the opinion of the directors, the possible claim, if any, cannot be reliably measured.

29. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2016, pursuant to an agreement entered into between the Target Group and 廣東德豪潤達照明電氣有限公司, the then fellow subsidiary of the Target Company, the Target Group disposed of its two subsidiaries namely Wuhu 3E and BB Lighting as one of the steps of the Reorganisation.

The net assets of the subsidiaries at the respective date of disposal are set out below:

	Year ended 31 December 2016		
	Wuhu 3E	BB Lighting	Total
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	28,489	9,816	38,305
Deferred tax assets	3,219	159	3,378
Inventories	42,803	20,716	63,519
Trade and bills receivables	1,891	1,560	3,451
Prepayments, deposits and other receivables	473	42,066	42,539
Other current assets	3,348	367	3,715
Cash and cash equivalents	935	411	1,346
Trade and bills payables	(42,658)	(41,976)	(84,634)
Other payables and accruals	(8,062)	(1,440)	(9,502)
Tax payable	(409)	(281)	(690)

	Year ended 31 December 2016		
	Wuhu 3E	BB Lighting	Total
	RMB'000	*RMB'000*	*RMB'000*
	30,029	31,398	61,427
Losses on disposal of subsidiaries debited to other reserve	(29)	(1,398)	(1,427)
Total consideration satisfied by cash	30,000	30,000	60,000
Consideration receivable from the then fellow subsidiary	30,000	30,000	60,000
Cash and cash equivalents disposed of	(935)	(411)	(1,346)

30. SIGNIFICANT NON-CASH TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, the Target Group had the following significant non-cash transactions during the Relevant Periods:

(a) During the year ended 31 December 2016, certain long outstanding trade and other receivables were transferred at a consideration of RMB285,275,000 (the "Receivables") from subsidiaries of Elec-Tech. Further details are set out in the combined statement of changes in equity. RMB131,052,000 of the consideration was settled in cash during the year ended 31 December 2016 while the remaining balance was settled through current accounts with the subsidiaries of Elec-Tech.

(b) During the year ended 31 December 2017, pursuant to an undertaking agreement entered into between the shareholder of the Target Company and the Target Group, the shareholder of the Target Company agreed to undertake the Receivables at an amount of RMB285,275,000. Such undertaking was settled through current account with the shareholder and was considered as capital contribution from the shareholder. In addition, the shareholder agreed to undertake another amount due from Elec-Tech to the Target Group of US$15,000,000, equivalent to approximately RMB103,298,000.

(c) During the year ended 31 December 2017, pursuant to an offsetting agreement entered into among the shareholder of the Target Company, Elec-Tech and the Target Group, the shareholder agreed to offset the net balances due from the Target Group to Elec-Tech and its subsidiaries to the extent of RMB376,113,000 against the balance due from the shareholder to the Target Group at the same date. The balances due from/(to) the Target Group to Elec-Tech and its subsidiaries subject to the offset arrangement are summarised as follows:

	RMB'000
Trade receivables	4,124
Other receivables	159,339
Trade payables	(130,824)
Other payables	(408,752)
Net balances	(376,113)

31. EVENT AFTER THE RELEVANT PERIODS

There is no significant event subsequent to 30 April 2018.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company and its subsidiaries in respect of any period subsequent to 30 April 2018.

Set out below is the management discussion and analysis on the Target Group for the financial years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 (the "Reporting Period").

BUSINESS REVIEW

The Target Group's business model

The Target Company is a limited company incorporated in Hong Kong on 31 May 2010. The Target Group's principal activities involve the design, manufacturing and sale of lighting products in the North America markets. The Target Group is headquartered in Hong Kong with offices in the United States (Chicago and Atlanta). As at 31 December 2017, the Target Group had two production base which were located in Zhuhai and Wuhu. The production base in Wuhu has ceased to operate since February 2018, while a new production base has been established in Zhuhai and commenced operation in August 2018.

The products sold by the Target Group mainly include its own-band manufactured LED lighting products and OEM products. The Target Group's sales division sources distributors in North America markets for sales of own-brand LED lighting products and retail clients in North America markets who have demands for OEM services.

According to customers' requirements, the research and development team of the Target Group applies its design engineering knowledge in the course of manufacturing products and provide customers with advice to facilitate the manufacturing process and enhance the quality of the product as part of its OEM services.

History and background of the Target Group

Prior to the Previous Transaction, the Target Company was wholly-owned by ETIC. ETIC is a substantial shareholder holding 20.57% interest in the Company as at the Latest Practicable Date. ETIC is principally engaged in the production and sale of small household appliances and LED products in the PRC.

ETIC Group performed a group restructuring (the "ETIC Group Restructuring") in which ETIC Group transferred all of its overseas lighting business to the Target Company during the year ended 31 December 2016.

On 28 November 2016, ETI Solid State Lighting (Zhuhai) Limited* 怡迅(珠海)光電科技有限公司 ("ETI Zhuhai") transferred its 100% interest in Bengbu NVC Lighting Technology Limited* 蚌埠雷士照明科技有限公司 ("BB Lighting") to a subsidiary of ETIC at an aggregate consideration of RMB30,000,000.

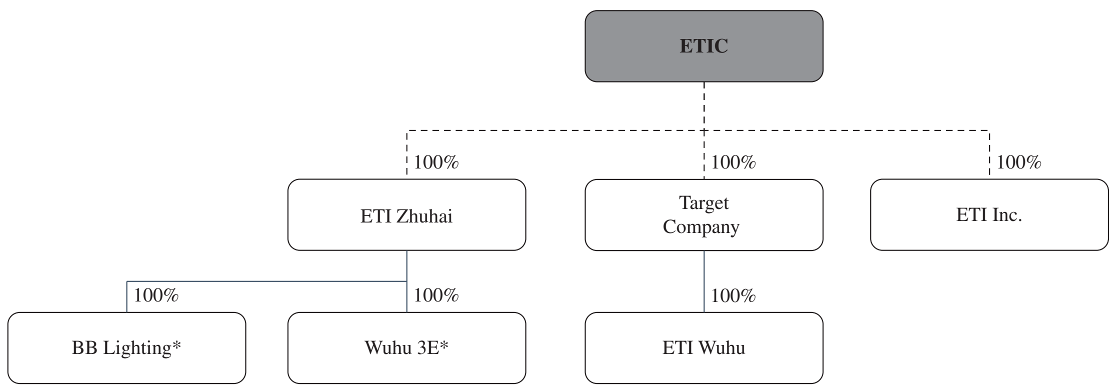
On 30 November 2016, ETIC through its subsidiaries transferred its 100% interest in ETI Solid State Lighting Inc. ("ETI Inc.") to the Target Company at an aggregate consideration of USD25,600.

On 1 December 2016, ETI Zhuhai transferred its 100% interest in Wuhu San Yi Lighting Technology Limited* 蕪湖三頤照明有限公司 ("Wuhu 3E") to a subsidiary of ETIC at an aggregate consideration of RMB30,000,000.

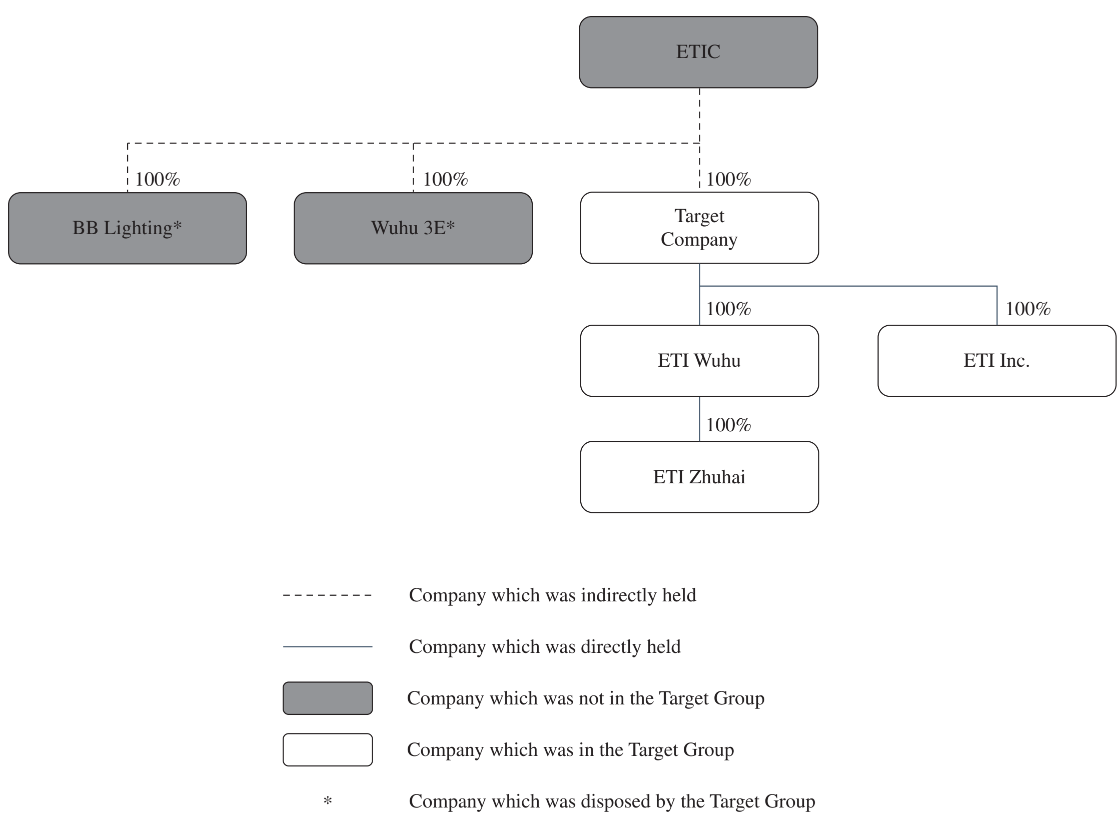
On 7 December 2016, ETIC transferred its 100% interest in ETI Zhuhai to ETI Solid State Lighting (Wuhu) Limited* 怡迅(蕪湖)光電科技有限公司 ("ETI Wuhu") at an aggregate consideration of RMB130,000,000.

The Target Group's structures immediately prior to and upon completion of the ETIC Group Restructuring are set out below:

Immediately prior to the ETIC Group Restructuring



Upon completion of the ETIC Group Restructuring



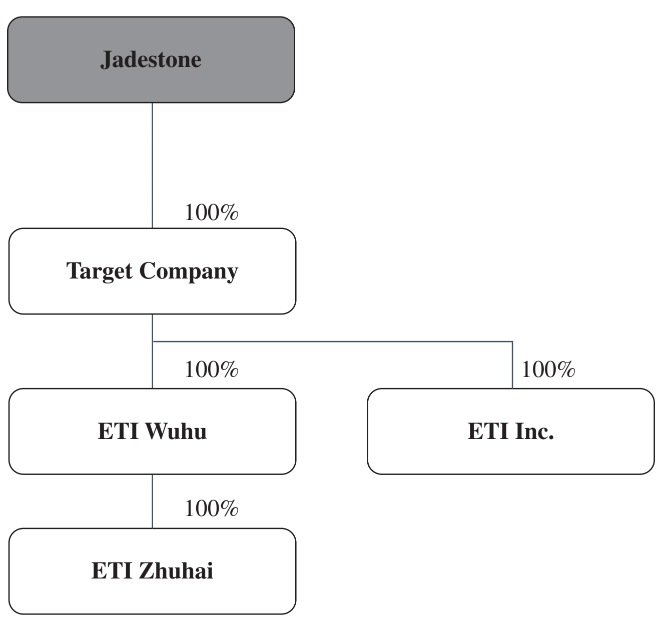
The list of the Target Company's subsidiaries are set out as follow:

Company name	Place and date of incorporation	Particulars of issued share capital/registered capital	Percentage of issued share capital held by the Target Company			
			As at 31 December			As at 30 April
			2015	2016	2017	2018
ETI Inc.	USA, 14 July 2011	USD25,000	100*%	100%	100%	100%
ETI Wuhu	PRC, 18 November 2010	USD15,000,000	100%	100%	100%	100%
ETI Zhuhai	PRC, 25 June 2014	RMB130,000,000	100*%	100%	100%	100%
BB Lighting	PRC, 5 August 2011	RMB30,000,000	100*%	–	–	–
Wuhu 3E	PRC, 19 May 2011	RMB30,000,000	100*%	–	–	–

* These subsidiaries were transferred to the Target Company during the year ended 31 December 2016 but they were deemed to be within the Target Group since the beginning of the relevant periods for preparation of the combined financial statements of the Target Group. The basis of preparation of the combined financial statements is set out in note 2.1 of accountants' report of the Target Group in Appendix II to this circular.

After completion of the ETIC Group Restructuring in December 2016, all of the ETIC's overseas lighting business was transferred to the Target Group. In December 2016, ETIC sold its entire interest in the Target Company together with all of its overseas lighting business to Jadestone at a cash consideration of RMB190,000,000. Jadestone also agreed to repay a debt in the amount of RMB377,000,000 owed by the Target Company to ETIC Group. After completion of the Previous Transaction on 30 December 2016, the Target Group has gradually scaled down its lighting business in the PRC and sales to ETIC's Group and focused on expansion of the overseas lighting business.

The Target Group's structures upon the completion of the Previous Transaction are set out below:



The Target Group's customers

The Target Group has established long-term cooperation with large retailers and distributors, such as Home Depot, Rexel and Graybar. Especially, the Target Company has been awarded as Home Depot's Global Excellent Supplier of Year for four consecutive years.

Prior to the ETIC Group Restructuring, ETIC operated its overseas trading business through other ETIC's subsidiaries which were not the members of Target Group. The main operation of the Target Group was to sell its products to other ETIC's subsidiaries for the PRC and oversea distribution. After completion of the ETIC Group Restructuring in December 2016, all of the ETIC's overseas lighting business was transferred to the Target Group. In December 2016, ETIC sold its entire interest in the Target Company with all of its overseas lighting business to Jadestone. After completion of the Previous Transaction on 30 December 2016, the Target Group has gradually scaled down its lighting business in the PRC and sales to ETIC's Group and focused on expansion of the overseas lighting business. During the three years ended 31 December 2015 and 2016 and 2017 and the four months ended 30 April 2018, sales to ETIC Group amounted approximately 32.7%, 49.0%, 19.3% and 18.1% of the Target Group's total revenue.

The Target Group's sales to its top five customers (including ETIC's Group) for the three years ended 31 December 2015, 2016 and 2017 and four months ended 30 April 2018 amounted to about RMB417.6 million, RMB755.4 million, RMB548.3 million and 168.6 million, which accounted for about 47.2%, 56.8%, 83.4% and 87.6%, of the Target Group's total revenue for the three years ended 31 December 2015, 2016 and 2017 and four months ended 30 April 2018, respectively. Sales to the largest customer after excluding ETIC's Group (the "Customer A") for the three years ended 31 December 2015, 2016 and 2017 and four months ended 30 April 2018 amounted to about RMB30.6 million, RMB36.4 million, RMB357.8 million and RMB121.5 million, which accounted for about 3.5%, 2.7%, 54.4%, and 63.1% of the Target Group's total revenue for the three years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively.

The Customer A is a renowned home improvement supplies retailing company based in United States and its common shares are listed on the New York Stock Exchange. The revenue of the Customer A for the year ended 31 December 2017 achieved approximately USD100,904 million, of which approximately USD4,409 million were generated form lighting segment. In line with customary industry practice, the major customers do not enter into long term contracts with the Target Group. As of the Latest Practicable Date, the Target Group have been maintaining business relationships with the Customer A for over 5 years.

FINANCIAL REVIEW

During the Reporting Period, the Target Group has achieved revenue of approximately RMB884.3 million, RMB1,330.5 million, RMB657.3 million for each of the year ended 31 December 2015, 2016 and 2017 respectively and RMB192.4 million for the four months ended 30 April 2018. The gross profit of the Target Group amounted to approximately RMB63.6 million, RMB182.6 million, and RMB223.2 million for each of the financial year ended 31 December 2015, 2016, and 2017 respectively and RMB59.7 million for the four months ended 30 April 2018. The Target Group incurred loss after tax of RMB8.6 million for the year ended 31 December 2015, while achieved profit after tax of RMB64.4 million, RMB78.0 million for the year ended 31 December 2016 and 2017 respectively and RMB10.1 million for the four months ended 30 April 2018.

Revenue

Revenue represents sale of LED lighting products by the Target Group.

Revenues were approximately RMB884.3 million, RMB1,330.5 million and RMB657.3 million for the year ended 31 December 2015, 2016, and 2017 respectively and RMB192.4 million for the four months ended 30 April 2018.

The revenue for the year ended 31 December 2017 was approximately RMB657.3 million and a decrease of approximately 50.6% as compared to the same period in 2016. The decrease was mainly because the Target Group gradually scaled down PRC lighting business after completion of the ETIC Group Restructuring and focused on operation of overseas lighting business which typically rendered higher gross profit margin during the year ended 31 December 2017.

The revenue for the year ended 31 December 2016 was approximately RMB1,330.5 million and an increase of approximately 50.5% as compared to the same period in 2015. Prior to completion of the ETIC Group Restructuring, ETI Zhuhai mainly operated the lighting business in the PRC and sold its products to other ETIC's subsidiaries for the PRC and overseas distribution. During the year ended 31 December 2016, increase in revenue was mainly attributable to increase in sales from ETI Zhuhai to other ETIC's subsidiaries operating in the PRC as result of increasing market demand on lighting products.

The revenue for the four months ended 30 April 2018 was approximately RMB192.4 million and a decrease of approximately 12.7% as compared to the same period in 2017. The decrease was mainly attributable to the change in products mix having more production on higher technology products, which resulted higher gross profit margin, but had lower sales volume during the four months ended 30 April 2018. Further, deprecation of RMB led to the declines in revenue from international market during the four months ended 30 April 2018.

For breakdown of the Target Group's revenue by geographical market based on the locations of the customers are set out in note (4) of accountants' report of the Target Group in Appendix II to this circular.

Cost of sales

Cost of sales mainly consist of cost of raw materials, direct and indirect labor costs and other manufacturing expenses.

The cost of sales for the year ended 31 December 2017 was approximately RMB434.1 million, representing a decrease of approximately 62.2% as compared to the same period in 2016. The decrease was mainly due to decrease in sales volume caused by the scale down of lighting business in the PRC after completion of the ETIC Group Restructuring.

The cost of sales for the year ended 31 December 2016 was approximately RMB1,147.9 million, representing an increase of approximately 39.9% as compared to the same period in 2015. The increase was mainly due to increase in sales volume caused by increase in sales from ETI Zhuhai to other ETIC's subsidiaries.

The cost of sales for the four months ended 30 April 2018 was approximately RMB132.7 million, representing a decrease of approximately 21.5% as compared to the same period in 2017. The decrease was mainly attributable to a decline in sales volume due to change in products mix strategy.

Other income

Other income mainly consist of government grants, commission income, shipping and delivery income, bank interest income, and sundry income.

Other income for the year ended 31 December 2017 was approximately RMB9.5 million, representing a decrease of approximately 53.6% as compared to the same period in 2016. The decrease was mainly due to decrease in commission income received from ETIC Group resulted from declines in sales to ETIC Group after completion of the ETIC Group Restructuring.

Other income for the year ended 31 December 2016 was approximately RMB20.5 million, representing an increase of approximately 23.3% as compared to the same period in 2015. The increase was mainly due to increases in incentive subsidies received to encourage the operation of PRC subsidiaries of the Target Company for development of LED related products and other advanced technologies.

Other income for the four months ended 30 April 2018 was approximately RMB2.7 million, representing a decrease of approximately 26.5% as compared to the same period in 2017. The decrease was mainly attributable to decrease in government grants received.

For breakdown of the Target Group's other income for the Reporting Period are set out in note (5) of accountants' report of the Target Group in Appendix II to this circular.

Administrative expenses

Administrative expenses mainly consist of staff cost in relation to administrative personnel, research and development costs, professional fees, impairment of other receivables, and other general administrative expenses incurred during ordinary course of business.

Administrative expenses for the year ended 31 December 2017 was approximately RMB43.4 million, representing a decrease of approximately 20.7% as compared to the same period in 2016. The decrease was mainly due to reversal of provision for impairment on other receivables recognized during the year ended 31 December 2017. Further, research and development costs for the year ended 31 December 2017 decreased compared to the same period in 2016 since more expenditures have been spent on the research and development projects which were commercially viable for the year ended 31 December 2017 and those expenditures have been capitalized as intangible assets.

Administrative expenses for the year ended 31 December 2016 was approximately RMB54.8 million, representing an increase of approximately 186.3% as compared to the same period in 2015. The increase was mainly due to increase in provision for impairment on other receivables since other receivables from ETIC Group has increased which resulted increase in expected credit loss in accordance with relevant accounting policies of the Target Group stated in note (2.3) of accountants' report of the Target Group in Appendix II to this circular. Further, staff costs and research and development for the year ended 31 December 2016 has been increased compared to the same period in 2015 due to the expansion of business.

Administrative expenses for the four months ended 30 April 2018 was approximately RMB15.4 million, representing an increase of approximately 82.0% as compared to the same period in 2017. The increase was mainly due to increase in salaries and wages of administrative staff, and research and development costs during the four months ended 30 April 2018.

Selling and distribution costs

Selling and distribution costs mainly consist of staff cost in relation to sales personnel, freight costs, custom clearance expenses, travelling expenses, sales commission, and other sales-related expenses.

Selling and distribution costs for the year ended 31 December 2017 was approximately RMB86.8 million, representing an increase of approximately 24.1% from the same period in 2016. The increase was mainly because all selling and distribution expenses of the Target Group, which were assumed by other ETIC's subsidiaries in previous years, were bore by the Target Group after the completion of the Previous Transaction dated 30 December 2016.

Selling and distribution costs for the year ended 31 December 2016 was approximately RMB69.9 million, representing a decrease of approximately 1.6% from the same period in 2015. There was no material fluctuation between the year ended 31 December 2015 and 2016 since most of selling and distribution expenses of the Target Group were borne by the other ETIC's subsidiaries prior to the completion of the Previous Transaction.

Selling and distribution costs or the four months ended 30 April 2018 was approximately RMB33.8 million, representing an increase of approximately 36.3% from the same period of 2017. The increase was mainly attributable to increase in staff cost for sales personnel.

Other expenses

Other expenses mainly consist of net exchange loss and other miscellaneous expenses.

Other expenses were approximately RMB0.1 million, RMB1.1 million, RMB5.9 million for the year ended 31 December 2015, 2016 and 2017, respectively. Compared with the same period of 2015, other expenses for the year ended 31 December 2016 and 2017 increased by approximately 969.2% and approximately 5,603.8%, respectively. The increase was mainly due to increase of net exchange loss as result of expansion of overseas lighting business.

Other expenses for the four months ended 30 April 2018 was approximately RMB2.8 million, representing an increase of approximately 694.5% as compared to the same period in 2017. The increase was mainly attributable to increase in net exchange loss caused by depreciation of RMB.

Income tax

The Target 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 Target Group are domiciled and operate.

Income tax expenses (credits) were approximately RMB(1.5) million, RMB12.9 million and RMB18.6 million for the year ended 31 December 2015, 2016, and 2017, respectively. The increase was mainly attributable to Target Group's increased taxable profits due to enhanced profitability.

Income tax expenses for the four months ended 30 April 2018 was approximately RMB0.2 million, representing a decrease of approximately 91.4% as compared to the same period in 2017. The decrease was mainly due to decline in taxable profit especially for the PRC subsidiaries during the four months ended 30 April 2018.

Details of income tax are set out in the note (8) of accountants' report of the Target Group in Appendix II to this circular.

TARGET GROUP DEBTS AND FINANCIAL CONDITIONS

Borrowings

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the Target Group did not arrange any borrowings.

Funding and Treasury Policies

Cash and cash equivalents as at 31 December 2015, 2016 and 2017 and 30 April 2018 amounted to approximately RMB19.8 million, RMB12.8 million, RMB50.7 million and RMB44.3 million, respectively. Cash and cash equivalents of the Target Group were generally sufficient for its operations.

The operation of the Target Group are mainly funded by cash flow from is its operation. The Target Group regularly reviews on its business plan and funding requirements and considers to seek for debt financing as and when appropriate.

Liquidity Risk, Interest Risk and Currency Risk Management

Liquidity risk

The Target Group monitors its risk to a shortage of funds by considering the maturity of its financial assets and liabilities and projected cash flows from operations. The Target Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Details of the liquidity exposure are set out in the note (26) of accountants' report of the Target Group in Appendix II to this circular.

Interest rate risk

The Target Group is exposed to cash flow interest rate risk in relation to bank balances.

No sensitivity analysis is presented since the directors of the Target Group consider that the exposure of cash flow interest rate risk to the Target Group is limited because of the short maturity of all bank balances.

Currency risk

The Target Group has transactional currency exposure. This exposure mainly arises from sales by an operating unit in a currency other than the unit's functional currency. The Target Group's PRC entities sell their products to overseas customers. These sales are predominately conducted in USD. As a result, the Target Group is exposed to fluctuations in the exchange rate between USD and RMB.

Further, the Target Group is exposed to currency risk through trade and bills receivables, deposits and other receivables, and cash and cash equivalents that denominated in foreign currency. The currencies giving rise to this risk are primarily USD.

Details of the currency exposure are set out in the note (26) of accountants' report of the Target Group in Appendix II to this circular.

Hedging policy

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the Target Group had no use of any financial instruments for hedging purpose.

The Target Group currently does not have any hedging policy in relation to liquidity risks, interest rate risk and currency risk. Management of the Target Group's will monitors the Target Group's exposure on ongoing basis and consider hedging should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

The average number of employees of the Target Group during the year ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 were approximately 640, 655, 766 and 499, respectively. The remuneration for the employees of the Target Group comprised basic salaries, wages, discretionary bonus, contributions to defined contribution retirement plan and other benefits. The management of the Target Group reviews remuneration and benefits to its employees according to the relevant market trend and individual performance of the employees. The total staff costs (including director's remuneration) of the Target Group for the year ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018 were approximately RMB29.9 million, RMB44.4 million, RMB46.1 million and RMB15.4 million, respectively.

Pension retirement benefit schemes

Majority of the employees are employed by the Target Company's subsidiaries operating in the PRC. Pursuant to the relevant PRC laws and regulations, the employees of the Target Company's subsidiaries operating in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Target Company's subsidiaries operating in the PRC are required to contribute a certain percentage of the salaries of their employees to the central pension scheme. The only obligation of the Target Group with respect to the central pension scheme is to pay the ongoing required contributions. Contributions are charged to the statement of profit or loss when they become payable in accordance with the rules of the central pension scheme.

Further, the employees employed by the Target Company's subsidiaries in USA and Hong Kong have joined the respective local provident fund schemes.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save for the ETIC Group Restructuring during the year ended 31 December 2016, the Target Group did not have any significant investments or carried out any material acquisition and disposal during the year ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018.

GEARING RATIO

Gearing ratio is net debt divided by total equity. Net debt includes borrowings less cash and cash equivalents.

Gearing ratio analysis is not applicable since the Target Group did not arrange any borrowings as at 31 December 2015, 2016, and 2017 and 30 April 2018.

CAPITAL COMMITMENTS

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the Target Group had the following capital commitments:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Property, plant and equipment	4,569	2,186	2,974	6,570

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in the note (28) of accountants' report of the Target Group in Appendix II to this circular.

PLEDGE OF ASSETS

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the Target Group had pledged time deposits amounted to RMBnil, RMBnil, RMB23.2 million and RMB30.5 million, respectively, for issuing letters of guarantee.

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

Driven by the emphasis of energy saving in today's society, and increasing cost competitiveness, LED have surpassed many conventional lighting technologies in terms of energy efficiency and successfully competed in a variety of lighting applications. The Department of Energy's 2014 study, Energy Savings Forecast of Solid-State Lighting in General Illumination Applications forecasts that LED lighting will represent 84% of all lighting sales by 2030, resulting in an annual primary energy savings of 3.0 quadrillion British thermal units (quads).

In order to catch a favorable opportunity of increasing demand on LED lighting products, the management of the Target Group will extend and improve its distribution channel by increasing its talented sales personnel. Through the Proposed Acquisition, the Company has an opportunity to enter into the North America market and increase its overseas sales volume. Upon the Completion, the Target Group will be able to expand its business by leveraging the Enlarged Group's resources including its successful experience in lighting industry, distribution networks, and effective distribution model.

The information set out in this appendix does not form part of the accountants' report prepared by the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, set out in Appendix II to this circular, and is included herein for illustrative purpose only.

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. Introduction

The unaudited pro forma combined statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information") has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") 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, for the purpose of illustrating the financial impact of the proposed acquisition of the entire equity interest in Elec-Tech Solid State Lighting (HK) Limited (the "Target Company") by NVC Lighting Holding Limited (the "Company") and its subsidiaries (the "Group") (the "Proposed Acquisition") on the assets and liabilities of the Group as if the Proposed Acquisition had been completed on 30 June 2018. The Group, and the Target Company and its subsidiaries (the "Target Group") are collectively referred to as the Enlarged Group.

The basis of preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group is set out below:

(a) The unaudited pro forma combined statement of assets and liabilities of the Enlarged Group has been prepared based on (i) the condensed consolidated statement of financial position of the Group as at 30 June 2018 as set out in the published interim report of the Company for the six months ended 30 June 2018 where the auditor has issued a review report dated 24 August 2018 with qualified conclusion thereon pertaining to the impairment of other receivables and uncertainties relating to financial guarantee contracts and provision for loss on financial guarantee contract on which the auditor was not able to obtain sufficient evidence. Details of the qualified conclusion are set out in the published interim report of the Company for the six months ended 30 June 2018; and (ii) the combined statement of financial position of the Target Group as at 30 April 2018 as extracted from the accountants' report as set out in Appendix II to this circular (the "Circular").

(b) After taking into account of the unaudited pro forma adjustments, which are directly attributable to the Proposed Acquisition and factually supportable, as described in the notes thereto to demonstrate how the Proposed Acquisition might have affected the assets and liabilities of the Group as if the Proposed Acquisition had taken place on 30 June 2018.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group contained in the published interim report of the Company for the six months ended 30 June 2018 and the accountants' report of the Target Group as set out in Appendix II to the Circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company based on a number of assumptions, estimates, uncertainties, currently available information and are 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 of the Enlarged Group that would have been attained had the Proposed Acquisition been completed on 30 June 2018 or any other date.

2. UNAUDITED PRO FORMA COMBINED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 30 June 2018	Pro forma adjustments				Pro forma Enlarged Group as at 30 June 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Notes 3(a) 3(b) and 3(c))*	*(Note 4)*	*(Note 5)*	
NON-CURRENT ASSETS						
Property, plant and equipment	615,170	35,800	(23)			650,947
Prepaid land lease payments	45,459	–				45,459
Goodwill	21,161	–	448,524			469,685
Other intangible assets	292,968	16,603	335,822			645,393
Investments in associates	55,499	–				55,499
Investment in a joint venture	100,000	–				100,000
Long term investments	229,798	–				229,798
Deferred tax assets	58,794	6,846				65,640
Prepayments for potential acquisitions	540,205	–	(200,000)			340,205
Prepayments for purchase of property, plant and equipment	445,675	5,464				451,139
Total non-current assets	2,404,729	64,713				3,053,765
CURRENT ASSETS						
Inventories	519,546	108,202	981			628,729
Trade and bills receivables	1,091,592	93,916				1,185,508
Prepayments, deposits and other receivables	450,713	44,027		(2,467)		492,273
Amount due from shareholder	–	3,980	(3,980)			–
Income tax recoverable	12,184	–				12,184
Other current assets	42,625	10,230				52,855
Held-for-trading investments	88,786	–				88,786
Restricted bank balances and short-term deposits	518,019	30,450				548,469
Cash and cash equivalents	991,040	44,337	(686,020)		(6,000)	343,357
Total current assets	3,714,505	335,142				3,352,161

	The Group as at 30 June 2018		Pro forma adjustments			Pro forma Enlarged Group as at 30 June 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Notes 3(a) 3(b) and 3(c))*	*(Note 4)*	*(Note 5)*	
CURRENT LIABILITIES						
Trade and bills payables	941,980	148,073				1,090,053
Other payables and accruals	728,292	72,988		(2,467)		798,813
Interest-bearing loans	410,202	–				410,202
Government grants	2,012	–				2,012
Income tax payable	52,039	18,687				70,726
Convertible bonds – derivative component	36,055	–				36,055
Total current liabilities	2,170,580	239,748				2,407,861
NET CURRENT ASSETS	1,543,925	95,394				944,300
TOTAL ASSETS LESS CURRENT LIABILITIES	3,948,654	160,107				3,998,065
NON-CURRENT LIABILITIES						
Government grants	11,120	–				11,120
Deferred tax liabilities	140,729	–	55,411			196,140
Convertible bonds – liability component	410,767	–				410,767
Total non-current liabilities	562,616	–				618,027
Net assets	3,386,038	160,107				3,380,038

Notes to the Unaudited Pro Forma Financial Information:

1. The balances were extracted from the condensed consolidated statement of financial position of the Group as at 30 June 2018 as set out in the published interim report of the Company for the six months ended 30 June 2018 where the auditor has issued a review report dated 24 August 2018 with qualified conclusion as detailed in Section I.1(a) above.

2. The balances were extracted from the combined statement of financial position of the Target Group as at 30 April 2018 as set out in Appendix II to the Circular.

3. Pursuant to the formal share purchase agreement of the Proposed Acquisition dated 30 August 2018 (the "Agreement") entered into between the Company and Jadestone China High-technology Industry Investment Fund LP ("Jadestone"), the Company conditionally agreed to purchase and Jadestone conditionally agreed to sell the entire equity interest in the Target Company at a cash consideration of RMB890,000,000. If the audited net assets of the Target Group as at 31 December 2017 (the "Audited Net Assets") are less than RMB150,000,000, Jadestone shall make up the shortfall between the Audited Net Assets and RMB150,000,000 on or before the completion of the Proposed Acquisition. According to Appendix II to this Circular, the Audited Net Assets of the Target Group are not less than RMB150,000,000. As a result, no amount shall be paid by Jadestone to the Company in this regard.

As at 30 June 2018, the Company has already made advance payment of RMB200,000,000 to Jadestone in respect of the Proposed Acquisition. Pursuant to the Agreement, the remainder of the consideration amounted to RMB690,000,000 shall be paid at the completion date.

Furthermore, Jadestone undertakes that, as of the completion date, (i) there shall be no outstanding shareholder loans, payables or claims of whatsoever nature owed and/or due by any member of the Target Group to Jadestone; and (ii) all payables and receivables between Jadestone or any of its associates (except the Target Group) and any member of the Target Group shall have been fully settled or otherwise dealt with to the satisfaction of the Company.

The pro forma adjustment reflects the followings:

(a) Fair value adjustment of the identifiable assets and liabilities of the Target Group

Upon completion of the Proposed Acquisition, the identifiable assets and liabilities of the Target Group in the unaudited pro forma combined statement of assets and liabilities of the Enlarged Group will be accounted for at fair value under the purchase method of accounting in accordance with International Financial Reporting Standard 3 (Revised) "Business Combinations".

The identifiable assets and liabilities of the Target Group as at the date of the Proposed Acquisition as if the Proposed Acquisition had taken place on 30 June 2018 are as follows:

	Carrying values	**Fair values**	**Fair value adjustments**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	35,800	35,777	(23)
Intangible assets	16,603	352,425	335,822
Prepayments – non-current	5,464	5,464	–
Deferred tax assets	6,846	6,846	–
Inventories	108,202	109,183	981
Trade and bills receivables	93,916	93,916	–
Prepayments, deposits and other receivables	44,027	44,027	–
Amount due from shareholder *(Note 3(b))*	–	–	–
Other current assets	10,230	10,230	–
Pledged time deposits	30,450	30,450	–
Cash and cash equivalents *(Note 3(b))*	48,317	48,317	–
Trade and bills payables	(148,073)	(148,073)	–
Other payables and accruals	(72,988)	(72,988)	–
Deferred tax liabilities	–	(55,411)	(55,411)
Income tax payable	(18,687)	(18,687)	–
Net identifiable assets acquired by the Group	160,107	441,476	281,369

The fair values of the identifiable assets and liabilities of the Target Group as at 30 April 2018 are estimated by the directors of the Company with reference to a valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The unaudited pro forma fair value adjustment on intangible assets of RMB335.8 million represents fair value of trademark and customer relationship amounted to approximately RMB97.6 million and RMB238.2 million which are determined using relief from royalty method and multi-period excess earnings method respectively. Fair values of identifiable assets and liabilities will be reassessed on the completion date of the Proposed Acquisition together with the fair value assessment of the deferred tax impact in relation to any fair value adjustments.

(b) The reclassification from amount due from shareholder to cash and cash equivalents represents the full settlement of amount due from shareholder amounted to RMB3,980,000 pursuant to the Agreement as if the Proposed Acquisition had taken place on 30 June 2018.

(c) Recognition of goodwill in relation to the Proposed Acquisition

For the purpose of the preparation of the Unaudited Pro Forma Financial Information and for illustrative purpose, the recognition of goodwill arising from the Proposed Acquisition is analysed as follows as if the Proposed Acquisition had taken place on 30 June 2018:

	RMB'000
Cash consideration	890,000
Less: fair value of the net identifiable assets of the Target Group acquired by the Company *(Note 3(a))*	(441,476)
Goodwill	448,524

Since the fair value of the identifiable net assets of the Target Group at the date of completion of the Proposed Acquisition may be substantially different, the goodwill recognised at the completion date of the Proposed Acquisition may be different from the amount presented above.

The estimated goodwill arising from the Proposed Acquisition is recognised and no impairment charge concerning the above estimated goodwill is considered necessary under the requirements of IAS 36 (as defined below). After the completion of Proposed Acquisition, the Group will determine at each reporting date whether the goodwill is impaired in accordance with International Accounting Standard 36 "Impairment of Assets" ("IAS 36").

The directors of the Company confirm that consistent accounting policies and principal assumptions will be applied to assess impairment of goodwill and intangible assets if any, in subsequent reporting periods in accordance with the requirements under IAS 36.

4. The unaudited pro forma adjustment represents elimination of the balances between the Group and the Target Group.

5. For the purpose of the Unaudited Pro Forma Financial Information, the direct expenses and other professional services related to the Proposed Acquisition are estimated to be approximately RMB6,000,000 according to respective quotations from the professional parties, which should be charged to profit or loss.

6. The directors of the Company confirm that the basis used in the preparation of the Unaudited Pro Forma Financial Information will be consistent with the accounting policies of the Group, including the principal accounting policies and assumptions of the valuation of the identified assets and liabilities of the Target Group to be consistently adopted in the first set of the financial statements of the Group after the completion of the Proposed Acquisition.

7. Apart from the Proposed Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2018 and of the Target Group entered into subsequent to 30 April 2018.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

II. INDEPENDENT REPORTING ACCOUNTANTS' 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 combined statement of assets and liabilities and related notes as set out on pages 118 to 122 of Appendix IV to the Company's circular dated 10 October 2018 (the "Circular"), in connection with the Group's proposed acquisition of the entire equity interest in Elec-Tech Solid State Lighting (HK) Limited (the "Target Company") pursuant to the formal share purchase agreement dated 30 August 2018 (the "Proposed Acquisition"). 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 Acquisition on the Group's assets and liabilities as at 30 June 2018 as if the Proposed Acquisition had taken place at 30 June 2018. As part of this process, information about the Group's assets and liabilities has been extracted by the directors of the Company from the Group's interim condensed consolidated financial statements for the six months ended 30 June 2018, on which a review report with qualified conclusion has been issued. Details of the qualified conclusion are set out in Section I.1(a) 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 ("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 an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 30 June 2018 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

10 October 2018

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place, 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No: C-030171

仲量聯行企業評估及咨詢有限公司
香港皇后大道東1號太古廣場三期6樓
電話 +852 2846 5000 傳真 +852 2169 6001
公司牌照號碼：C-030171

10 October 2018

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 your instructions, we have undertaken a valuation exercise to determine an independent opinion on the fair value of 100 percent equity value of Elec-Tech Solid State Lighting (HK) Limited ("Elec-Tech" or the "Company") as at 31 March 2018 (the "Valuation Date"). The report which follows is dated 10 October 2018 (the "Report Date").

The purpose of this valuation is to express an independent opinion on the fair value of 100 percent equity in of Elec-Tech Solid State Lighting (HK) Limited 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 Company. 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 value in the Company as at the Valuation Date is reasonably stated as below:

Valuation Date	**Fair Value of 100% Equity Value** *(RMB'000)*
31 March 2018	891,213.77

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

TABLE OF CONTENTS

INTRODUCTION	129
PURPOSE OF VALUATION	129
BASIS OF VALUE	129
BACKGROUND	129
SOURCES OF INFORMATION	130
METHODOLOGY	130
MAJOR ASSUMPTIONS	131
DISCOUNT FOR LACK OF MARKETABILITY	133
VALUATION COMMENTS	134
RISK FACTORS	135
OPINION OF VALUE	135
EXHIBIT A – LIMITING CONDITIONS	137
EXHIBIT B – VALUERS' PROFESSIONAL DECLARATION	140
EXHIBIT C – COMPARABLE COMPANIES	141
EXHIBIT D – MARKET APPROACH	142

INTRODUCTION

This report has been prepared in accordance with instructions from NVC Lighting Holding Limited to express an independent opinion of the fair value of 100 percent equity value in of Elec-Tech Solid State Lighting (HK) Limited ("Elec-Tech" or the "Company") as at 31 March 2018 (the "Valuation Date"). The report which follows is dated 10 October 2018 (the "Report Date").

PURPOSE OF VALUATION

Our valuation is normally classified as,

- Internal Reference (for internal usage by the management of the company);
- Accounting Reference (for auditors to consider the accounting implications);
- Circular Reference (for disclosure in the circular to general public).

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

Company Background

Elec-Tech Solid State Lighting (HK) Limited develops LED chips and LED photoelectric products. The company was founded in 2010 and is headquartered in Shatin, Hong Kong. Elec-Tech Solid State Lighting (HK) Limited operates as a former subsidiary of Elec-Tech International (H.K.) Company Limited.

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:

- 2017 Accountants' report;
- 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 Company. 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 Company'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 Company 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 2017 Accountants' 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 company 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 equity value 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 Company.

- 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***

The selection of comparable companies is based on the industry peer of the Company, which designs, manufactures and trades of LED lighting products in China and overseas with a reasonably sufficient listing period (more than one year). As the headquarters and production plant of the Company are located in Hong Kong and mainland China respectively, 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 Company based on the selection basis mentioned above.

Comparable Company	Ticker	Classification	% Revenue	Financial Year 2017 Reporting Revenue	IPO Date	Geographical Information
NVC Lighting Holding Ltd.	2222 HK EQUITY	Electric Lamp Bulb & Parts	22.58%	4,063 million RMB	5/20/2010	China 68%
		Light Fixture	70.94%			Overseas 32%
		Electronic Coil	6.48%			
Neo-Neon Holding Ltd.	1868 HK EQUITY	Light Fixture	94.53%	666 million RMB	12/5/2006	America 80%
		Invest Management	5.41%			Others 20%
Zhejiang Yankon Group Co., Ltd.	600261 CH EQUITY	Light Fixture	100%	4,994 million RMB	7/20/2000	Europe 42% America 20% China 16% Others 12%
Foshan Electrical and Lighting Co., Ltd.	000541 CH EQUITY	Electric Lamp Bulb & Parts	96.62%	3,761 million RMB	8/8/1995	China 60%
		Electronic Components	3.38%			Overseas 40%
Hengdian Group Tospo Lighting Co., Ltd.	603303 CH EQUITY	Commercial Light Fixture	100%	4,015 million RMB	3/30/2017	China 20% Overseas 80%
Foshan NationStar Optoelectronics Co. Ltd.	002449 CH EQUITY	LED Lighting	100%	3,454 million RMB	7/16/2010	China 84% Overseas 16%
OPPLE Lighting Co., Ltd.	603515 CH EQUITY	Light Fixture	100%	6,911 million RMB	8/19/2016	China 90% Overseas 10%

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	6.99	0.71	0.54
1868 HK EQUITY	12.09	1.02	2.18
603515 CH EQUITY	36.53	6.83	3.59
600261 CH EQUITY	19.71	2.41	1.60
000541 CH EQUITY	8.79	2.43	1.73
603303 CH EQUITY	26.32	2.49	1.38
002449 CH EQUITY	22.94	6.83	3.59
Adopted Multiples	**19.05**	**2.64**	**1.92**

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

- ***Financial Data from the Company***

Financial Year 2017 Net income *(RMB'000)*	Financial Year 2017 Book value *(RMB'000)*	Financial Year 2017 Revenue *(RMB'000)*
77,998.00	150,016.00	657,305.00

Note: All financial data is referred to the 2017 Accountants' Report.

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 Company 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 Company's revenue in financial year 2017 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	–	$47.5	27.7%	0.0%	57.6%
Totals	47	–	–	–	–
*Over $100 million (actual calculation)	2	$187.1	25.1%	0.0%	57.6%
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 Company. 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 Company. The competition in the industry may have adverse effect on the operating performance of the Company and hence affect the value of the business.

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

The Company 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 Company.

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 value in the Company as at the Valuation Date is reasonably stated as below:

Valuation Date	Fair Value of 100% Equity Value *(RMB'000)*
31 March 2018	891,213.77

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. 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
Assistant Manager

Jay X.Y. Zhu
Analyst

EXHIBIT C – COMPARABLE COMPANIES

Company Name	Ticker	Description
NVC Lighting Holding Ltd.	2222 HK	NVC Lighting Holding Ltd designs, manufactures and distributes lighting fixtures.
Neo-Neon Holdings Limited	1868 HK	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., Ltd.	600261 CH	Zhejiang Yankon Group Co., Ltd. manufactures 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 & Lighting Co., Ltd.	000541 CH	Foshan Electrical and Lighting Co., Ltd. manufactures and markets electro-optical products and auxiliary luminary series products. The Company's products include ordinary 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	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	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	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

Valuation Date 3/31/2018

Comparable Company	**Ticker**	**P/E**	**P/B**	**P/S**
NVC Lighting Holding Ltd.	2222 HK EQUITY	6.99	0.71	0.54
Neo-Neon Holdings Limited	1868 HK EQUITY	12.09	1.02	2.18
OPPLE Lighting Co., Ltd.	603515 CH EQUITY	36.53	6.83	3.59
Zhejiang Yankon Group Co., Ltd.	600261 CH EQUITY	19.71	2.41	1.60
Foshan Electrical & Lighting Co., Ltd.	000541 CH EQUITY	8.79	2.43	1.73
Hengdian Group Tospo Lighting Co., Ltd.	603303 CH EQUITY	26.32	2.49	1.38
Foshan NationStar Optoelectronics Co. Ltd.	002449 CH EQUITY	22.94	2.61	2.39

Source: Bloomberg

Multiples	**P/E**	**P/B**	**P/S**
MAX	36.53	6.83	3.59
MEAN	19.05	2.64	1.92
MEDIAN	19.71	2.43	1.73
MIN	6.99	0.71	0.45

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 2017** **Net income**	**P/B** **Financial year 2017** **Book value**	**P/S** **Financial year 2017** **Revenue**
	77,998.00	150,016.00	657,305.00
Multiples (MEAN)	19.05	2.64	1.92
Target Company 100% equity value (Before DLOM and Control Premium)	1,486,085	396,471	1,259,209
DLOM 14.90%	221,426.63	59,074.16	187,622.08
Target Company Fair Value	1,264,658.12	337,396.70	1,071,586.50
Average Target Company 100% equity value			**891,213.77**

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, 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 16.57% of the shares of ETIC, and ETIC in turn holds 20.57% of the shares (870,346,000 shares as of the Latest Practicable Date) of the Company. Mr. WANG Donglei is also a director and chairman 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 and Mr. LI Huating is a deputy chairman and general manager of ETIC.

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 the Directors were aware, as at the Latest Practicable Date, the interests or short positions of the persons, other than a Director or chief executive of the Company, in the shares or underlying shares or debentures of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholders	Nature of Interest	Class of Shares	Number of Shares	Percentage of the Total Shares Issued
Elec-Tech International (H.K.) Company Limited	Beneficial owner	Ordinary Shares	870,346,000 (L) (*Note 1*)	20.57%
Elec-Tech International Co., Ltd.	Interest of corporation controlled by the substantial shareholders	Ordinary Shares	870,346,000 (L) (*Note 2*)	20.57%
Haitong International Credit Company Limited	Security interest in shares	Ordinary Shares	870,346,000 (L) (*Note 3*)	20.57%
Haitong International Securities Group Limited	Interest of corporation controlled by the substantial shareholders	Ordinary Shares	870,346,000 (L) (*Note 3*)	20.57%
Haitong International Holdings Limited	Interest of corporation controlled by the substantial shareholders	Ordinary Shares	870,346,000 (L) (*Note 3*)	20.57%
Haitong Securities Co., Ltd.	Interest of corporation controlled by the substantial shareholders	Ordinary Shares	870,346,000 (L) (*Note 3*)	20.57%
SU Lixin	Beneficial owner	Ordinary Shares	649,350,649 (L)	15.35%
Schneider Electric Asia Pacific Limited	Beneficial owner	Ordinary shares	288,371,000 (L)	6.82%

Name of Shareholders	Nature of Interest	Class of Shares	Number of Shares	Percentage of the Total Shares Issued
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%
YE Yong	Beneficial owner	Ordinary shares	270,227,000 (L)	6.39%
	Spouse's interest	Ordinary shares	7,433,000 (L) (*Note 5*)	0.18%

Notes:

1. (L) represents long position.

2. These shares are 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, and 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 are 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.

5. 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.

3. DIRECTOR'S INTERESTS IN COMPETING BUSINESS

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 16.57% of the shares of ETIC, and ETIC in turn holds 20.57% of the shares of the Company. Mr. WANG Donglei is also a director and chairman 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 and Mr. LI Huating is a deputy chairman and general manager of ETIC. 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 2017, the shares of which were listed on the Shenzhen Stock Exchange in June 2004. Based on the preliminary annual result of ETIC dated 13 February 2018 (unaudited and subject to further adjustment), its operating revenue for the year of 2017 is approximately RMB4,203,131,000, its net loss is approximately RMB896,495,000 and its total assets is approximately RMB14,209,926,000. 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, Mr. XIAO Yu and Mr. LI Huating 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.

Save as disclosed above, 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.

4. DIRECTOR'S INTERESTS IN ASSETS

Reference is made to the announcement dated 14 March 2018 of the Company in relation to, among others, a non-binding co-operation framework agreement (the "**Co-operation Framework Agreement**") entered by the Company with ETIC and Mr. WANG Donglei. Pursuant to the Co-operation Framework Agreement, subject to entering into definitive agreements, the Company intends to sell, and ETIC and Mr. WANG Donglei intend to acquire, directly and indirectly, the Company's domestic lighting products manufacturing business (the "**Potential Disposal Assets**") which includes but not limited to the entire share capital of Huizhou NVC Lighting Technology Co., Ltd.* (惠州雷士光電科技有限公司) (the "**Potential Disposal**"). The definitive scope of the Target Assets will be subject to further discussions between the Parties.

Pursuant to the Co-operation Framework Agreement, Mr. WANG Donglei and ETIC intend to acquire the Potential Disposal Assets. Mr. WANG Donglei indirectly holds equity interests in ETIC, is a director and chairman 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. Mr. LI Huating is a deputy chairman and general manager of ETIC. Therefore, Mr. WANG Donglei, Mr. XIAO Yu and Mr. LI Huating are deemed to be interested in the Potential Disposal Assets.

Save as disclosed above, 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 2017, 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. DIRECTORS INTERESTS IN CONTRACTS OR ARRANGEMENTS

Mr. WANG Donglei indirectly holds equity interests in ETIC, is a director and chairman 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. Mr. LI Huating is a deputy chairman and general manager of ETIC. Therefore, Mr. WANG Donglei, Mr. XIAO Yu and Mr. LI Huating are deemed to be interested in several connected transactions and continuing connected transactions entered between the Group and ETIC, including (i) the acquisition of shares of ETIC to the amount of no more than RMB110 million on market by the Company, details of which were disclosed in the announcement dated 12 June 2017 of the Company; (ii) a trademark licensing agreement entered between a wholly owned subsidiary of the Group and ETIC on 22 January 2016, details of which were disclosed in the announcement dated 22 January 2016 of the Company; (iii) a renewed framework finished products and raw materials purchase agreement entered between the Company and ETIC on 22 January 2016, details of which were disclosed in the announcement dated 22 January 2016 of the Company; (iv) a framework sales agreement entered between the Company and ETIC on 14 March 2016, details of which were disclosed in the announcement dated 14 March 2016 of the Company; (v) two lease agreements entered between the Company and ETIC on 22 January 2016, details of which were disclosed in the announcement dated 22 January 2016 of the Company; and (vi) 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.

As at the Latest Practicable Date, Mr. WANG Donglei held 60% equity interests in NVC Singapore. Therefore, Mr. WANG Donglei is deemed to be interested in several continuing connected transactions entered between the Group and NVC Singapore, including (i) a service agreement entered between NVC HK and NVC Singapore, details of which were disclosed in the announcement dated 18 May 2017 of the Company; and (ii) a sales framework agreement entered between the Company and NVC Singapore, details of which were disclosed in the announcement dated 22 December 2017 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

(a) The Group as a Plaintiff

A subsidiary of the Company (the "**Subsidiary**") entered into several pledge and guarantee agreements in 2013 and 2014 (the "**Pledge and Guarantee Agreements**") with certain banks in the PRC, providing guarantees to the banks for their loan facilities granted to certain borrowers. Counter guarantees were provided by one of the borrowers of the bank loans, namely Chongqing Wu Ji Real Estate Development Co., Ltd. ("**Wu Ji**"), to the Group. During 2014, aggregate pledged time deposits of RMB550,924,000 of the Subsidiary had been withdrawn by the banks due to default of the bank loans under the guarantees of the Subsidiary. The Group initiated a series of legal proceedings against Mr. WU Changjiang, a former director and former chief executive officer of the Company, Mrs. WU Lian (spouse of Mr. WU Changjiang), Mr. WU Xianming, Mrs. CHEN Min, Chongqing Lei Li Jie Industrial Development Co., Ltd., Wu Ji, Chongqing Jiang Te Surface Treatment Co., Ltd. and Chongqing Hua Biao Lighting Manufacturing Co., Ltd., in the Intermediate People's Court of Huizhou for damages. In addition, as indicated in 8 letters of counter guarantee issued by Wu Ji with dates in 2013 and 2014, Wu Ji provided counter guarantees to the Group to reimburse any losses for provision of guarantees on the bank loans borrowed by certain PRC companies under the Pledge and Guarantee Agreements.

(b) The Group as a Defendant

The Subsidiary also entered into guarantee agreements with another PRC bank in 2013 (the "**Guarantee Agreement 1**") and a PRC finance company in 2014 (the "**Guarantee Agreement 2**") respectively, providing guarantees to the PRC bank and the PRC finance company for their loan facilities granted to their borrowers. Mrs. WU Lian is the borrower of the loan in relation to the Guarantee Agreement 2.

The outstanding loans of RMB35,497,000 and RMB34,000,000 in relation to the Guarantee Agreements 1 and 2 were in default in 2015 and 2014 respectively. The PRC bank and the PRC finance company have taken legal actions against the respective borrowers and the guarantors (including the Subsidiary and Wu Ji as guarantors) to recover the loan balances and interests.

For the Guarantee Agreement 1, according to the first court judgement in 2016 and the final court judgement in May 2017, the Subsidiary is adjudicated to be jointly liable for the payment to the PRC bank of the outstanding loan, plus interest and costs. The Subsidiary has filed application of retrial of the PRC court judgements and the commencement of the related legal proceeding has been accepted by the PRC court in January 2018. In May 2018, the Company has received the ruling of the PRC court which rejected the Subsidiary's application of retrial. The Subsidiary is in the process of applying for protest of the PRC court judgements.

For the Guarantee Agreement 2, according to the first court judgement in 2016 and the final court judgement in September 2017, the Subsidiary is adjudicated to be jointly liable for the payment to the PRC finance company of the outstanding loan, plus interest and costs. The Subsidiary is in the process of applying for protest of the PRC court judgements.

In addition to the above agreements, the Subsidiary entered into a guarantee agreement (the "**Guarantee Agreement 3**") with a PRC bank in 2014, providing guarantee to the bank for a loan facility granted to its borrower. In addition, the bank loan was secured by the pledge of a piece of land owned by Wu Ji. The bank loan was in default in 2014 and the bank has taken legal actions against the borrower and the guarantors (including the Subsidiary) to recover the bank loan balance and interest. A court order was issued to freeze assets of the guarantors (including the Subsidiary) in the amount of RMB62,000,000. As a result of the court order, bank balance of the Subsidiary in the amount of RMB55,396,000 had been frozen by the bank as at 31 December 2016. According to the first court judgement in 2016 and the final court judgement in January 2017, the Subsidiary is adjudicated to be jointly liable for the payment to the PRC bank of RMB60,000,000, plus interest and costs. In February 2017, the frozen bank balance of the Subsidiary has been withdrawn by the court for the purpose of settlement of the claim by the PRC bank. During 2017, the Subsidiary filed an application of retrial of the PRC court judgements in relation to Guarantee Agreement 3 which was rejected by the PRC court. The Subsidiary has subsequently filed an application of protest of the PRC court judgements and the commencement of the related legal proceeding has been accepted by the PRC court in March 2018. In May 2018, the Subsidiary's application of protest has been submitted to the Supreme People's Procuratorate by the Chongqing People's Procuratorate.

Save as disclosed above, 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

We refer to the announcement dated 23 May 2018 and the circular dated 30 June 2018 of the Company in relation to the entering of two sale and purchase agreements (the "**Sale and Purchase Agreements**") each 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. The transactions contemplated under the Sale and Purchase Agreements constitute major transactions of the Company.

Save for the Sale and Purchase Agreements, the Heads of Agreement, the Formal Share Purchase Agreement and the Share Charge Agreement, as at the Latest Practicable Date, no contract, not being contracts entered into in the ordinary course of business, was entered into by members of the Group within the two years immediately preceding the date of this circular and ending on the Latest Practicable Date which is or may be material.

9. MAJOR ACQUISITIONS

We refer to the announcement dated 23 May 2018 and the circular dated 30 June 2018 of the Company in relation to the entering of the Sale and Purchase Agreements each with Roman International (HK) Co., Limited and Mr. Zhang Peng for the acquisition of 60% equity interest in Blue Light (HK) Trading Co., Limited ("**Blue Light**") at a consideration of RMB500,000,000 and 5% equity interest in Wuhu NVC Lighting E-Commerce Limited ("**Wuhu NVC**") at a consideration of RMB45,000,000, respectively. The transactions contemplated under the Sale and Purchase Agreements constitute major transactions of the Company. The Sale and Purchase Agreements and the transactions contemplated thereunder have been approved by Shareholders at an extraordinary general meeting of the Company held on 18 July 2018.

Blue Light is a limited company incorporated in Hong Kong. Its business activities involve investment holding, design and development of lighting, LED and home appliances, promotion and communications, technology consulting and international trade. Wuhu NVC is a limited company incorporated in the PRC. The principal business of Wuhu NVC and its subsidiaries is the sale and distribution of lighting products through e-commerce platforms and distribution channels. Wuhu NVC is the main operating subsidiary of Blue Light. The initial consideration of the acquisition of 60% equity interest in Blue Light (HK) Trading Co., Limited is RMB500,000,000 (subject to an upward or downward adjustment (each capped at RMB50,000,000) depending on the actual net profit of Blue Light for the year 2018) to be settled in cash, and the consideration of the acquisition of 5% equity interest in Wuhu NVC Lighting E-Commerce Limited is RMB45,000,000 to be settled in cash. The remuneration payable to and benefits in kind receivable by the directors of Blue Light and Wuhu NVC will not be varied in consequence of the acquisitions mentioned above.

Save as disclosed in this circular, after the date to which the latest published audited accounts of the Group have been made up, the Group has not acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditors' report or next published accounts of the Group.

10. 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
JLL	Independent Valuer

As at the Latest Practicable Date, each of BDO Limited, Gram Capital Limited and JLL:

(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 2017 (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.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at Level 54, Hopewell Centre 183 Queen's Road East, 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 Sale and Purchase Agreements;

(c) The Heads of Agreement;

(d) The Formal Share Purchase Agreement;

(e) The Share Charge Agreement;

(f) 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" of Appendix VI to this circular;

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

(h) The Accountants' Report on the Target Group, the texts of which are set out in Appendix II to this circular;

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

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

(k) The annual reports of the Company for each of the three years ended 31 December 2015, 2016 and 2017 and the interim report of the Company for the six months ended 30 June 2018, respectively;

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

(m) This circular.

12. 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 headquarters of the Company is NVC Industrial Park, Ruhu Town, Huizhou City, Guangdong Province, The People's Republic of China.

(d) The principal place of business in Hong Kong of the Company is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) 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.

(f) 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.

(g) 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 an extraordinary general meeting (the "**EGM**") of NVC Lighting Holding Limited (the "**Company**") will be held at Room 3 & 4, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 29 October 2018 for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions:

1. **"THAT**:

   (a) the Heads of Agreement and the Formal Share Purchase Agreement (as defined and described in the circular to the shareholders of the Company dated 10 October 2018), a copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and;

   (b) any director(s) of the Company or any other person authorized by the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of or in connection with (i) the implementation and completion of the Heads of Agreement, the Formal Share Purchase Agreement and all transactions and other matters contemplated thereunder or ancillary thereto; and/or (ii) any amendment, variation or modification of, or any waiver of compliance under the Heads of Agreement, the Formal Share Purchase Agreement and all transactions contemplated thereunder upon such terms and conditions as the board of directors of the Company may think fit".

By Order of the Board
NVC Lighting Holding Limited
WANG Donglei
Chairman

Hong Kong, 10 October 2018

Notes:

1. All resolutions at the meeting (except those relate purely to the procedural or administrative matters, which should be taken by a show of hands as the chairman of the extraordinary general meeting (the "**Meeting**") may decide, in good faith) will be taken by a poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 above Meeting 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 Meeting (i.e. not later than 10:00 a.m. on Saturday, 27 October 2018). Please note that 27 October 2018 is not a working day and Computershare Hong Kong Investor Services Limited's offices will not be opened on the day for physical delivery of the form of proxy. To be effective, all forms of proxy must be lodged with Computershare Hong Kong Investor Services Limited before the deadline. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the Meeting 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, 24 October 2018 to Monday, 29 October 2018 (both dates inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the Meeting, 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, 23 October 2018.

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

   Non-executive Directors:
   LI Huating
   LI Wei

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