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 your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **NVC International Holdings Limited**, you should at once hand this circular and the accompanying proxy form and reply slip to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

NVC International Holdings Limited
雷士國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2222)

(1) PROPOSAL FOR NON-EXERCISE OF THE SUBSCRIPTION RIGHT RELATING TO THE TARGET COMPANY
&
(2) CONTINUING CONNECTED TRANSACTIONS
&
(3) PROPOSED RE-ELECTION OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR
&
(4) REQUISITION BY A SHAREHOLDER FOR APPOINTMENT OF A NON-EXECUTIVE DIRECTOR
&
(5) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser
to the Independent Board Committee and Independent Shareholders

Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 8 to 24 of this circular. A letter from the Independent Board Committee is set out on page 25 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 35 of this circular.

A notice convening the EGM to be held at Unit 705, 7/F., Building 20E, Phase 3, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong at 10:00 am on Tuesday, 28 December 2021 is set out on pages EGM-1 to EGM-4 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you propose to attend the EGM, you are requested to complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, 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 holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so desire.

This circular together with the form of proxy are also published on the websites of Hong Kong Exchange and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.nvc-international.com).

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

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

To safeguard the health and safety of Shareholders and to prevent the spreading of the COVID-19, the following precautionary measures will be implemented at the EGM:

(1) Compulsory body temperature screening
(2) Mandatory use of surgical face mask
(3) Mandatory health declaration
(4) No distribution of corporate gifts and refreshments or drinks

Attendees who do not comply with the precautionary measures referred to in (1) to (3) above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

10 December 2021

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PRECAUTIONARY MEASURES FOR THE EGM

Due to the recent development of the epidemic COVID-19, the Company will implement additional precautionary measures at the EGM in the interests of the health and safety of our Shareholders, investors, Directors, staff and other participants of the EGM which include without limitation:

(1) All attendees will be required to wear surgical face masks before they are permitted to attend, and during their attendance of, the EGM. Attendees are advised to maintain appropriate social distance with each other at all times when attending the EGM.

(2) There will be compulsory body temperature screening for all persons before entering the EGM venue. Any person with a body temperature above the reference range quoted by the Department of Health from time to time, or is exhibiting flu-like symptoms may be denied entry into the EGM venue and be requested to leave the EGM venue. Denied entry to the EGM venue also means the person will not be allowed to attend the EGM.

(3) Attendees may be asked if (i) he/she has travelled outside of Hong Kong within 14 days immediately before the EGM ("**recent travel history**"); (ii) he/she is subject to any Hong Kong government prescribed quarantine requirement; and (iii) he/she has any flu-like symptoms or close contact with any person under quarantine or with recent travel history. Any person who responds positively to any of these questions will be denied entry into the EGM venue or be required to promptly leave the EGM venue.

(4) Anyone attending the EGM is always reminded to observe good personal hygiene.

(5) Shareholders who prefer not to attend or are restricted from attending the EGM, may still vote by proxy or appoint the chairman of the EGM as their proxy to vote on the relevant resolutions and are advised to take note of the last date and time for the lodgement of the form of proxy.

(6) The Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM instead of attending the EGM in person, by completing and return the form of proxy.

(7) No corporate gifts, refreshments or drinks will be provided to attendees at the EGM.

(8) If any Shareholder chooses not to attend the EGM in person but has any question about any resolution or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to the Company's principal place of business in Hong Kong at Unit 705, 7/F., Building 20E, Phase 3, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong or fax at (852) 2865 1638. If any shareholder has any question relating to the EGM, please contact Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Email: hkinfo@computershare.com.hk
Tel: (852) 2862 8555
Fax: (852) 2865 0990

(9) Shareholders are advised to read this section carefully and pay attention to the development of COVID-19. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

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

"2018 ETIC Purchase Agreement"	a framework finished products and raw material purchase agreement entered into between the Company and ETIC on 10 December 2018 as amended or supplemented from time to time
"2019 Share Purchase Agreement"	the agreement dated 10 August 2019 entered into by and among the Company, LED Holdings Limited, Brilliant Lights International Holding Pte. Ltd., Brilliant Lights Investment Pte. Ltd. and Lighting Holdings II Pte. Ltd. (as supplemented by an amendment letter dated 29 October 2019)
"2021 ETIC Purchase Agreement"	a framework finished products and raw material purchase agreement entered into between the Company and ETIC on 26 November 2021 as amended or supplemented from time to time
"2021 Interim Period"	the period from 1 January 2021 to 30 June 2021
"Acquisition Consideration"	the consideration of RMB700 million payable by the Target Company to KKR in relation to the acquisition of Dragon
"Adjusted EBITDA"	has the meaning ascribed to it in the Appendix III of this circular
"Agreement"	the letter agreement on asset injection dated 23 March 2021 from KKR and the Target Company to the Company
"Articles of Association"	the articles of association of the Company currently in force
"associate"	has the meaning ascribed thereto under the Listing Rules
"Board"	board of the Company
"CCT Announcement"	the announcement dated 26 November 2021 made by the Company in relation to the continuing connected transactions
"China NVC-lighting Business"	manufacturing, sales and distribution of commercial lighting products and home lighting products as well as e-commerce business in the Mainland China market under the NVC brand

"Company"	NVC International Holdings Limited (雷士國際控股有限公司), 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, whose issued Shares are listed on the main board of the Stock Exchange
"Completion"	completion of the exercise of the Subscription Right
"connected person"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"Dragon"	Brilliant Lights (Dragon) Pte. Ltd., a company incorporated in Singapore
"EGM"	the extraordinary general meeting of the Company to be held at Unit 705, 7/F., Building 20E, Phase 3, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong on Tuesday, 28 December 2021 at 10:00 a.m. and convened for the purpose of considering and, if thought fit, approving, among other things, the exercise of the Subscription Right, the 2021 ETIC Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps)
"ETIC"	Elec-Tech International Co., Ltd.* (安徽德豪潤達電氣股份有限公司) (formerly known as Elec-Tech International Co., Ltd.* (廣東德豪潤達電氣股份有限公司)), a PRC incorporated company whose shares are currently listed on the Shenzhen Stock Exchange. It is a substantial shareholder of the Company
"Group"	the Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Board comprising all the independent non-executive Directors, which has been appointed by the Board to advise the Independent Shareholders on the terms of the 2021 ETIC Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps)

"Gram Capital" or "Independent Financial Adviser"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the 2021 ETIC Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps)
"Independent Shareholders"	the Shareholders other than ETIC and its associates
"independent third parties"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected with the Company or any of its connected persons
"INED Re-election Announcement"	the announcement dated 1 December 2021 made by the Company in relation to the re-election of Mr. CHEN Hong as an independent non-executive Director
"JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a qualified independent valuer in Hong Kong
"KKR" or "Lighting Holdings II"	Lighting Holdings II Pte. Ltd., a special purpose vehicle indirectly controlled by KKR Asian Fund III L.P. which is a limited partnership incorporated under the laws of Ontario, Canada
"Latest Practicable Date"	7 December 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
"LED"	Light-Emitting Diode
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Non-Exercise Proposal"	the proposal of not exercising the Subscription Right
"PRC"	the People's Republic of China
"percentage ratio"	the applicable percentage ratios under Rule 14.07 of the Listing Rules

"Requesting Shareholder"	Elec-Tech International (H.K.) Company Limited (a wholly owned subsidiary of ETIC), a Shareholder holding 740,346,000 Shares, representing approximately 17.51% of the total issued share capital of the Company as at the date of the Requisition Notice
"Requisition"	the requisition as set out in the Requisition Notice
"Requisition by Shareholder Announcement"	the announcement dated 1 December 2021 made by the Company in relation to the Requisition by ETIC for the appointment of Mr. JI Qingbin as a non-executive Director
"Requisition Notice"	the requisition notice dated 28 October 2021 received by the Company from the Requesting Shareholder
"RMB"	Renminbi, the lawful currency of the People's Republic of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	shareholders of the Company
"Share(s)"	ordinary share(s) of US$0.0000001 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of the US$ equivalent of RMB210,000,000 at the mid-point RMB/US$ exchange rate published by the People's Bank of China on the business day that is two business days immediately preceding the payment of the Subscription Price
"Subscription Right"	the right to subscribe for the Subscription Shares at the Subscription Price
"Subscription Right Announcement"	the announcement dated 18 November 2021 made by the Company in relation to the Non-Exercise Proposal
"Subscription Shares"	68,614 ordinary shares of the Target Company
"subsidiaries"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules

"Target Company"	Brilliant Lights International Holding Pte. Ltd., a company incorporated in Singapore and is accounted for as an associate of the Company as at the Latest Practicable Date
"Target Group"	the Target Company and its subsidiaries
"US$"	United States dollars, the lawful currency of the United States of America; and
"%"	per cent.

NVC International Holdings Limited
雷士國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2222)

The Board of Directors:
Executive Directors:
WANG Donglei
CHAN Kim Yung, Eva
XIAO Yu
CAO Qin

Non-Executive Directors:
WANG Keven Dun
YE Yong

Independent Non-executive Directors:
LEE Kong Wai, Conway
WANG Xuexian
CHEN Hong

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

Principle place of business in Hong Kong:
Unit 705, 7/F., Building 20E,
Phase 3, Hong Kong Science Park,
Pak Shek Kok,
New Territories,
Hong Kong

10 December 2021

To the Shareholders

Dear Sir or Madam,

(1) PROPOSAL FOR NON-EXERCISE OF THE SUBSCRIPTION RIGHT RELATING TO THE TARGET COMPANY & (2) CONTINUING CONNECTED TRANSACTIONS & (3) PROPOSED RE-ELECTION OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR & (4) REQUISITION BY A SHAREHOLDER FOR APPOINTMENT OF A NON-EXECUTIVE DIRECTOR

INTRODUCTION

The purpose of this circular is to provide you with, among other things, (i) further details about the Subscription Right and the Non-Exercise Proposal; (ii) further details of the 2021 ETIC Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps); (iii) a letter of recommendation from the Independent Board Committee in relation to the 2021 ETIC Purchase Agreement and transactions contemplated thereunder (including the proposed annual caps); (iv) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; (v) details on re-election Mr. CHEN Hong as an independent non-executive Director; (vi) details on election Mr. JI Qingbin as a non-executive Director and (vii) a notice convening the EGM.

(1) PROPOSAL FOR NON-EXERCISE OF THE SUBSCRIPTION RIGHT RELATING TO THE TARGET COMPANY

Reference is made to the Subscription Right Announcement.

Background

Since completion of the Company's disposal of 70% equity interest in its China NVC-lighting Business to the Target Company in December 2019, the Target Company has been 30% owned by the Company and 70% owned by KKR. In April 2021, the Target Company completed an acquisition of the entire issued share capital of Dragon from KKR at the Acquisition Consideration pursuant to an agreement dated 23 March 2021. Since completion of such acquisition, the Target Company has wholly-owned Dragon and the financial performance and position of Dragon have been consolidated into the financial statements of the Target Company. As at the Latest Practicable Date, the Target Company has not settled the Acquisition Consideration, which remains as a liability due to KKR on the accounts of the Target Company, which would be settled at the earlier of (i) concurrent with the issuance of new shares by the Target Company to the Company pursuant to the Subscription Right, and (ii) 31 December 2021.

For the purpose of ensuring the Company's pre-emptive right, the parties also entered into the Agreement on 23 March 2021 as a side letter agreement to agree on the relevant anti-dilution protection for the Company in respect of its shareholding in the Target Company, pursuant to which the Company is granted with the Subscription Right to maintain its 30% equity interest in the Target Company. Pursuant to the Agreement, the Company shall have the right to exercise the Subscription Right at the Subscription Price (US$ equivalent of RMB210,000,000) at any time on or before 31 December 2021. In the event that the Company does not exercise the Subscription Right on or before 31 December 2021, the Company's shareholding interest in the Target Company will be diluted due to the allotment and issue of 228,714 ordinary shares of the Target Company to KKR.

The non-exercise proposal

Based on the currently available information, the Board is of the intention that it will **NOT** exercise the Subscription Right.

The Subscription Right

Subject to the Company's exercise of the Subscription Right on or before 31 December 2021, the Subscription Price will be used by the Target Company to set-off part of the Acquisition Consideration. The Target Company shall issue and allot a total of 228,714 ordinary shares of the Target Company, of which (i) 68,614 ordinary shares will be issued to the Company for cash that equals to the Subscription Price, at a per share valuation of approximately RMB3,060.59; and (ii) 160,100 ordinary shares will be issued to KKR at the same per share valuation of approximately RMB3,060.59, and pay an amount that equals the Subscription Price received by the Target Company from the Company in cash to KKR.

For the avoidance of doubt, in the event that the Company does not exercise the Subscription Right on or before 31 December 2021, the Target Company shall issue and allot to KKR 228,714 ordinary shares of the Target Company at the same per share valuation of approximately RMB3,060.59.

Set out below is the impact on the shareholding structure of the Target Company assuming that (i) the Subscription Right is exercised; and (ii) the Subscription Right is not exercised:

	As at the Latest Practicable Date	**If the Subscription Right is exercised**	**If the Subscription Right is NOT exercised**
The Company	300,000 shares (or 30%)	368,614 shares (or 30%)	300,000 shares (or 24.4%)
KKR	700,000 shares (or 70%)	860,100 shares (or 70%)	928,714 shares (or 75.6%)
Total	1,000,000 shares (or 100%)	1,228,714 shares (or 100%)	1,228,714 shares (or 100%)

The Subscription Price

The Subscription Price is the US$ equivalent of RMB210,000,000 at the mid-point RMB/US$ exchange rate published by the People's Bank of China on the business day that is two business days immediately preceding the payment of the Subscription Price.

The Subscription Price was determined after arm's length negotiation between the parties with reference to the Acquisition Consideration, multiplied by 30% which is the shareholding interest of the Company in the Target Company.

Completion

As a result of the Non-Exercise Proposal, the Company is not required to pay the Subscription Price and its shareholding interest in the Target Company will be diluted to approximately 24.4% of the total issued capital of the Target Company as enlarged by the issuance of new shares to KKR. The Target Company will still be accounted for as an associate of the Company and its financial results will continue to be accounted for using the equity method in the financial statements of the Group.

Information on the Target Company

The Target Company is incorporated in Singapore on 6 August 2019 and is principally engaged in investment holding and manufacture and sales of lamps, luminaries, lamp transformers, lighting electronic products and other appliances in the PRC. As at the Latest Practicable Date, the Target Company is a 30% owned associate of the Company, with the remaining 70% owned by KKR.

Dragon, a wholly-owned subsidiary of the Target Company, is principally engaged in investment holding and lighting source business in the PRC.

Set out below are the audited consolidated financial information of the Target Group for the period from 6 August 2019 (date of incorporation) to 31 December 2019 and for the year ended 31 December 2020 and the unaudited consolidated financial information of the Target Group for the six months ended 30 June 2020 and 2021, which are prepared in accordance with International Financial Reporting Standards:

	For the period from 6 August 2019 to 31 December 2019	**For the year ended 31 December 2020**	**For the six months ended 30 June 2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	audited	*audited*	*unaudited*	*unaudited*
Profit/(Loss) before taxation	(71,809)	(551,854)	(120,241)	69,251
Profit/(Loss) after taxation	(75,784)	(701,027)	(139,234)	27,608

As at 31 December 2020, the audited consolidated net asset value of the Target Group was RMB2,547.0 million.

The unaudited net asset value of the Target Group as at 30 June 2021 was approximately RMB2,573.1 million. Shareholders should note that the financial performance and position of Dragon have been consolidated into the financial statements of the Target Company since completion in April 2021.

The Company understands that the Target Group's management uses Adjusted EBITDA as an additional financial measure, in addition to the financial performance prepared in accordance with the International Financial Reporting Standards, to supplement and evaluate the Target Group's core operation, as below:

	For the year ended 31 December	For the six months ended 30 June	
	2020	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Adjusted EBITDA	654,196	82,362	303,007

Further details of the financial information of the Target Group are set out in Appendix IIA, IIB and III to this circular.

Information on the Parties

The Company

The Company is a leading supplier of lighting products in the international market. It designs, develops, produces, markets and sells a variety of lighting products, with a strong focus on energy-saving products under the NVC brand and third party brands.

Lighting Holdings II

Lighting Holdings II is a special purpose vehicle indirectly controlled by KKR Asian Fund III L.P., which is a limited partnership established in Ontario, Canada. KKR Asian Fund III L.P. is advised and/or managed by affiliates of KKR & Co. Inc.. KKR & Co. Inc. is a corporation incorporated under the laws of the State of Delaware, the United States. KKR & Co. Inc. is a leading global investment firm that manages multiple alternative asset classes, including private equity, energy, infrastructure, real estate and credit, with strategic partners that manage hedge funds.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, each of KKR and the Target Company and their ultimate beneficial owners (other than the Company for the Target Company) are independent of and not connected with the Company and its connected persons.

Reasons and benefits of the non-exercise proposal

In arriving at the intention **NOT** to exercise the Subscription Right, the Board has taken into account the following factors:

Factors being considered for exercising of the Subscription Right

When the Company disposed 70% equity interests in its China NVC-lighting Business to the Target Company in December 2019, it has been the long-term target of the Company and KKR that the Target Company will seek an initial public offering on the stock exchange in the PRC (the "**IPO Plan**") or any other recognized stock exchange. Assuming that the Target Company will be able to complete the IPO Plan in the next few years, and that the short-term challenges and uncertainties currently faced by the Target Company (as explained below) will be resolved, the Company believes that the value of the Target Company will be significantly enhanced. Such belief in value enhancement is based on the normalised performance of the Target Company and historical financial performance and trading multiplies of the Target Company's peers listed on the stock exchanges of the PRC.

However, the IPO Plan is subject to a number of market risk, uncertainties and factors beyond the control of the Company and the Target Company, and therefore, it may or may not materialize in the future. The IPO Plan, if successful, will unlock value for the Shareholders by establishing the fair market value of the Target Company, which in turn may enhance the Company's existing value that will benefit all Shareholders.

The Target Company has been facing a number of challenges and uncertainties (including negative impacts caused by, among others, the COVID-19 outbreak and increase in price of raw materials in the PRC), which are expected to continue in the near future. Assuming that such challenges and uncertainties could be resolved and taking into account the potential synergies that may be brought by Dragon, the operating and financial performance of the Target Company may be improved in the medium term. Accordingly, through maintaining its 30% equity interests, the Company will be able to share the positive contributions from the Target Company under the equity method, and hence an improvement on the Group's overall financial performance.

Factors being considered for non-exercising of the Subscription Right

Despite the above potential upside upon realization of the IPO Plan, the Target Company recorded a loss for the year from continuing operations of approximately RMB701.0 million in 2020, including an impairment loss recognized on goodwill of approximately RMB466.9 million. For the first half of 2021, the Target Company continued to increase its business operation, scale and narrowed its loss compared to the same period in 2020, despite a relatively slow pace of improvement as a result of its continuous business expansion initiatives which led to an increase in selling and distribution expenses, and increased net impairment losses under expected credit loss model. There is no certainty as to whether and when the business expansion initiatives will bring positive contributions to the Target Company.

The valuation of the Target Company of approximately RMB2,949.2 million (excluding non-controlling interest) conducted by JLL as at 31 August 2021 based on market approach is lower than the implied value of the Target Company of approximately RMB3,060.6 million under the Subscription Right. The full text of the valuation conducted by JLL is set out in Appendix V to this circular.

While there could be potential upside upon realization of the IPO Plan, the historical operating and financial performance of the Target Company and the independent valuation of the Target Company conducted by JLL may not justify an exercise of the Subscription Right from a financial standpoint.

The Company is under the obligation not to disclose any information relating to the Target Company without KKR's prior consent pursuant to the relevant confidentiality provision under the 2019 Share Purchase Agreement. The Company noted the intention of KKR and the Target Company to pursue the IPO Plan. However, the Company is the minority shareholder of the Target Company and does not involve in the decision making for daily operation of the Target Company. The Company does not have further details in relation to the expected timetable and target fund raising size regarding the IPO Plan.

RECOMMENDATION

Having considered the merits under all the factors as described above, and for the sake of prudence in making such investment decision from a financial standpoint, the Board is of the intention that it will **NOT** exercise the Subscription Right. The Directors (including the independent non-executive Directors) consider that the Non-Exercise Proposal is fair and reasonable and 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 against the relevant resolution to be proposed at the EGM as to the exercise of the Subscription Right under the Agreement.

FINANCIAL EFFECTS OF THE COMPANY'S EXERCISING AND NON-EXERCISING OF THE SUBSCRIPTION RIGHT

Regardless of exercising or non-exercising of the Subscription Right, the Target Company will still be accounted for as an associate of the Company and its financial results will continue to be accounted for using the equity method in the financial statements of the Group.

Assuming that the Subscription Right is exercised, the Group's bank balances and cash would have decreased by RMB210 million and the Group's interests in the Target Company would have increased by the same amount accordingly. In addition, the estimated costs (including legal, accountancy and other professional services) arising from the exercising of the Subscription Right of approximately RMB3.6 million would be settled by cash and charged to profit or loss. Save for the above, the Company considers that there will not be any other material effect on earnings, assets and liabilities of the Group immediately upon exercising of the Subscription Right.

Please also refer to the pro forma effects on the assets and liabilities of the Group as if the Subscription Right had been exercised on 30 June 2021, as illustrated by way of the unaudited pro forma condensed consolidated statement of assets and liabilities of the Group set out in Appendix IV to this circular prepared on the bases and assumptions set out therein.

Assuming that the Subscription Right is not exercised, the estimated costs (including legal, accountancy and other professional services) arising from the non-exercising of the Subscription Right of approximately RMB3.6 million would be settled by cash and charged to profit or loss. Also, there would be a financial impact arising from the dilution of the Company's shareholding interest in the Target Company and recognised in profit or loss. Based on the financial result of 30 June 2021 and preliminary estimation of the Company, there will be a potential material gain on dilution. The estimated dilution impact is calculated based on the carrying amount of the interest in associate and relevant exchange reserve of the Group as at 30 June 2021 and net assets of the Target Group as if it issues 228,714 shares to KKR as at 30 June 2021. Shareholder should note that the estimated amount of gain on dilution is not audited or reviewed by external auditor and is subject to change resulted from change in financial position of the Target Group as at 31 December 2021, which is expiry date of the Subscription Right. Save for the above and the dilution of the Company's shareholding interest in the Target Company from 30% to approximately 24.4% as illustrated earlier, the Company considers that there will not be any other material effect on earnings, assets and liabilities of the Group immediately upon non-exercising of the Subscription Right.

IMPLICATIONS UNDER THE LISTING RULES

The Non-Exercise Proposal will not trigger any notifiable transaction of the Company and will therefore not be subject to any reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. The exercise of the Subscription Right by the Company will constitute a major transaction of the Company under Chapter 14 of the Listing Rules and will be subject to reporting, announcement and Shareholders' approval under the Listing Rules.

EGM

For the purpose of better corporate governance and to encourage the Shareholders' participation in the Group's affairs, the Company will convene the EGM for the Shareholders to consider the exercise of the Subscription Right and vote on the proposed ordinary resolution for the exercise of the Subscription Right. **The Company will make the final decision as to the exercise of the Subscription Right based on the voting results by the Shareholders at the EGM. The Company will proceed with the exercise of the Subscription Right if the relevant resolution is approved at the EGM; however, the Company will not exercise the Subscription Right in case if the relevant resolution for is not approved at the EGM.**

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is interested in the exercise of the Subscription Right and is required to abstain from voting at the EGM to be convened for the approval of the exercise of the Subscription Right.

In respect of the ordinary resolution No.1 relating to the exercise of the Subscription Right under the Agreement,

– **if you/the Shareholders vote for this resolution, would mean that you/the Shareholders SUPPORT the exercise of the Subscription Right.**

– **if you/the Shareholders vote against this resolution, would mean that you/the Shareholders DO NOT SUPPORT the exercise of the Subscription Right.**

(2) CONTINUING CONNECTED TRANSACTIONS

Reference is made to the CCT Announcement.

RENEWAL OF CERTAIN EXISTING AGREEMENTS

References are made to the announcements of the Company dated 22 January 2016, 14 March 2016, 29 November 2016, 10 December 2018 and 21 August 2019 in relation to certain continuing connected transactions between the Group and ETIC.

As these agreements entered between the Group and ETIC will expire on 31 December 2021 and the Group intends to continue carrying out certain transactions thereunder in the ordinary and usual course of business with the relevant parties, the Group therefore entered into the 2021 ETIC Purchase Agreement with ETIC on 26 November 2021.

The 2021 ETIC Purchase Agreement

Principal Terms of the 2021 ETIC Purchase Agreement:

Parties:	The Company and ETIC
Transaction:	Pursuant to the 2021 ETIC Purchase Agreement, the Group agrees to purchase finished products and raw materials including but not limited to LED chips, LED power sources and LED lamp products from ETIC and its associates on a non-exclusive basis. The quality, quantity and technical standards of the products delivered by ETIC and its associates must meet the Company's standards as set out in the sub-contract for each purchase order.
Pricing:	The prices charged by ETIC and its associates will be agreed following arm's length negotiations between the parties with reference to the prevailing market price, being the price at which the same type of products and raw materials are purchased by the Group from independent third parties on normal commercial terms in the ordinary course of business, or on terms which are no less favourable to the Group than the terms available from independent third parties for purchase of similar materials of comparable quality and quantity in the market. In determining the market price, the business department of the relevant subsidiary of the Company will obtain the market price through quotations from at least two independent third-party suppliers and service providers, recent transaction prices of the relevant subsidiary of the Company with independent third parties, price enquiry and comparison with industry players and researches on industry websites. Officers of the purchasing department of the relevant subsidiary of the Group will compile price lists based on price comparison data, which shall be subject to approval of the head of the purchasing department. The purchase prices shall not be higher than the prices paid for the purchase of the same or similar products from independent third parties.

The Directors consider that the above methods and procedures would ensure the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders because (i) the Group will conduct sufficient researches on the market price for purchasing the same products by comparing the fee quotations obtained from independent third parties and industry enquiries; and (ii) the purchase prices shall not be higher than the prices quoted from the independent third parties on the same products before entering into the relevant agreements.

Term of the Agreement:	The term of the 2021 ETIC Purchase Agreement is three years commencing from 1 January 2022.

Historical Amounts

The existing annual caps for the amount payable by the Group under the 2018 ETIC Purchase Agreement for the years ended 31 December 2019, 2020 and 2021 are RMB180 million, RMB98 million and RMB98 million, respectively. The actual amount paid/payable by the Group under the 2018 ETIC Purchase Agreement for the years ended 31 December 2019, 2020 and nine months ended 30 September 2021 were approximately RMB161.5 million, RMB78.5 million and RMB58.3 million, respectively.

Proposed Annual Caps

The proposed annual caps of the purchase price payable by the Group under the 2021 ETIC Purchase Agreement for each of the three years ending 31 December 2022, 2023 and 2024 are RMB129.0 million, RMB129.0 million and RMB129.0 million, respectively. In determining the above annual caps, the Board took into account the historical data on purchasing similar products from other suppliers, the expected future demand of the Group for relevant products and the expected market prices of LED chips, LED power sources, LED lamp products and other related products.

The proposed annual caps were formulated based on (i) the expected sales value of the Group's relevant subsidiary for each of the three years ending 31 December 2024; (ii) the percentage of historical transaction amounts with ETIC and its associates in respect of the purchase of LED Products to total sales value of the relevant subsidiary. In addition, the Company adopted buffers of approximately 10% to 15% for each of the three years ending 31 December 2024.

With reference to the interim report for the half year ended 30 June 2021, the Group has over 20 new lighting and non-lighting products (non-lighting products include UVC products for sanitisation purpose and LED grow light for horticultural purpose) launched since 2021 targeted the overseas countries and regions such as North America, Europe, East Asia, the Middle East and Southeast Asia, according to regional characteristics and customer needs. The financial impact of these new products (i.e. the increase in revenue) has yet to be reflected. The Directors are of the view that the sales orders of these new products shall be brought to the Group in the upcoming years and the possible demand for these new products may result in increase in demand for LED Products for the production of these new products. Also, the Company has budgeted direct material costs of the newly introduced non-lighting operation amounted to approximately RMB13.1 million for the four months ended 31 December 2021. When determining the proposed annual caps for the three years ending 31 December 2024, buffers of approximately 10% to 15% was applied for each of the three years ending 31 December 2024 so as to accommodate any unexpected increase in the demands on such materials and/or unexpected increase in the cost of such materials during the years 2022 to 2024. Having considered that (i) the unexpected circumstances may take place during the years 2022 to 2024; and (ii) the buffer would provide flexibility in the event that the actual demand was more than the estimated amounts of the relevant transactions (which were estimated based on various assumptions), the Company has estimated buffers on the proposed annual caps for the coming three years.

Reasons for and Benefits of the 2021 ETIC Purchase Agreement

The Company entered into the 2021 ETIC Purchase Agreement given the Group has a continuous demand for such finished products and raw materials in the next three years and the fees charged by ETIC and its associates are competitive.

The Directors (excluding the independent non-executive Directors who will give their view after considering the advice from Gram Capital) consider that the terms of the 2021 ETIC Purchase Agreement (including the proposed annual caps) are on normal commercial terms and fair and reasonable, and are entered into in the ordinary and usual course of business of the Company and in the interests of the Company and its shareholders as a whole.

INTERNAL CONTROL

The Group will adopt the following internal control measures in connection with the continuing connected transactions:

a) the management will examine the relevant pricing terms by collecting the relevant market information, review and compare the historical and current quotations to independent third parties providing similar services/goods on a semi-annually basis to ensure that the terms of such transactions are fair and reasonable and no more favourable to the connected persons than those charged to independent third parties;

b) the finance department will monitor the actual transaction amounts and alert the management team the aggregate transaction amounts on a monthly basis to ensure that the annual caps will not be exceeded;

c) the Group will implement internal checks to ensure that the procedures of the continuing connected transactions will conform with the internal control system of the Group, the annual caps will not be exceeded and that pricing is consistent with the principal terms and conditions of the continuing connected transactions by random inspection of the pricing terms, payment arrangements and actual transaction amounts;

d) the external auditors of the Company will conduct an annual review of the transactions under each of the continuing connected transactions agreements in accordance with the Listing Rules;

e) the audit committee of the Company will review the transactions under each of the continuing connected transactions agreements and recommend any proposals to improve the internal control measures; and

f) the independent non-executive Directors will annually review the implementation and enforcement of the requirements and the internal control measures imposed on each of the continuing connected transactions agreements.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, ETIC is a substantial shareholder of the Company holding approximately 17.51% of the Company's share capital and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions between the Group and ETIC under the 2021 ETIC Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The 2021 ETIC Purchase Agreement

As one or more of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the annual cap for transactions contemplated under the 2021 ETIC Purchase Agreement exceed 5%, the transactions contemplated under the 2021 ETIC Purchase Agreement are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION OF THE COMPANY AND THE COUNTERPARTIES

The Company

The Company is a leading supplier of lighting products in the international market. It designs, develops, produces, markets and sells a variety of lighting products, with a strong focus on energy-saving products, under the NVC brand and third party brands.

ETIC

ETIC is a company incorporated in the PRC with limited liability, which is principally engaged in production and sale of small household appliances and LED products. As of the Latest Practicable Date, ETIC indirectly holds approximately 17.51% of the Company's issued share capital. Therefore, ETIC is a substantial shareholder of the Company under the Listing Rules. The shares of ETIC are currently listed on the Shenzhen Stock Exchange.

GENERAL

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the 2021 ETIC Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps). Save for ETIC and its associates, none of the other Shareholders has a material interest in the 2021 ETIC Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps) and is required to abstain from voting on the relevant resolution in the EGM.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the 2021 ETIC Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps).

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the 2021 ETIC Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps).

Given no Directors have material interests in the proposed transactions under the 2021 ETIC Purchase Agreement, none of the Directors is required to abstain from voting on the Board resolutions in relation to the proposed transactions under the 2021 ETIC Purchase Agreement.

RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, having taken into account the advice of Gram Capital, has been established and considers that (i) the terms of the 2021 ETIC Purchase Agreement (including the proposed annual caps) are on normal commercial terms and are fair and reasonable; and (ii) the transactions contemplated under the 2021 ETIC Purchase Agreement (including the proposed annual caps) are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution in relation to the 2021 ETIC Purchase Agreement (including the proposed annual caps) proposed at the EGM. The text of the letter from the Independent Board Committee is set out on page 25 of this circular.

(3) PROPOSED RE-ELECTION OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR

Reference is made to the INED Re-election Announcement dated 1 December 2021 in relation to the appointment of Mr. CHEN Hong as an independent non-executive Director.

In accordance with Article 83(3) of the Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with the Articles of Association, Mr. CHEN Hong will retire at the EGM and being eligible, will offer himself for re-election at the EGM.

The biographical details of Mr. CHEN Hong are set out in Appendix VII to this circular.

(4) REQUISITION BY A SHAREHOLDER FOR APPOINTMENT OF A NON-EXECUTIVE DIRECTOR

Reference is made to the Requisition by Shareholder Announcement dated 1 December 2021.

As disclosed in the Requisition by Shareholder Announcement, on 1 December 2021, the Company received the Requisition Notice from the Requesting Shareholder. In the Requisition Notice, the Requesting Shareholder nominated Mr. JI Qingbin to be elected as a non-executive Director at the EGM.

The Company has confirmed that the Requesting Shareholder held approximately 17.51% of the total issued share capital of the Company as of the date of the Requisition Notice.

The biographical details of Mr. JI Qingbin are set out in Appendix VIII to this circular.

RECOMMENDATION

The Directors consider that the proposed re-election of Mr. CHEN Hong is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

Having considered the qualification and experience of Mr. JI Qingbin, the composition and diversity of perspectives of the Board appropriate to the requirements of the Company's business, the Board considers that Mr. JI Qingbin possesses the necessary qualifications for serving as a non-executive Director, and accordingly resolved to submit the Requisition to the EGM for the Shareholders' consideration.

THE EGM

The EGM will be held at Unit 705, 7/F., Building 20E, Phase 3, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong at 10:00 a.m. on Tuesday, 28 December 2021, for the purposes of considering and, if thought fit, passing ordinary resolutions to approve (i) the exercise of the Subscription Right; (ii) the 2021 ETIC Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps); (iii) the re-election of Mr. CHEN Hong as an independent non-executive Director; and (iv) the election of Mr. JI Qingbin as a non-executive Director. A notice of the EGM is set out on pages EGM-1 to EGM-4 of this circular.

Pursuant to the Rule 13.39(4) of the Listing Rules, the vote of the shareholders at a general meeting would be taken by poll. In respect of the resolution for the exercise of the Subscription Right, none of the Shareholders has a material interest in it and is required to abstain from voting on the relevant resolution in the EGM. In respect of the resolution to approve the 2021 ETIC Purchase Agreement, save for ETIC and its associates, none of the other Shareholders has a material interest in the 2021 ETIC Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps) and is required to abstain from voting on the relevant resolution in the EGM. In respect of the resolution to re-elect Mr. CHEN Hong as an independent non-executive Director, none of the Shareholders is required to abstain from voting on the relevant resolution in the EGM. In respect of the resolution to elect Mr. JI Qingbin as a non-executive Director, none of the Shareholders is required to abstain from voting on the relevant resolution in the EGM.

A form of proxy for the EGM is enclosed herewith. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy and return it to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event no later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjournment thereof should you so wish. In accordance with the requirements of the Listing Rules, the resolution to be put forward at the EGM will be voted on by the Independent Shareholders and/or the Shareholders (as the case may be) by way of poll.

In order to determine the list of Shareholders who are entitled to attend and vote at the EGM, the register of the Shareholders of the Company will be closed from Wednesday, 22 December 2021 to Tuesday, 28 December 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. Shareholders whose names appear on the register of the Shareholders of the Company on Sunday, 26 December 2021 will be entitled to attend and vote at the EGM.

Yours faithfully,
By Order of the Board
NVC International Holdings Limited
WANG Donglei
Chairman

NVC International Holdings Limited
雷士國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2222)

10 December 2021

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

We refer to the circular issued by the Company to the Shareholders dated 10 December 2021 (the "**Circular**") which this letter forms a part of. Terms defined in the Circular shall have the same meanings as those used in this letter unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to consider the 2021 ETIC Purchase Agreement and to advise the Independent Shareholders in respect of the 2021 ETIC Purchase Agreement and transactions contemplated thereunder and the proposed annual caps, details of which are set out in the "Letter from the Board" on page 8 to 24 of the Circular. Gram Capital has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the "Letter from the Board" and the "Letter from Gram Capital" as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Gram Capital as set out in their letter of advice, we consider that (i) the terms of the 2021 ETIC Purchase Agreement (including the proposed annual caps) are on normal commercial terms and are fair and reasonable; and (ii) the transactions contemplated under the 2021 ETIC Purchase Agreement (including the proposed annual caps) are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution approving the 2021 ETIC Purchase Agreement and the transactions contemplated thereunder and the proposed annual caps for three years ending 31 December 2024 at the EGM.

Yours faithfully,
For and on behalf of the Independent Board Committee of
NVC International Holdings Limited

LEE Kong Wai, Conway	**WANG Xuexian**	**CHEN Hong**
Independent Non-Executive Director	*Independent Non-Executive Director*	*Independent Non-Executive Director*

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 Transaction 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 December 2021

To: The independent board committee and the independent shareholders of NVC International Holdings Limited

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2021 ETIC Purchase Agreement (the "**Transaction**"), details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 10 December 2021 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 26 November 2021, the Company entered into, among others, the 2021 ETIC Purchase Agreement with ETIC, pursuant to which the Group agrees to purchase finished products and raw materials including but not limited to LED chips, LED power sources and LED lamp products from ETIC and its associate, for a term of three years commencing from 1 January 2022.

With reference to the Board Letter, the Transaction constitute continuing connected transaction of the Company, and are subject to the reporting, annual review, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. LEE Kong Wai, Conway, Mr. Wang Xuexian and Mr. Chen Hong (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Transaction are on normal commercial terms and are fair and reasonable; (ii) whether the Transaction is in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Transaction 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

We were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate in all material respects 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 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 2021 ETIC Purchase Agreement. 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 therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, ETIC and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transaction. 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. If there are any material changes before EGM, Shareholders will be notified as soon as possible. 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 Transaction, we have taken into consideration the following principal factors and reasons:

Information on 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 two years ended 31 December 2020 and for the six months ended 30 June 2021, as extracted from the annual report of the Company for the year ended 31 December 2020 (the "**2020 Annual Report**") and the interim report of the Company for the six months ended 30 June 2021 (the "**2021 Interim Report**"):

	For the six months ended 30 June 2021	**For the year ended 31 December 2020**	**For the year ended 31 December 2019**	**Change from 2019 to 2020**
	RMB'000	*RMB'000*	*RMB'000*	*%*
	(unaudited)	(audited)	(audited)	
Continuing operations				
Revenue	1,143,253	2,349,573	2,222,610	5.71
– International NVC brand	*160,251*	*258,702*	*196,329*	*31.77*
– Domestic non-NVC brand	*119,535*	*238,784*	*307,143*	*(22.26)*
– International non-NVC brand	*863,467*	*1,852,087*	*1,719,138*	*7.73*
Gross profit	349,133	672,518	533,361	26.09
Profit/(loss) attributable to owners of the Company from continuing operations	62,018	(51,748)	(101,524)	(49.03)

As illustrated in the above table, the Group's revenue from continuing operations for the year ended 31 December 2020 ("**FY2020**") increased by approximately 5.71% (or approximately RMB127.0 million) as compared to that for the year ended 31 December 2019 ("**FY2019**"). With reference to the 2020 Annual Report, the increase in revenue from continuing operations was mainly because the North American and Japanese markets effectively promoted the growth of the Group's overall performance by pre-ordering by major customers, accelerating the sales of new products and actively carrying out the research and development and promotion of grow lights and germicidal lamps in the post-pandemic period.

The Group's gross profit from continuing operations for FY2020 increased by approximately 26.09% (or approximately RMB139.2 million) as compared to that for FY2019 and the Group's gross profit margin from continuing operations increased by 4.6 percentage points from 24.0% for FY2019 to 28.6% for FY2020. With reference to the 2020 Annual Report, the increased gross profit margin (which led to the increase in gross profit) was mainly because (i) the Group continuously implemented cost reduction plans and efficiency enhanced production in multiple dimensions including research and development, production and supply chain; and (ii) the transfer of some of the best-selling product lines to Vietnam factories with cost advantages and more preferential trade policies.

With reference to the 2021 Interim Report, the Group will continue to monitor the development trend of the pandemic around the world and the economic recovery of countries where its major customers are located. In the second half of the year, while ensuring the sales of lighting business, the Group will vigorously promote the development of non-lighting business. The strong sales channels of the Group, together with the promotion of new products, will help to further improve the Group's sales performance in the second half of the year. The Group will also put more efforts on controlling the cost of sales, and a number of measures will be taken actively to reduce the impact caused by the rise in raw material prices and freight charges. The Group will proactively improve its brand image to enhance its brand awareness in international markets.

Information on ETIC

With reference to the Board Letter, ETIC is a company incorporated in the PRC with limited liability, which is principally engaged in production and sale of small household appliances and LED products. As at the Latest Practicable Date, ETIC indirectly holds approximately 17.51% of the Company's issued share capital. Therefore, ETIC is a substantial shareholder of the Company and a connected person under the Listing Rules.

Reasons for and benefits of the Transaction

With reference to the Board Letter, the Company entered into the 2021 ETIC Purchase Agreement given the Group has a continuous demand for such finished products and raw materials in the next three years and the fee charged by ETIC and its associates are competitive.

We noted from the 2020 Annual Report that raw materials (including outsourced manufacturing costs) comprised of over 80% of the Group's total costs of sales and, major raw materials of the Group include, among other things, LED packaged chips. As illustrated in the section headed "Information on the Group" above, the increase in gross profit margin (as a result of the decrease in cost of sales as a percentage to revenue) was mainly due to, among other things, the continuous implantation of cost reduction plans.

As advised by the Directors, one of the Group's major suppliers is ETIC and its associates. Given the fees charged by ETIC and its associates in relation to the supply of LED products are competitive as compared to those offered by independent third parties suppliers, and that the pricing of the Transaction is govern by the pricing policies as detailed below, the entering into of the 2021 ETIC Purchase Agreement and the transactions contemplated thereunder may enable the Group to enhance its cost control measures.

In light of the above factors, we consider the Transaction is in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

Principal terms of the Transaction

The following table summarizes the principal terms of the Transaction, details of which are set out under the section headed "The 2021 ETIC Purchase Agreement" of the Board Letter.

Date:	26 November 2021
Parties:	The Company and ETIC
Transaction:	Pursuant to the 2021 ETIC Purchase Agreement, the Group agrees to purchase finished products and raw materials including but not limited to LED chips, LED power sources and LED lamp products (collectively, "**LED Products**") from ETIC and its associates on a non-exclusive basis. The quality, quantity and technical standards of the products delivered by ETIC and its associates must meet the Company's standards as set out in the sub-contract for each purchase order.
Term:	The term of the 2021 ETIC Purchase Agreement is three years commencing from 1 January 2022.

Pricing and Internal Control:

The prices charged by ETIC and its associates will be agreed following arm's length negotiations between the parties with reference to the prevailing market price, being the price at which the same type of products and raw materials are purchased by the Group from independent third parties on normal commercial terms in the ordinary course of business, or on terms which are no less favourable to the Group than the terms available from independent third parties for purchase of similar materials of comparable quality and quantity in the market. In determining the market price, the business department of the relevant subsidiary of the Company will obtain the market price through quotations from at least two independent third-party suppliers and service providers, recent transaction prices of the relevant subsidiary of the Company with independent third parties, price enquiry and comparison with industry players and researches on industry websites. Officers of the purchasing department of the relevant subsidiary of the Group will compile price lists based on price comparison data, which shall be subject to approval of the head of the purchasing department. The purchase prices shall not be higher than the prices paid for the purchase of the same or similar products from independent third parties.

With reference to the Board Letter, the Company will adopt certain internal control measures relating to the continuing connected transactions (the "**IC Measures**"). Details of the IC Measures are set out under the section headed "INTERNAL CONTROL" of the Board Letter. We are of the view that the effective implementation of the IC Measures would help to ensure fair pricing of the Transaction according to the pricing policies.

Proposed annual caps

The table below demonstrates (i) the historical transaction amounts relating to the purchase of LED Products for the two years ended 31 December 2020 and for the nine months ended 30 September 2021 with existing annual cap; and (ii) the proposed annual caps for the three years ending 31 December 2024:

	For the year ended 31 December 2019	**For the year ended 31 December 2020**	**For the year ending 31 December 2021**
	RMB'million	*RMB'million*	*RMB'million*
Historical transaction amounts	161.5	78.5	58.3 *(Note)*
Existing annual caps	180.0	98.00	98.00
Utilization rate	89.7%	80.1%	N/A

	For the year ending 31 December 2022 ("FY2022")	**For the year ending 31 December 2023 ("FY2023")**	**For the year ending 31 December 2024 ("FY2024")**
	RMB'million	*RMB'million*	*RMB'million*
Proposed annual caps	129.0	129.0	129.0

Note: the figure was for the nine months ended 30 September 2021.

The Directors took into account certain factors in determining the proposed annual caps for the three years ending 31 December 2024, details of which are set out in the sub-section headed "Proposed Annual Caps" under the section headed "The 2021 ETIC Purchase Agreement" of the Board Letter.

As depicted in the above table, the utilisation rates of the existing annual caps were approximately 89.7% and 80.1% for each of the two years ended 31 December 2020 respectively and the historical transaction amounts for the nine months ended 30 September 2021 accounted for approximately 59.5% of the existing annual cap for the year ending 31 December 2021 ("**FY2021**").

Despite that the utilisation rates of the existing annual caps were not at very high levels, the Company upward adjusted the proposed annual caps by approximately 31.6% for the three years ending 31 December 2024 as compared to the existing annual cap for FY2021.

For our due diligence purpose, we obtained from the Directors a calculation on the estimated transaction amounts for each of the three years ending 31 December 2024 (the "**Estimation**"). We noted that the Estimation was formulated based on (i) the expected sales value of the Group's relevant subsidiary for each of the three years ending 31 December 2024; and (ii) the percentage of historical transaction amounts with ETIC and its associates in respect of the purchase of LED Products to total sales value of the relevant subsidiary. In addition, the Company adopted buffers of approximately 10% to 15% on the Estimation.

We noted that the Estimation for FY2022 represented an increase of approximately 35.7% or approximately RMB29.7 million (the "**2021 Increase**") to the annualised transaction amount in respect of the purchase of LED Products for FY2021 (approximately RMB83.3 million after taking into account the seasonal factors). As advised by Directors, the transaction amounts of the last quarter of each year normally accounted for 30% of that whole year.).

Upon our further request, we obtained historical monthly breakdown of sales amount for FY2020 of the relevant subsidiary. We noted from the monthly breakdown that (i) the sales amount for the fourth quarter of 2020 accounted for approximately 29% of the total sales for FY2020; (ii) the average monthly sales amount for the fourth quarter of 2020 was approximately RMB12 million or 15% higher than the average monthly sales amount throughout FY2020; and (iii) the total sales amount for the fourth quarter of FY2020 represented approximately 42.9 % of the total sales amount for the nine months ended 30 September 2020. As the estimated transaction amounts for the last quarter of 2021 accounted for approximately 30% of the estimated amounts for FY2021, we consider the annualised transaction amount for FY2021 (approximately RMB83.3 million) to be justifiable.

With reference to the 2021 Interim Report and as advised by the Directors, the Group has over 20 new lighting and non-lighting products (non-lighting products include UVC products for sanitisation purpose and LED grow light for horticultural purpose) launched since 2021 targeted the overseas countries and regions such as North America, Europe, East Asia, the Middle East and Southeast Asia, according to regional characteristics and customer needs. We further understood from the Directors that although these new products were launched in 2021, the financial impact of these new products (i.e. the increase in revenue) has yet to be reflected in the 2021 Interim Report. The Directors are of the view that the sales orders of these new products shall be brought to the Group in the upcoming years and the possible demand for these new products may result in increase in demand for LED Products for the production of these new products. We understood that the Directors had taken into account the possible increase in demand for LED Products as a result of the aforesaid new products when formulating the Estimation.

Upon our request, we obtained an internal budgeting of the relevant subsidiary and noted that the budgeted direct material costs of the newly introduced non-lighting operation amounted to approximately RMB13.1 million for the four months ended 31 December 2021. Based on the budgeted direct material costs, the annualised direct material costs are expected to be approximately RMB39.3 million, which is more than the 2021 Increase in terms of monetary value.

Based on the above, we consider the 2021 Increase to be acceptable. Accordingly, we consider the Estimation for FY2022, which was based on the annualised transaction amount for FY2021 and the 2021 Increase, to be justifiable.

We further enquired the Directors in respect of the estimated amounts of the Transaction for FY2023 and FY2024 and understood that the Directors assumed the level of transaction amounts for the year ending 31 December 2023 and 2024 would be stable as compared to that for the year ending 31 December 2022. As the Estimation for FY2023 and FY2024 are close to that for FY2022 (with difference of less than 5%) and having considered the Directors assumption as aforementioned, we are of the view that the Estimation for FY2023 and FY2024 is justifiable.

As further advised by the Directors, when determining the proposed annual caps for the three years ending 31 December 2024, buffers of approximately 10% to 15% was applied on the Estimation for each of the three years ending 31 December 2024 so as to accommodate any unexpected increase in the demands on such materials and/or unexpected increase in the cost of such materials during FY2022 to FY2024. Having considered that (i) the unexpected circumstances may take place during FY2022 to FY2024; and (ii) the buffer would provide flexibility in the event that the actual demand was more than the estimated amounts of the Transaction for FY2022 to FY2024 (which were estimated based on various assumptions), we consider that the buffers are acceptable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of cost to be incurred from the Transaction. Consequently, we express no opinion as to how closely the actual transaction amount under the Transaction will correspond with the proposed annual caps.

In light of the above factors, we are of the view that terms of the Transaction are on normal commercial terms and are fair and reasonable.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transaction must be restricted by their respective annual caps for the period concerned under the 2021 ETIC Purchase Agreement; (ii) the terms of the Transaction must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transaction must be included in the Company's subsequent published annual reports and financial accounts.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transaction (i) has not been approved by the Board; (ii) was not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) has exceeded the annual caps.

In the event that the maximum amounts of the Transaction are anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the Transaction, as confirmed by the Directors, the Company shall re-comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transaction and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transaction are on normal commercial terms and are fair and reasonable; and (ii) the Transaction 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. 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 Transaction 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 25 years of experience in investment banking industry.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the years ended 31 December 2018, 2019 and 2020 and the unaudited consolidated financial information, together with the accompanying notes to the financial statements, of the Group for the six months ended 30 June 2021 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (https://www.nvc-international.com/):

Annual report for the year ended 31 December 2018 (pages 220 to 489):
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0423/ltn20190423964.pdf

Annual report for the year ended 31 December 2019 (pages 201 to 453):
https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042801014.pdf

Annual report for the year ended 31 December 2020 (pages 162 to 350):
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042801439.pdf

Interim report for the six months ended 30 June 2021 (pages 35 to 62):
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0916/2021091601228.pdf

2. INDEBTEDNESS STATEMENT

As at 15 October 2021, being the latest practicable date for the purpose of this statement of indebtedness, the Group had aggregate outstanding indebtedness:

	Secured	**Unsecured**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of bank borrowing	30,728	–	30,728
Carrying amount of other borrowing	–	585	585
Lease liabilities	38,595	5,957	44,552
	69,323	6,542	75,865

As at 15 October 2021, all of the above indebtedness were unguaranteed.

Pledged assets

The Group pledged all of the trade and bills receivables of a subsidiary for the bank borrowing granted to the Group. The secured and unguaranteed lease liabilities of the Group were secured by rental deposits and paid by the Group.

General

Save as aforesaid and apart from intra-group liabilities and normal trade payables arising in the ordinary course of business, the Group did not have any debt securities, issued and outstanding, and authorised or otherwise created but unissued, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills), mortgages and charges, acceptance credits, hire purchase commitments, other material contingent liabilities or guarantees outstanding as at 15 October 2021.

3. MATERIAL ADVERSE CHANGE

Save as disclosed below, the Directors confirm that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date up to which the latest published audited financial statements of the Company were made, and up to and including the Latest Practicable Date.

4. WORKING CAPITAL SUFFICIENCY

The Directors, after due and careful enquiry, are of the opinion that after taking into account the financial resources available to the Group including the internally generated funds and available facilities, the effect of the exercise of the Subscription Right, the Group will have sufficient working capital for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Despite the global economy continues to recover and international market demand is gradually picking up, the epidemic has caused a contraction in the supply of raw materials in some countries, resulting in sharp price increase in some commodities. Facing soaring prices and extreme tight supply in raw materials in the first half of the year, the business environment for all industries still face significant challenges in 2021.

As disclosed in the interim report for the half year ended 30 June 2021, the Group achieved sales revenue of RMB1,143,253,000, representing an increase of 3.8% as compared with corresponding period in 2020; and gross profit of RMB349,133,000, representing an increase of 17.8% as compared with corresponding period in 2020.

The Group will continue to monitor the development trend of the pandemic around the world and the economic recovery of countries where its major customers are located. In the second half of the year, while ensuring the sales of lighting business, it will vigorously promote the development of non-lighting business. The strong sales channels of the Group, together with the promotion of new products, will help to further improve the Group's sales performance in the second half of the year. The Group will also put more efforts on controlling the cost of sales, and a number of measures will be taken actively to reduce the impact caused by the rise in raw material prices and freight charges. The Group will proactively improve its brand image to enhance its brand awareness in international markets and promote its mission of "Empowering Your LifeScape • 讓生活如你所願".

The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF BRILLIANT LIGHTS INTERNATIONAL HOLDING PTE. LTD. AND ITS SUBSIDIARIES TO THE DIRECTORS OF NVC INTERNATIONAL HOLDINGS LIMITED

Introduction

We report on the historical financial information of Brilliant Lights International Holding Pte. Ltd. (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages IIA-3 to IIA-93, which comprises the consolidated statements of financial position of the Target Group at December 31, 2019 and 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for the period from August 6, 2019 (date of incorporation) to December 31, 2019 and the year ended December 31, 2020 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIA-3 to IIA-93 forms an integral part of this report, which has been prepared for inclusion in the circular of NVC International Holdings Limited (the "Company") dated December 10, 2021 (the "Circular") in connection with the Company's subscription of 68,614 issued shares of the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target 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 set out in Note 3 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Group is included, and such information is prepared based on accounting policies materially consistently with those of the Company.

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 (the "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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3 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 of the Target Company, 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 Group's financial position at December 31, 2019 and 2020, and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIA-3 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividends declared and paid by the Target Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

December 10, 2021

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on previously issued consolidated financial statements of the Target Group of the Relevant Periods. The previously issued consolidated financial statements have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRS Standards") issued by International Accounting Standards Board ("IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("Underlying Financial Statements").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	8.6.2019 (date of incorporation) to 12.31.2019 RMB'000	1.1.2020 to 12.31.2020 RMB'000
Revenue	6	213,269	3,644,105
Cost of sales		(130,628)	(2,241,235)
Gross profit		82,641	1,402,870
Other income	7	18,836	76,950
Other gains and losses	8	(23,587)	(242,359)
Impairment losses under expected credit loss model, net of reversal	9	–	(10,176)
Impairment losses on goodwill	23	–	(466,933)
Share of results of associates		1,397	(944)
Selling and distribution costs		(35,464)	(654,516)
Administrative expenses		(100,833)	(404,244)
Research and development expenses		(4,106)	(49,677)
Finance costs	10	(10,693)	(202,825)
Loss before tax		(71,809)	(551,854)
Income tax expense	11	(3,975)	(149,173)
Loss for the period/year	12	(75,784)	(701,027)

	8.6.2019 (date of incorporation) to 12.31.2019	1.1.2020 to 12.31.2020
	RMB'000	*RMB'000*
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss:		
Exchange differences arising on translation from functional currency to presentation currency	(11,121)	210,322
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	–	(32,250)
Other comprehensive (expense) income for the period/year	(11,121)	178,072
Total comprehensive expenses for the period/year	(86,905)	(522,955)
(Loss) profit for the period/year attributable to:		
– owners of the Target Company	(76,472)	(707,526)
– non-controlling interests	688	6,499
	(75,784)	(701,027)
Total comprehensive (expenses) income for the period/year attributable to:		
– owners of the Target Company	(87,593)	(529,454)
– non-controlling interests	688	6,499
	(86,905)	(522,955)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At December 31,	
		2019	2020
	NOTES	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	*16*	457,729	398,649
Intangible assets	*17*	3,392,453	3,293,033
Right-of-use assets	*18*	76,672	75,170
Interests in associates	*19*	31,753	65,205
Interest in a joint venture		823	823
Financial asset at fair value through other comprehensive income	*20*	34,396	–
Finance lease receivables	*21*	4,801	3,198
Goodwill	*22*	2,373,414	1,906,481
Deferred tax assets	*24*	34,807	49,783
Prepayments	*28*	9,508	9,370
Pledged bank deposits	*30*	2,435	53,900
		6,418,791	5,855,612
Current assets			
Inventories	*25*	360,082	309,825
Trade and bills receivables	*26*	808,124	778,378
Other receivables, deposits and prepayments	*28*	104,742	74,613
Amounts due from related parties	*29*	664,078	56,277
Finance lease receivables	*21*	1,789	1,860
Tax recoverable		22	323
Pledged bank deposits	*30*	208,282	318,943
Structured bank deposits	*30*	134,721	–
Restricted bank deposits	*30*	6,799	–
Bank balances and cash	*30*	832,463	978,446
		3,121,102	2,518,665
Non-current assets classified as held for sales	*31*	2,000	–
		3,123,102	2,518,665

		At December 31,	
		2019	2020
	NOTES	*RMB'000*	*RMB'000*
Current liabilities			
Trade and other payables	*32*	1,675,649	1,749,559
Contract liabilities	*34*	50,251	49,056
Provision	*35*	39,036	38,162
Refund liabilities	*36*	190,435	193,139
Deferred income	*38*	323	544
Lease liabilities	*33*	12,196	13,016
Bank borrowings	*37*	412,156	438,047
Amounts due to related parties	*29*	282,424	42,320
Dividends payables		249,351	–
Tax payables		79,738	97,434
		2,991,559	2,621,277
Net current assets (liabilities)		131,543	(102,612)
Total assets less current liabilities		6,550,334	5,753,000
Non-current liabilities			
Deferred tax liabilities	*24*	600,991	580,698
Lease liabilities	*33*	10,554	8,835
Bank borrowings	*37*	2,719,482	2,606,880
Deferred income	*38*	8,166	9,521
		3,339,193	3,205,934
Net assets		3,211,141	2,547,066
Capital and reserves			
Share capital	*39*	3,075,842	3,075,842
Reserves		(87,593)	(758,167)
Equity attributable to owners of the Target Company		2,988,249	2,317,675
Non-controlling interests		222,892	229,391
Total equity		3,211,141	2,547,066

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owners of the Target Company						
	Share capital *RMB'000*	Exchange reserve *RMB'000* (Note)	Statutory surplus reserve *RMB'000*	Accumulated losses *RMB'000*	Sub-total	Non-controlling interests *RMB'000*	Total equity
At August 6, 2019 (date of incorporation)	–*	–	–	–	–	–	–*
(Loss) profit for the period	–	–	–	(76,472)	(76,472)	688	(75,784)
Exchange differences arising on translation from functional currency to presentation currency	–	(11,121)	–	–	(11,121)	–	(11,121)
Total comprehensive (expenses) income for the period	–	(11,121)	–	(76,472)	(87,593)	688	(86,905)
Issue of shares *(Note 39)*	3,075,842	–	–	–	3,075,842	–	3,075,842
Acquisition of a subsidiary *(Note 41)*	–	–	–	–	–	222,204	222,204
Transfer to statutory surplus reserve	–	–	4,119	(4,119)	–	–	–
At December 31, 2019	3,075,842	(11,121)	4,119	(80,591)	2,988,249	222,892	3,211,141
(Loss) profit for the year	–	–	–	(707,526)	(707,526)	6,499	(701,027)
Exchange differences arising on translation of foreign operations	–	(32,250)	–	–	(32,250)	–	(32,250)
Exchange differences arising on translation from functional currency to presentation currency	–	210,322	–	–	210,322	–	210,322
Total comprehensive income (expenses) for the year	–	178,072	–	(707,526)	(529,454)	6,499	(522,955)
Dividends paid *(Note 14)*	–	–	–	(141,120)	(141,120)	–	(141,120)
Transfer to statutory surplus reserve	–	–	6,250	(6,250)	–	–	–
At December 31, 2020	3,075,842	166,951	10,369	(935,487)	2,317,675	229,391	2,547,066

* *Less than RMB'000*

Note: In accordance with the Articles of Association of the Target Company's subsidiaries established in the People's Republic of China (the "PRC") and relevant PRC laws and regulations, these subsidiaries are required to transfer at least 10% of their profit after taxation, which is determined in accordance with the PRC accounting rules and regulations, to a statutory surplus reserve (including the general reserve fund and enterprise expansion fund, where appropriate). Transfer to this statutory surplus reserve is subject to the approval of the respective board of directors, and is discretionary when the balance of such fund has reached 50% of the registered capital of the respective company. Statutory surplus reserve can only be used to offset accumulated losses or to increase capital.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	8.6.2019 (date of incorporation) to 12.31.2019	**1.1.2020 to 12.31.2020**
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Loss before tax	(71,809)	(551,854)
Adjustments for:		
Amortisation of intangible assets	5,384	104,205
Depreciation of property, plant and equipment	3,283	64,009
Depreciation of right-of-use assets	474	18,728
Finance costs	10,693	202,825
Interest income	(214)	(5,433)
Impairment losses on goodwill	–	466,933
Impairment losses under expected credit loss model, net of reversal	–	10,176
Loss on disposal of property, plant and equipment	1,554	37,467
Share of results of associates	(1,397)	944
Government grants	(10,134)	(58,005)
Allowance for inventories	–	10,410
Operating cash flow before movements in working capital	(62,166)	300,405
(Increase) decrease in inventories	(25,689)	39,847
Decrease in trade and bill receivables	13,607	26,332
Decrease in other receivables, deposits and prepayments	27,791	23,367
Decrease (increase) in amounts due from related parties	3,962	(21,924)
Decrease in finances lease receivables	441	1,532
(Decrease) increase in trade and other payables	(47,093)	73,910
Decrease in contract liabilities	(8,552)	(1,195)
Increase (decrease) in provision	30	(874)
Decrease in amounts due to related parties	(4,056)	(69,623)
(Decrease) increase in refund liabilities	(1,579)	2,704
Receipt of government grants	10,235	59,581
Cash (used in) generated from operations	(93,069)	434,062
Income tax paid	–	(167,047)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(93,069)	267,015

	8.6.2019 (date of incorporation) to 12.31.2019 *RMB'000*	1.1.2020 to 12.31.2020 *RMB'000*
INVESTING ACTIVITIES		
Interest received	214	5,433
Purchases of property, plant and equipment	(21,886)	(43,447)
Proceeds from disposal of property, plant and equipment	–	1,189
Proceeds from disposal of non-current assets classified as held for sales	–	2,000
Additions to intangible assets	(112)	(4,785)
Repayments from related parties	49,546	629,725
Placement of pledged bank deposits	(29,637)	(372,843)
Placement of restricted bank deposits	(4,302)	–
Withdrawal of pledged bank deposits	–	210,717
Withdrawal of structured bank deposits	12,000	134,721
Withdrawal of restricted bank deposits	–	6,799
Acquisition of a subsidiary *(Note 41)*	(3,976,223)	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(3,970,400)	569,509
FINANCING ACTIVITIES		
Dividends paid	–	(390,471)
Interest paid	(467)	(177,250)
Repayments to related parties	(89,348)	(170,481)
Proceeds from bank borrowings	2,871,000	138,332
Repayments of bank borrowings	–	(64,239)
Repayment of lease liabilities	(2,271)	(18,125)
Issue of shares	2,128,139	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	4,907,053	(682,234)
NET INCREASE IN CASH AND CASH EQUIVALENTS	843,584	154,290
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR	–	832,463
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(11,121)	(8,307)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR, represented by bank balances and cash	832,463	978,446

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was incorporated in Singapore as a private limited liability company on August 6, 2019. The address of the registered office of the Target Company is at 10 Changi Business Park Central 2, #05-01 Hansapoint, Singapore 486030 and the principal place of business is at NVC Industrial Park, Ruhu Town, Huizhou City, Guangdong Province, PRC.

The Target Company's ultimate holding company is KKR Co. & Inc., who is a leading global investment firm that manages multiple alternative asset classes including private equity, energy, infrastructure, real estate and credit, with strategic partners that manage hedge funds and its shares are listed on New York Stock Exchange. The Target Company's immediate holding company is Lighting Holdings II Pte. Ltd. ("Lighting Holdings II"), who is a private limited liability company and acts as an investment holding company.

The Target Company acts as an investment holding company. The principal activities of the subsidiaries comprise the manufacture and sale of lamps, luminaries, lighting electronic products and related products directly to customers through (i) traditional sale channels; (ii) e-commerce platforms; and (iii) online distributorship corporations.

On August 10, 2019, the Target Company, the Company, LED Holdings Limited (a wholly owned subsidiary of the Company), Brilliant Lights Investment Pte. Ltd. ("BLIPL", a wholly owned subsidiary of the Target Company) and Lighting Holdings II entered into the share purchase agreement (as supplemented by the amendment letter to the Share Purchase Agreement dated October 29, 2019) in relation to the sale and purchase of the entire issued shares of (i) Huizhou NVC Lighting Technology Company Limited ("Huizhou NVC"); (ii) Blue Light (HK) Trading Co., Limited; and (iii) Zhuhai Yaohui Technology Co., Ltd. ("Zhuhai Yaohui") (together collectively referred to as the "NVC China Group") for a consideration of RMB5,559 million which comprises (1) cash consideration of RMB4,611 million; and (2) a share consideration of 30% of the issued share capital of the Target Company to the Company (the "Acquisition"). The Acquisition was completed on December 12, 2019. After the completion of the Acquisition, the Target Company through BLIPL holds 100% of equity interests in the NVC China Group and the Company holds 30% equity interests in the Target Company. In other words, Lighting Holdings II and the Company hold 70% and 30% equity interests in the Target Company, respectively.

The Historical Financial Information is presented in Renminbi ("RMB") whereas the functional currency of the Target Company is US dollar ("USD"). As the functional currency of principal subsidiaries of the NVC China Group in the PRC is RMB, the directors of the Target Company consider that RMB is preferable in presenting the operating result and financial position of the Target Group.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS

For the purpose of preparing the Historical Financial Information for the Relevant Periods, the Target Group has consistently applied the accounting policies which conform with IFRS Standards that are effective throughout the Relevant Periods.

New and amendments to IFRS Standards in issue but not yet effective

At the date of this report, the following new and amendments to IFRS Standards have been issued which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[5]
Amendments to IFRS 3	Reference to the Conceptual Framework[4]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to IFRS 16	Covid-19-Related Rent Concessions[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[5]
Amendments to IAS 8	Definition of Accounting Estimates[5]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[5]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[4]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[4]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[4]

1 *Effective for annual periods beginning on or after June 1, 2020.*

2 *Effective for annual periods beginning on or after January 1, 2021.*

3 *Effective for annual periods beginning on or after April 1, 2021.*

4 *Effective for annual periods beginning on or after January 1, 2022.*

5 *Effective for annual periods beginning on or after January 1, 2023.*

6 *Effective for annual periods beginning on or after a date to be determined.*

The directors of the Target Company anticipate that the application of the above new and amendments to IFRS Standards will have no material impact on the consolidated financial statements of the Target Group in the foreseeable future.

3. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRS Standards issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

In preparing the Historical Financial Information, the directors of the Target Company have given careful consideration to the future liquidity of the Target Group. While recognising that the Target Group had net current liabilities of approximately RMB102,612,000 at December 31, 2020, the directors of the Target Company have, at the time of approving the Historical Financial Information, a reasonable expectation that the Target Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Historical Financial Information.

The Historical Financial Information has been prepared on the historical cost basis except for the financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information are determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment* ("IFRS 2"), leasing transactions that are within the scope of IFRS 16 *Leases* ("IFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets* ("IAS 36").

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Target Company and its subsidiaries. Control is achieved where the Target Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period/year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with the Target Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Target Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Investment in a subsidiary

Investment in a subsidiary is included in the statements of financial position at cost less any identified impairment losses.

Business combinations or asset acquisitions

Optional concentration test

Effective from January 1, 2020, the Target Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Target Group acquires a group of assets and liabilities that do not constitute a business, the Target Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Target Group, liabilities incurred by the Target Group to the former owners of the acquire and the equity interests issued by the Target Group in exchange for control of the acquire. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* ("IAS 12") and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Target Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquirer's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Target Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Non-current assets held for sale

Non-current assets and disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. The directors of the Target Company must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Target Group is committed to a sale plan involving disposal of an investment in an associate, the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Target Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment is classified as held for sale.

Non-current assets and disposal group classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell which continue to be measured in accordance with the accounting policies as set out in respective sections.

Interests in associates and joint venture

An associate is an entity over which the Target Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint venture are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Target Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Target Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Target Group. When the Target Group's share of losses of an associate or a joint venture exceeds the Target Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Target Group's net investment in the associate or joint venture), the Target Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Target Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Target Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the year in which the investment is acquired.

The Target Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Target Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Historical Financial Information only to the extent of interests in the associate or joint venture that are not related to the Target Group.

Revenue from contracts with customers

The Target Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;
- the Target Group's performance creates or enhances an asset that the customer controls as the Target Group performs; or
- the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Target Group's obligation to transfer goods or services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer.

Variable consideration

For contracts that contain variable consideration such as volume rebates and cash discounts, the Target Group estimates the amount of consideration to which it will be entitled using the most-likely amount, which better predicts the amount of consideration to which the Target Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Target Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Refund liabilities

The Target Group recognises a refund liability if the Target Group expects to refund some or all of the consideration received from customers.

Sale with a right of return/exchange

For a sale of products with a right of return/exchange for dissimilar products, the Target Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Target Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);

(b) a refund liability/contract liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Target Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Target Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Target Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicate standards.

Short-term leases

The Target Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Target Group; and
- an estimate of costs to be incurred by the Target Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Target Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Target Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Target Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Target Group under residual value guarantees;
- the exercise price of a purchase option if the Target Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Target Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Target Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Target Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Target Group as a lessor

Classification and measurement of leases

Leases for which the Target Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Target Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Interest and rental income which are derived from the Target Group's ordinary course of business are presented as other income.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Target Group applies IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Target Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Target Group's operations are translated into the presentation currency of the Target Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Exchange differences relating to the retranslation of the Target Group's net assets in USD to the Target Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in exchange reserve. Such exchange differences accumulated in the exchange reserve are not reclassified to profit or loss subsequently.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs which are not capitalised to qualifying assets are recognised in profit or loss in the year in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Target Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Target Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Target Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefit are recognised as an expense unless another IFRS Standards requires or permits the inclusion of the benefits in the cost of an assets. A liabilities is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary and associates, and interest in a joint venture, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Target Group recognises the right-of-use assets and the related lease liabilities, the Target Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Target Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same tax authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Provisions

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of lighting products are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Target Group's obligation.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Plant and machinery and leasehold improvements in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Target Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible asset with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Target Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Target Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method, 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 represents the estimated selling price for the inventories less all estimated costs of completion and costs necessary to make the sale. Cost necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Target Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contract with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at initial recognition of a financial asset the Target Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit- impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Target Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and bills receivables, other receivables, refundable deposits, amounts due from related parties, amount due from a subsidiary, restricted, pledged and structured bank deposits and bank balances) and finance lease receivables which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Group always recognises lifetime ECL for trade receivables. For all other instruments, the Target Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, 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.

Irrespective 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, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Target Group assumes that the credit risk on the Target Group's financial assets has not increased significantly since initial recognition if the financial assets are determined to have low credit risk at the reporting date. A financial asset is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Target Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full.

Irrespective of the above, the Target Group considers that default has occurred when a financial asset is more than 90 days past due unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) 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, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. Trade receivables with credit-impaired balances are assessed for ECL individually. In addition, the Target Group uses a practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

Interest income is calculated based on the gross carrying amount of the financial asset unless financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Target Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Target Group derecognises a financial liability when, and only when, the Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in Note 4, the directors of the Target Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Impairment assessment of goodwill and trademarks with indefinite useful lives

The Target Group's management impairment assessment of goodwill and trademarks needs to exercise judgments to determine the recoverable amounts of the CGUs based on value in use calculation and certain key assumptions and inputs, namely sales growth rates, gross profit margin, and discount rate, used to estimate future cash flows which represent the Target Group's management's best estimate of the range of economic conditions, by using an independent qualified professional valuer. Value in use calculation used cash flow projections based on financial budgets approved by the Target Group's management and an appropriate discount rate. Where the recoverable amount of the CGUs is lower than respective carrying amount, impairment loss would be recognised. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties for the year ended December 31, 2020 due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Target Group's wholesale operations.

As at December 31, 2019, the carrying amounts of goodwill and trademarks with indefinitely useful lives are RMB2,373,414,000 and RMB2,050,719,000. As at December 31, 2020, the carrying amounts of goodwill and trademarks with indefinite useful lives are RMB1,906,481,000 and RMB2,050,719,000, net of accumulated impairment loss of RMB466,933,000 and Nil, respectively. Details of the recoverable amount calculation are disclosed in Note 23.

Provision of ECL for trade receivables

Trade receivables with credit-impaired balances are assessed for ECL individually.

In addition, the Target Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Target Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. As at December 31, 2020, due to greater financial uncertainty triggered by the Covid-19 pandemic, the Target Group has increased the expected loss rates as there is higher risk that a prolonged pandemic could led to increased credit default rates. The information about the ECL and the Target Group's trade receivables are disclosed in Notes 43(b) and 26, respectively.

6. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

	8.6.2019 (date of incorporation) to 12.31.2019	**1.1.2020 to 12.31.2020**
	RMB'000	*RMB'000*
Sales of goods	213,269	3,644,105

All the sales of goods from contracts with customers are recognised at a point in time.

(ii) Performance obligations for contracts with customers

The Target Group sells lamps, luminaries, lighting electronic products and related products directly to the customers through (i) traditional sale channels; (ii) e-commerce platforms; and (iii) online distributorship corporations.

Revenue from the sales of goods directly to the customers through traditional sale channels is recognised at a point in time when the control of the goods have been transferred to the buyer. The credit periods generally range from 30 to 60 days for major customers. New customers are normally required to pay in advance. The advances received are recognised as contract liabilities. The Target Group also offers volume rebates and cash discounts to major customers, which are estimated using most-likely amount method and recorded as a reduction of revenue with the corresponding amount recorded as refund liabilities.

Revenue from the sales of goods through e-commerce platforms is recognised at a point of time when the control of goods have been transferred to the individual customers upon receipts of customers' acknowledgement of receiving the goods. Individual customers are required to pay in advance when they place the purchase orders through e-commerce platforms. The advance payments are remitted from the platforms to the Target Group upon customer's confirmation on receipt of the goods.

Revenue from the sales of goods to online distributorship corporations is recognised at a point of time when the control of goods have been transferred to the corporate customers. The credit period generally ranged from 60 to 90 days. The Target Group offers volume rebates to the corporate customers which is estimated using most-likely amount method and recorded as a reduction of revenue with the corresponding amount recorded as refund liabilities.

Customers from e-commerce platform and online distributorship corporations are entitled to unconditional right to return the goods to the Target Group for a refund for a period of one week. This gives rise to right-of-return assets (included in inventories) and refund liabilities.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All sales of goods by the Target Group are for contracts with original expected duration of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

For the purpose of resources allocation and performance assessment, the directors of the Target Company, being the chief operating decision maker ("CODM"), review the overall results and financial position of the Target Group as a whole prepared based on same accounting policies set out in Note 4. Accordingly, the Target Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

No analysis of the Target Group's assets and liabilities is disclosed as such information is not regularly provided to the CODM for review.

Information about major customers

Revenue from customers contributing over 10% of the total sales of the Target Group during the Relevant Periods are as follows:

	8.6.2019 (date of incorporation) to 12.31.2019	1.1.2020 to 12.31.2020
	RMB'000	*RMB'000*
Customer A	N/A[1]	394,516

[1] *The corresponding revenue did not contribute over 10% of the total revenue of the Target Group.*

Geographical information

All the sales of goods from contracts with customers are derived from the PRC.

All the non-current assets are located in the PRC.

7. OTHER INCOME

	8.6.2019 (date of incorporation) to 12.31.2019	1.1.2020 to 12.31.2020
	RMB'000	*RMB'000*
Interest income	214	5,433
Trademark licence fee	3,774	3,027
Government grants *(Note)*	10,134	58,005
Rental income	695	6,823
Others	4,019	3,662
	18,836	76,950

Note: Government grants from the PRC government are specifically for (i) capital expenditure incurred for plant and machinery, which are recognised as income over the useful life of related assets; and (ii) incentives and other subsidies for research and development activities, which have no specific conditions attached to the grants and recognised as other income upon receipt.

8. OTHER GAINS AND LOSSES

	8.6.2019 (date of incorporation) to 12.31.2019	1.1.2020 to 12.31.2020
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment	1,554	37,467
Net foreign exchange losses	21,933	196,496
Others	100	8,396
	23,587	242,359

9. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	8.6.2019 (date of incorporation) to 12.31.2019	1.1.2020 to 12.31.2020
	RMB'000	*RMB'000*
Impairment losses recognised on:		
– trade receivables	–	3,414
– other receivables	–	6,762
	–	10,176

Details of impairment assessment are set out in Note 43(b).

10. FINANCE COSTS

	8.6.2019 (date of incorporation) to 12.31.2019	**1.1.2020 to 12.31.2020**
	RMB'000	*RMB'000*
Interests on:		
Lease liabilities	467	1,925
Bank borrowings	10,226	200,900
	10,693	202,825

11. INCOME TAX EXPENSE

	8.6.2019 (date of incorporation) to 12.31.2019	**1.1.2020 to 12.31.2020**
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("EIT"):		
Current tax	4,102	114,134
Under-provision in prior period:	–	43,208
	4,102	157,342
Withholding tax on PRC dividend income	–	27,100
Deferred taxation *(Note 24)*	(127)	(35,269)
	3,975	149,173

The basic tax rate of the Target Company's PRC subsidiaries is 25% under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law.

Chongqing NVC Lighting Company Limited was recognised as western development enterprise by the local tax authority and are entitled to the preferential tax rate of 15% during the Relevant Periods according to a local tax policy on western development issued in 2011.

Huizhou NVC Lighting Technology Company Limited was recognised as high and new technology enterprise by the PRC tax authority and entitled a preferential tax rate of 15% during the Relevant Periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

PRC withholding income tax of 10% shall be levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after January 1, 2008.

The Target Group's entities operating in Singapore were exempt from Singapore income tax during the Relevant Periods.

The tax charge for the Relevant Periods can be reconciled to the loss before tax from per the consolidated statements of profit or loss and other comprehensive income as follows:

	8.6.2019 (date of incorporation) to 12.31.2019	**1.1.2020 to 12.31.2020**
	RMB'000	*RMB'000*
Loss before tax	(71,809)	(551,854)
Tax at the applicable tax rate of 25%	(17,952)	(137,964)
Tax effect of expenses not deductible for tax purpose	1,416	270,023
Tax effect of income not taxable for tax purpose	(682)	(27,516)
Tax effect of tax losses not recognised	–	3,014
Utilisation of deductible temporary difference previously not recognised	–	(9,812)
Under-provision in prior period	–	43,208
Withholding tax on PRC dividend income	–	27,100
Effect of tax concessions granted to the PRC subsidiaries	(1,050)	(18,795)
Effect of tax exemptions granted to Singapore entities	22,108	(965)
Effect of different tax rates of subsidiaries operating in other jurisdictions	26	298
Others	109	582
Income tax expense	3,975	149,173

12. LOSS FOR THE PERIOD/YEAR

	8.6.2019 (date of incorporation) to 12.31.2019 *RMB'000*	1.1.2020 to 12.31.2020 *RMB'000*
Loss for the period/year has been arrived at after charging:		
Amortisation of intangible assets	5,384	104,205
Auditor's remuneration	4,294	3,999
Cost of inventories recognised as an expense	130,628	2,230,825
Allowance for inventories	–	10,410
Depreciation of property, plant and equipment	3,283	64,009
Depreciation of right-of-use assets	474	18,728
Staff costs:		
Directors' emoluments *(Note 13(a))*	269	5,291
Other staff costs	24,605	460,002
Retirement benefit scheme contributions	1,974	19,333
Total staff costs	26,848	484,626

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the Relevant Periods, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	8.6.2019 (date of incorporation) to 12.31.2019 *RMB'000*	1.1.2020 to 12.31.2020 *RMB'000*
Directors' fees	–	1,453
Other emoluments		
– Salaries and other benefits	269	3,255
– Performance-related bonuses	–	499
– Retirement benefits schemes contributions	–	84
	269	5,291

8.6.2019 (date of incorporation) to 12.31.2019

Name of directors	Directors' fees	Salaries and other benefits	Performance-related bonuses	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
WANG Donglei *(Note i)*	–	269	–	–	269
CAI Song *(Note iv)*	–	–	–	–	–
CHAN Kim Yung *(Note iv)*	–	–	–	–	–
JI Zhen *(Note iv)*	–	–	–	–	–
NGOO Sin Hung *(Note iv)*	–	–	–	–	–
LEE Chi Hur *(Note iii)*	–	–	–	–	–
DOI Yi Jun *(Note iii)*	–	–	–	–	–
YAN Cheng Kang *(Note iii)*	–	–	–	–	–
Total	–	269	–	–	269

1.1.2020 to 12.31.2020

Name of directors	Directors' fees	Salaries and other benefits	Performance-related bonuses	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
WANG Donglei *(Note 1)*	172	502	–	–	674
CAI Song *(Note 5)*	–	–	–	–	–
CHAN Kim Yung	344	–	–	–	344
JI Zhen *(Note 5)*	–	–	–	–	–
NGOO Sin Hung	76	–	–	–	76
LIN Liang Qi *(Note 2)*	861	2,753	499	84	4,197
Total	1,453	3,255	499	84	5,291

Note 1: Mr. Wang Dong Lei is also the chief executive of the Target Company and his emoluments disclosed above included those services rendered by him as the chief executive. The retirement benefits scheme contributions are borne by a subsidiary of the Company. He resigned as the chief executive of the Target Company with effective from June 30, 2020.

Note 2: Mr. Lin Liang Qi was appointed as an alternative director to Ngoo Sin Hung and a chief executive of the Target Company with effective from December 12, 2019 and July 13, 2020, respectively.

Note 3: These directors resigned as the directors of the Target Company with effective from December 12, 2019.

Note 4: These directors were appointed as the directors of the Target Company with effective from December 12, 2019.

Note 5: These directors were appointed by the Target Company's ultimate holding company. No remuneration was paid to these directors by the Target Company as the remuneration is borne by the Target Company's ultimate holding Company.

During the Relevant Periods, no emoluments were paid by the Target Group to any of the directors or the chief executive as an inducement to join or upon joining the Target Group or as compensation for loss of office. In addition, no directors or the chief executive waived any emoluments during the Relevant Periods.

(b) Five highest paid employees

The five highest paid employees of the Target Group during the Relevant Periods included the chief executive, details of whose remuneration are set out in Note 13(a) above. Details of the remuneration during the Relevant Periods of the remaining four highest paid employees who are neither a director nor chief executive of the Target Company are as follows:

	8.6.2019 (date of incorporation) to 12.31.2019	**1.1.2020 to 12.31.2020**
	RMB'000	*RMB'000*
Salaries and other benefits	446	6,217
Performance-related bonuses	8,379	2,488
Retirement benefits schemes contributions	16	250
	8,841	8,955

The number of the highest paid employees who are not the directors whose remuneration fell within the following bands is as follows:

	8.6.2019 (date of incorporation) to 12.31.2019	**1.1.2020 to 12.31.2020**
	No. of employee	*No. of employee*
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB868,710 to RMB1,303,065)	2	–
HK$2,000,001 to HK$2,500,000 (equivalent to approximately RMB1,737,421 to RMB2,171,755)	1	–
HK$2,500,001 to HK$3,000,000 (equivalent to approximately RMB2,171,756 to RMB2,606,130)	–	4
HK$4,500,001 to HK$5,000,000 (equivalent to approximately RMB3,909,195 to RMB4,343,550)	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.

14. DIVIDENDS

	8.6.2019 (date of incorporation) to 12.31.2019 *RMB'000*	1.1.2020 to 12.31.2020 *RMB'000*
Dividends for ordinary shareholders of the Target Company recognised as distribution during the period/year:		
2020 special interim dividends – RMB141 per share	–	141,120

15. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the transaction.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture and fixtures *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST							
Arising on acquisition of a subsidiary *(Note 41)*	272,881	2,401	124,877	7,443	10,240	22,838	440,680
Additions	–	–	4,635	–	149	17,102	21,886
Disposals	–	–	(1,380)	–	(174)	–	(1,554)
Transfer	301	–	991	–	–	(1,292)	–
At December 31, 2019	273,182	2,401	129,123	7,443	10,215	38,648	461,012
Additions	–	1,270	18,779	1,083	2,684	19,769	43,585
Transfer	–	35,119	17,957	–	43	(53,119)	–
Disposals	–	(25,620)	(9,742)	(2,167)	(737)	(2,588)	(40,854)
At December 31, 2020	273,182	13,170	156,117	6,359	12,205	2,710	463,743
DEPRECIATION							
Provided for the period	704	63	2,116	228	172	–	3,283
At December 31, 2019	704	63	2,116	228	172	–	3,283
Provided for the year	13,649	5,663	38,792	1,549	4,356	–	64,009
Eliminated on disposals	–	(21)	(2,041)	(115)	(21)	–	(2,198)
At December 31, 2020	14,353	5,705	38,867	1,662	4,507	–	65,094
CARRYING VALUES							
At December 31, 2019	272,478	2,338	127,007	7,215	10,043	38,648	457,729
At December 31, 2020	258,829	7,465	117,250	4,697	7,698	2,710	398,649

The above items of property, plant and equipment except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis at the following per annum:

	Estimated useful lives
Buildings	Over the shorter of lease term, or 18 to 40 years
Leasehold improvements	Over the shorter of lease term, or 3 years
Plant and machinery	3 to 10 years
Motor vehicles	3 to 8 years
Furniture and fixtures	2 to 7 years

17. INTANGIBLE ASSETS

	Trademarks	**Customer relationship**	**Computer software**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
Arising on acquisition of a subsidiary *(Note 41)*	2,050,719	1,333,436	13,570	3,397,725
Additions	–	–	112	112
At December 31, 2019	2,050,719	1,333,436	13,682	3,397,837
Additions	–	–	4,785	4,785
At December 31, 2020	2,050,719	1,333,436	18,467	3,402,622
AMORTISATION				
Charged for the period	–	5,281	103	5,384
At December 31, 2019	–	5,281	103	5,384
Charged for the year	–	101,277	2,928	104,205
At December 31, 2020	–	106,558	3,031	109,589
CARRYING VALUES				
At December 31, 2019	2,050,719	1,328,155	13,579	3,392,453
At December 31, 2020	2,050,719	1,226,878	15,436	3,293,033

The above intangible assets other than the trademarks have finite useful lives and are amortised on a straight-line basis over the following periods:

Customer relationship	12 and 15 years
Computer software	5 to 10 years

The trademarks with indefinite useful lives is renewable at minimal cost. The directors of the Target Company are of the opinion that the Target Group would renew the trademarks continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Target Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Target Group.

As a result, the trademarks are considered by the management of the Target Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until its useful life is determined to be definite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

Particulars of impairment testing on trademarks are disclosed in Note 23.

18. RIGHT-OF-USE ASSETS

	Motor vehicles	Leasehold lands	Office premises and warehouses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2019				
Carrying amount	621	59,373	16,678	76,672
As at December 31, 2020				
Carrying amount	322	57,379	17,469	75,170
For the period ended December 31, 2019				
Depreciation charge	16	106	352	474
For the year ended December 31, 2020				
Depreciation charge	299	1,994	16,435	18,728

	8.6.2019 (date of incorporation) to 12.31.2019	1.1.2020 to 12.31.2020
	RMB'000	*RMB'000*
Expense relating to short-term leases	788	6,030
Total cash outflow for leases	3,526	26,080
Additions to right-of-use assets	82	17,226

Right-of-use assets of the Target Group are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold lands	45 years
Office premises and warehouses	2 to 4 years
Motor vehicles	2 to 4 years

During the Relevant Periods, the Target Group leases motor vehicles, leasehold lands, office premises and warehouses for its operations. Lease contracts are entered into for fixed term of 2 to 40 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Target Company applied the definition of a contract and determined the period for which the contract is enforceable.

The Target Group regularly entered into short-term leases for office, motor vehicles and staff quarter. As at December 31, 2019 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

19. INTERESTS IN ASSOCIATES

	2019	2020
	RMB'000	*RMB'000*
Cost of investments in associates	30,356	30,356
Transfer from financial assets at FVTOCI *(Note 20)*	–	34,396
	30,356	64,752
Share of post-acquisition profits and other comprehensive income	1,397	453
	31,753	65,205

Name of entity	Country of establishment and principal place of business	Proportion of ownership interest held by the Target Group 2019	2020	Principal activity
Huizhou Thorled-opto Co., Ltd.* ("Huizhou Thorled-opto") (惠州雷通光電器件有限公司)	The PRC	49%	49%	Research and development, production and sale of light-emitting diode, emission receiver tube, digital tube packaging series products
Tongheng NVC Lighting Technology (Shanghai) Co., Ltd.* (同恒雷士光電科技(上海)有限公司)	The PRC	20%	20%	Trading of lamps, luminaries and other lighting products and installation services of lighting construction project
Yunnan Dingjian Lighting Technology Company Limited* ("Yunnan Dingjian")(雲南鼎建光電科技有限公司)	The PRC	10% *(Note 1)*	10% *(Note 1)*	Trading of lamps, luminaries and other lighting products and installation services of lighting construction project
Zhuhai Berkeley Modern Furniture Company Limited ("Zhuhai Berkeley")(珠海伯克麗現代家居有限公司)	The PRC	N/A	28% *(Note 2)*	Trading of lamps, luminaries and other lighting products

Note 1: Yunnan Dingjian has three directors. One of the directors of this associate is appointed by Huizhou NVC and who is also a director of Huizhou NVC. As such, the Target Group has a significant influence over this associate.

Note 2: During the year ended December 31, 2020, Zhuhai Berkeley, previously classified as a financial asset at FVTOCI as disclosed in Note 20, was re-classified as interests in associates. In the opinion of the directors of the Target Company, Zhuhai Berkeley is regarded as an associate of the Target Group because the sole director of Zhuhai Berkeley who is newly appointed by the shareholders of Zhuhai Berkeley during the year ended December 31, 2020 is also the chief financial officer of the Target Group, which indicates the Target Group's significant influence on Zhuhai Berkeley.

* *The English name is for identification only*

Summarised financial information of material associates

Summarised financial information in respect of the Target Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's management accounts prepared in accordance with IFRS Standards.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Zhuhai Berkeley

	12.31.2020
	RMB'000
Current assets	71,117
Non-current assets	90,449
Current liabilities	(34,737)

	10.27.2020 to 12.31.2020
	RMB'000
Revenue	10,741
Profit and total comprehensive income for the period	3,986

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	12.31.2020
	RMB'000
Net assets of Zhuhai Berkeley	126,829
Proportion of the Target Group's ownership interest in Zhuhai Berkeley	28%
Carrying amount of the Target Group's interest in Zhuhai Berkeley	35,512

Huizhou Thorled-opto

	12.31.2019	12.31.2020
	RMB'000	*RMB'000*
Current assets	54,947	83,981
Non-current assets	19,869	11,751
Current liabilities	(14,804)	(40,503)

	12.12.2019 to 12.31.2019	1.1.2020 to 12.31.2020
	RMB'000	*RMB'000*
Revenue	1,523	26,624
Loss and total comprehensive expense for the period/year	(222)	(4,784)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	12.31.2019	12.31.2020
	RMB'000	*RMB'000*
Net assets of Huizhou Thorled-opto	60,012	55,229
Proportion of the Target Group's ownership interest in Huizhou Thorled-opto	49%	49%
Carrying amount of the Target Group's interest in Huizhou Thorled-opto	29,406	27,062

Aggregate information of associates that are not individually material

	2019	2020
	RMB'000	*RMB'000*
The Target Group's share of profit from operations and total comprehensive income	1,506	284
Carrying amount of the Target Group's interest in the associates	2,347	2,631

20. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2020
	RMB'000	*RMB'000*
Unlisted investment	34,396	–

The balance at December 31, 2019 represented the 28% equity interests in Zhuhai Berkeley. The Target Group had no right to appoint any director to the board of director in Zhuhai Berkeley and is entitled to receive the dividends from Zhuhai Berkeley based on proportion of paid-up capital injected by the Target Group (28% as at December 12, 2019), although the Target Group has only 10% of registered capital based on the articles of association of Zhuhai Berkeley. In the opinion of the directors of the Target Company, the unlisted investment was classified as a financial asset at FVTOCI. The fair value of the unlisted investment as at December 31, 2019 of RMB34,396,000 was determined by an independent professional valuer on the basis of adopting income approach.

During the year ended December 31, 2020, the unlisted investment was re-classified as interests in associates as disclosed in Note 19.

21. FINANCE LEASE RECEIVABLES

The Target Group entered into finance lease arrangements as a lessor for warehouses. The year of finance lease entered into are 5 years. All interest rate inherent in the leases are fixed at the contract date over the lease terms.

	2019		2020	
	Minimum lease payment	Present value of minimum lease payment	Minimum lease payment	Present value of minimum lease payment
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finance lease receivables comprises:				
Within one year	1,848	1,789	1,922	1,860
In the second year	1,922	1,765	1,999	1,837
In the third year	1,999	1,743	1,551	1,361
In the fourth year	1,551	1,293	–	–
Gross investment in the lease	7,320	N/A	5,472	N/A
Less: unearned finance income	(730)	N/A	(414)	N/A
Present value of minimum lease payment receivables	6,590	6,590	5,058	5,058
Analysed as:				
Current	1,789	1,789	1,860	1,860
Non-current	4,801	4,801	3,198	3,198
	6,590	6,590	5,058	5,058

Interest rate implicit in the above finance leases is 5.25% during the Relevant Periods.

The Target Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities.

22. GOODWILL

	Acquisition of the NVC China Group
	RMB'000
COST	
Arising on acquisition of a subsidiary *(Note 41)*, at December 31, 2019 and 2020	2,373,414
IMPAIRMENT	
At December 31, 2019	–
Impairment loss recognised	466,933
At December 31, 2020	466,933
CARRYING VALUES	
At December 31, 2019	2,373,414
At December 31, 2020	1,906,481

Particulars regarding impairment testing on goodwill arising from the acquisition of the NVC China Group are disclosed in Note 23.

23. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill arising from the acquisition of the NVC China Group and trademarks with indefinite useful lives set out in Notes 22 and 17 have been allocated to a group of cash-generating units.

In addition to goodwill and trademarks above, property, plant and equipment, other intangible assets and right-of-use assets that generate cash flows together with the related goodwill and trademarks are also included in a group of cash generating units for the purpose of impairment assessment.

The recoverable amount of a group of cash-generating units has been determined based on a value in use calculation. As at December 31, 2019, the calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and discount rate of 14.6%. The cash flows beyond the 5-year period are extrapolated using 9% and 6% for sixth and seventh year and a steady 3% growth. As at December 31, 2020, the calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and discount rate of 16.89%. The cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. These growth rate are based on the relevant industry growth forecasts and does not exceed the long-term average growth rate of the industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. The cash flow projections, growth rates and discount rate have been reassessed as at December 31, 2020 taking into consideration higher degree of estimation uncertainties during the year ended December 31, 2020 due to how the Covid-19 pandemic may progress and evolve and volatility in financial markets.

The directors of the Target Company have consequently determined impairment of goodwill directly related to a group of cash-generating units amounting to RMB466,933,000. The impairment loss has been included in profit or loss. No other write-down of the assets of a group of cash-generating units is considered necessary. The recoverable amount of the group of cash-generating units amounted to RMB5,141,336,000 as at December 31, 2020.

24. DEFERRED TAXATION

	2019	**2020**
	RMB'000	*RMB'000*
Deferred tax assets	34,807	49,783
Deferred tax liabilities	(600,991)	(580,698)
	(566,184)	(530,915)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the relevant periods:

	ECL provision	Provision for obsolete stock	Fair value adjustment arising from business combination	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Acquisition of a subsidiary *(Note 41)*	27,765	2,231	(602,048)	5,741	(566,311)
(Charge) credit to profit or loss	(930)	–	1,057	–	127
At December 31, 2019	26,835	2,231	(600,991)	5,741	(566,184)
Credit to profit or loss	10,215	2,397	20,293	2,364	35,269
At December 31, 2020	37,050	4,628	(580,698)	8,105	(530,915)

As at December 31, 2019 and 2020, the Target Group has deductible temporary differences of RMB43,519,000 and RMB4,271,000, respectively.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. As at December 31, 2019 and 2020, deferred taxation has not been provided for in the Historical Financial Information in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to RMB736,598,000 and RMB825,297,000 as the Target Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. During the year ended December 31, 2020, withholding tax of RMB27,100,000 are charged to profit or loss for the special dividends declared and paid by the PRC subsidiaries of RMB271,000,000.

25. INVENTORIES

	2019	2020
	RMB'000	*RMB'000*
Raw materials and consumables	46,173	41,151
Work in progress	39,527	31,733
Finished goods	274,382	236,941
	360,082	309,825

26. TRADE AND BILL RECEIVABLES

	2019	2020
	RMB’000	*RMB’000*
Trade receivables from contracts with customers	561,821	500,803
Less: Allowance for credit losses *(Note 43(b))*	–	(3,414)
	561,821	497,389
Bill receivables	246,303	280,989
	808,124	778,378

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the transaction date.

	2019	2020
	RMB’000	*RMB’000*
0 – 90 days	406,172	366,753
91 – 180 days	106,994	58,337
Over 180 days	48,655	72,299
	561,821	497,389

As at December 31, 2019 and 2020, included in the Target Group’s trade receivables balance are debtors with aggregate gross carrying amount of RMB140,893,000 and RMB89,495,000 which are past due as at the reporting date. As at December 31, 2019 and 2020, out of the past due balances, RMB43,171,000 and RMB37,934,000 has been past due 90 days or more and is not considered as in default because there had not been significant changes in credit quality of the relevant debtors and the amounts are still considered recoverable.

As at December 31, 2019 and 2020, total bills received amounting to RMB246,303,000 and RMB280,989,000 are held by the Target Group for future settlement of trade receivables, of which certain bills issued by third parties are further endorsed by the Target Group with recourse for settlement of payables, or discounted to banks for cash. The Target Group continues to recognise their full carrying amounts at the end of both reporting periods. All bills received by the Target Group are with a maturity period of less than one year.

Other than bills receivables, the Target Group does not hold any collateral over these balances.

Details of impairment assessment of trade and bill receivables are set out in Note 43(b).

27. TRANSFER OF FINANCIAL ASSETS

During the Relevant Periods, the Target Group endorsed certain bills for the settlement of payables; and discounted certain bills received by the Target Group to banks for financing. The following were the Target Group's bills as at December 31, 2019 and 2020 that were transferred to banks by discounting on a full recourse basic. As the Target Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount and has recognised the cash received on the transfer as borrowing (see Note 37). These financial assets are carried at amortised cost in the Target Group's consolidated statements of financial position.

As at December 31, 2019

	Bills endorsed to creditors with full recourse	Bills discounted to banks with full recourse	Total
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of transferred assets	70,049	252,319	322,368
Carrying amount of associated liabilities	(70,049)	(250,619)	(320,668)
Net position	–	1,700	1,700

As at December 31, 2020

	Bills endorsed to creditors with full recourse	Bills discounted to banks with full recourse	Total
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of transferred assets	9,833	60,000	69,833
Carrying amount of associated liabilities	(9,833)	(58,332)	(68,165)
Net position	–	1,668	1,668

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2020
	RMB'000	*RMB'000*
Other receivables *(Note)*	68,321	68,352
Less: Allowance for credit losses *(Note 43(b))*	–	(6,762)
	68,321	61,590
Deposits and prepayments	36,421	13,023
Prepayments for purchase of property, plant and equipment	9,508	9,370
	114,250	83,983
Less: Non-current	(9,508)	(9,370)
Current	104,742	74,613

Note: Other receivables mainly comprise VAT recoverable, advances to staffs and temporary payments.

Details of impairment assessment of other receivables and deposits are set out in Note 42(b).

29. AMOUNTS WITH RELATED PARTIES

	2019	2020
	RMB'000	*RMB'000*
Due from related parties:		
– trade nature *(Note i)*	18,058	39,982
– non-trade nature *(Note ii)*	646,020	16,295
	664,078	56,277
Due to related parties:		
– trade nature *(Note iii)*	103,277	33,654
– non-trade nature *(Note ii)*	179,147	8,666
	282,424	42,320

Notes:

i. The amounts are secured, interest-free and recoverable based on the credit terms similar to those offered to the major customers of the Target Group. The following is an aged analysis of the amounts due from related parties based on the transaction date.

	2019	2020
	RMB'000	*RMB'000*
0-90 days	17,426	20,800
91-180 days	344	7,287
Over 180 days	288	11,895
	18,058	39,982

ii. The amounts are unsecured, interest-free and recoverable/repayable on demand.

iii. The amounts are unsecured, interest-free and repayable on the credit terms similar to those offered by the major suppliers of the Target Group. The following is an aged analysis of the amounts due to related parties presented based on the invoice date.

	2019	2020
	RMB'000	*RMB'000*
0-90 days	34,560	33,654
91-180 days	24,309	–
Over 180 days	44,408	–
	103,277	33,654

30. RESTRICTED, PLEDGED AND STRUCTURED BANK DEPOSITS AND BANK BALANCES AND CASH

During the period ended December 31, 2019 and the year ended December 31, 2020, restricted bank deposits and bank balances carry interest at fixed market rates which range from 0.05% to 1.725% and 0.0001% to 2.75% per annum, respectively.

During the period ended December 31, 2019 and the year ended December 31, 2020, pledged bank deposits with an original maturity over three months carry interest at fixed market rates which range from 1.30% to 2.75% and 1.30% to 3.55% per annum, respectively. The balance represents deposits pledged to banks (i) to secure bills payable expected to be due in six months issued to suppliers; and (ii) to secure the Target Group's performance obligation fulfilment to several customers on projects. For those projects as mentioned in (ii) above which expected to be completed over twelve months, the balance of RMB2,435,000 and RMB53,900,000 was classified as non-current as at December 31, 2019 and 2020.

Structured bank deposits with an original maturity over three months carry interest at fixed market rates which range from 2.75% to 3.51% per annum for the Relevant Periods.

Details of impairment assessment of restricted, pledged and structured bank deposits and bank balances are set out in Note 43(b).

31. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALES

During the period ended December 31, 2019, the Target Group has entered into an agreement to dispose of the entire 35% equity interests in its associate, Mianyang Leici Electronic Technology Co., Ltd ("Mianyang"), at a cash consideration of RMB2,800,000 to an independent third party (the "Agreement"). Pursuant to the Agreement, the consideration shall be settled by three installments in which 10% equity interests in Mianyang shall be transferred within 30 days upon receipt of the first payment of RMB800,000; the other 10% equity interests in Mianyang shall be transferred within 15 days upon receipt of the second payment of RMB800,000; and the remaining 15% equity interests in Mianyang shall be transferred within 15 days upon receipt of the final payment of RMB1,200,000. During the period ended December 31, 2019, the Target Group has transferred 10% equity interests in Mianyang to an independent third party. The directors of the Target Company considered the remaining 25% equity interests will be recovered principally through a sales transaction rather than through continuing use and hence categorised as non-current assets classified as held for sales.

During the year ended December 31, 2020, the sale has been completed and the remaining 25% equity interests in Mianyang has been disposed of on November 30, 2020.

32. TRADE AND OTHER PAYABLES

	2019	**2020**
	RMB'000	*RMB'000*
Trade payables	947,471	569,494
Bills payables	251,123	671,542
	1,198,594	1,241,036
Other payables and accrued charges	477,055	508,523
	1,675,649	1,749,559

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2019	2020
	RMB'000	*RMB'000*
0 – 90 days	781,466	540,165
91 – 180 days	67,003	10,248
Over 180 days	99,002	19,081
	947,471	569,494

The average credit period granted by suppliers to the Target Group on purchase of goods is 30 to 180 days during the Relevant Periods.

Bills payables are normally settled within 1 year.

33. LEASE LIABILITIES

	2019	2020
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	12,196	13,016
Within a period of more than one year but not more than two year	5,086	3,992
Within a period of more than two years but not more than five years	5,468	4,843
	22,750	21,851
Less: Amount due for settlement with 12 months shown under current liabilities	(12,196)	(13,016)
Amount due for settlement after 12 months shown under non-current liabilities	10,554	8,835

The weighted average incremental borrowing rates applied to lease liabilities is 5.25% for the Relevant Periods.

All lease obligations are denominated in the functional currencies of the relevant group entities.

34. CONTRACT LIABILITIES

	2019	2020
	RMB'000	*RMB'000*
Sales of goods	50,251	49,056

The contract liabilities represent the advances received from customers in respect of the sales of lighting products. When the Target Group receives a deposit before the goods delivered, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposits.

The contract liabilities were expected to be recognised as revenue in the next 12 months.

35. PROVISION

	Warranty Provision
	RMB'000
Acquisition of a subsidiary *(Note 41)*	(39,006)
Provision for the period	(30)
At December 31, 2019	(39,036)
Provision for the year	(26,560)
Utilisation of provision	27,434
At December 31, 2020	(38,162)

The warranty provision represents management's best estimate of the Target Group's liability under two to three years assurance-type warranty granted on lighting products, based on prior experience and industry averages for defective products.

36. REFUND LIABILITIES

	2019	2020
	RMB'000	*RMB'000*
Arising from volume rebates and cash discounts *(Note i)*	188,716	184,155
Arising from right of return *(Note ii)*	1,719	8,984
	190,435	193,139

Notes:

i. The refund liabilities arise from volume rebates and cash discounts offered by the Target Group to the customers. The volume rebates and cash discounts are recognised based on rebate percentage of the historical sales amounts made by corporate customers if the sales meet the required volume of sales by using most-likely amount method.

ii. The refund liabilities relate to customers' right to return products within seven days and thirty days of purchase through e-commerce platforms and online distributorship corporations, respectively. At a point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. The Target Group uses its accumulated historical experience to estimate the number of return on a portfolio level using the expected value method.

37. BANK BORROWINGS

	2019	2020
	RMB'000	*RMB'000*
Secured bank borrowings carried interest at fixed rate	2,881,019	2,906,595
Unsecured bank borrowings carried interest at fixed rate	–	80,000
Advances from banks on discounted bills receivable with recourse	250,619	58,332
	3,131,638	3,044,927

	2019	2020
	RMB'000	*RMB'000*
Carrying amounts repayable:		
Within one year	412,156	438,047
Within a period of more than one year but not exceeding two years	280,834	344,559
Within a period of more than two years but not exceeding five years	2,438,648	2,262,321
	3,131,638	3,044,927
Less: Amounts due within one year shown under current liabilities	(412,156)	(438,047)
Amount shown under non-current liabilities	2,719,482	2,606,880

Bank borrowings comprise:

	Maturity date	Effective interest rate	Carrying amount 2019	2020
			RMB'000	*RMB'000*
Secured bank borrowings *(Note)*	12.12.2024	6.7%	2,881,020	2,906,595
Unsecured bank borrowings	04.21.2021	4.2%	–	30,000
Unsecured bank borrowings	06.29.2021	4.0%	–	50,000

Note: The bank borrowings are secured by equity interests in Huizhou NVC and Zhuhai Yaohui and repayable according to the repayment schedule stated in the bank borrowing agreement.

38. DEFERRED INCOME

	2019	2020
	RMB'000	*RMB'000*
At beginning of period/year	–	8,489
Acquisition of a subsidiary *(Note 41)*	8,388	–
Government granted received	10,235	59,581
Release to profit or loss	(10,134)	(58,005)
At end of period/year	8,489	10,065
Less: Current	(323)	(544)
Non-current	8,166	9,521

Certain government subsidies and incentives were received by various subsidiaries of the Target Group for research and development activities. Full amounts are recognised as income in profit or loss as there were no specific conditions attached to the grants and, therefore, the Target Group recognised the grants to profit or loss upon receipt. The subsidies were granted on a discretionary basis to the Target Group.

Certain government subsidies granted for the acquisition of property, plant and equipment by the Target Group brought forward from prior period had been treated as deferred income and was transferred to income over the useful lives of the relevant assets. As at December 31, 2019 and 2020, an amount of RMB8,166,000 and RMB9,521,000 was included in non-current liabilities.

39. SHARE CAPITAL

	Number of shares	**Amounts**
	'000	*RMB'000*
Ordinary shares of USD436.98 each:	1,000	3,075,842
Authorised		
At August 6, 2019 (date of incorporation), December 31, 2019 and 2020	1,000	3,075,842
Issued and fully paid		
At August 6, 2019 (date of incorporation)	–	– *
Issue of shares *(Note)*	1,000	3,075,842
At December 31, 2019 and 2020	1,000	3,075,842

* *Less than RMB1,000*

Note: The Target Company issued 699,999 ordinary shares of USD436.98 each on December 11, 2019 to the existing shareholder. On December 12, 2019, the Target Company issued 300,000 ordinary shares of USD436.98 each to the Company in order to finance the Target Group's acquisition of the NVC China Group (Note 41). The new shares rank *pari passu* with the existing shares in all respects.

40. RETIREMENT BENEFITS SCHEMES

The Target Group contributes to retirement plans for its employees in the PRC at a percentage of their salaries in compliance with the requirements of the respective municipal governments in the PRC. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Target Group in the PRC.

The total expenses recognised in profit or loss of RMB1,974,000 and RMB19,417,000 for the period ended December 31, 2019 and the year ended December 31, 2020, respectively, represents contributions payable to these plans by the Target Group at rates specified in the rules of the plans.

41. ACQUISITION OF A SUBSIDIARY

On December 12, 2019, the Target Group acquired 100% of the issued capital of the NVC China Group for a consideration of RMB5,559 million which comprises (i) a cash consideration of approximately RMB4,611 million and (ii) a share consideration of 30% issued share capital of the Target Company. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately RMB2,373 million.

Consideration transferred

	RMB'000
Cash	4,611,308
Equity instruments issued	947,703
Total	5,559,011

As part of the consideration for the acquisition of NVC China Group, 300,000 ordinary share of the Target Company with par value of USD436.98 each were issued. The fair value of the ordinary shares of the Target Company, determined by reference to the fair value of the NVC China Group at the date of the acquisition, amounted to approximately USD131 million (equivalent to approximately RMB947,703,000).

Acquisition-related costs amounting to approximately RMB5,934,000 have been excluded from the consideration transferred and have been recognised as an expense, within the administrative expenses item in the consolidated statements of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment *(Note 16)*	440,680
Intangible assets *(Note 17)*	3,397,725
Right-of-use assets	77,228
Interests in associates	30,852
Investment in a joint venture	823
Financial asset at fair value through other comprehensive income	34,396
Deferred tax assets *(Note 24)*	35,737
Pledged bank deposits	181,080
Structured bank deposits	146,721
Restricted bank deposits	2,497
Finance lease receivables	7,031
Inventories	334,393
Trade receivables and bills receivables	821,731
Other receivables and deposits and prepayments	141,545
Amounts due from related parties	717,586
Non-current assets classified as held for sales	2,000
Tax recoverable	22
Bank balances and cash	635,085
Trade and other payables	(1,722,742)
Bank borrowings	(250,412)
Contract liabilities	(58,803)
Refund liabilities	(192,014)
Provision *(Note 35)*	(39,006)
Deferred income *(Note 38)*	(8,388)
Lease liabilities	(25,103)
Amounts due to related parties	(375,828)
Dividend payables	(249,351)
Tax payables	(75,636)
Deferred tax liabilities *(Note 24)*	(602,048)
Non-controlling interests	(222,204)
	3,185,597

The fair value of trade and bills receivables at the date of acquisition amounted to approximately RMB821,731,000. The gross contractual amounts of those trade and bills receivables acquired amounted to approximately RMB971,484,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately RMB149,753,000.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	5,559,011
Less: net assets acquired	(3,185,597)
Goodwill arising on acquisition *(Note 22)*	2,373,414

Goodwill arose in the acquisition of the NVC China Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the NVC China Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of the NVC China Group

	RMB'000
Cash consideration paid	4,611,308
Less: cash and cash equivalents balances acquired	(635,085)
	3,976,223

42. CAPITAL MANAGEMENT

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged during the Relevant Periods. The capital structure of the Target Group consists of bank borrowings and lease liabilities disclosed in Notes 37 and 33, respectively, net of cash and cash equivalents and equity attributable to owners of the Target Company, comprising issued share capital.

The management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Target Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

43. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	The Target Group	
	2019	**2020**
	RMB'000	*RMB'000*
Financial assets		
Amortised costs	2,708,546	2,232,156
Financial assets at FVTOCI	34,396	–
Financial liabilities		
Amortised costs	5,245,616	4,744,859

b. Financial risk management objectives and policies

The Target Group's financial instruments include trade and bills receivables, finance lease receivables, other receivables, refundable deposits, amounts due from related parties, restricted, pledged and structured bank deposits, bank balances, trade and other payables, bank borrowings, amounts due to related parties and lease liabilities. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner. The policies to mitigate these risks are set out below.

Market risk

There has been no change to the Target Group's exposure to market risks or the manner in which it manages and measures the risk during the year.

Currency risk

Several subsidiaries of the Target Company have foreign currency bank balances and borrowings which expose the Target Group to foreign currency risk. They are mainly denominated in RMB. The Target Group is mainly exposed to foreign exchange rate risk arising from transactions that are denominated in RMB relative to USD.

The carrying amounts of the Target Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	The Target Group			
	Assets		**Liabilities**	
	2019	**2020**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	120,111	43,804	2,881,019	2,906,595

The Target Group currently does not have a foreign exchange hedging policy. However, the management of the Target Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Sensitivity analysis

The following table details the Target Group's sensitivity to a 5% increase and decrease in RMB against USD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A negative number below indicates an increase in loss for the period/year where RMB strengthen 5% against USD. For a 5% weakening of RMB against USD, there would be an equal and opposite impact on the loss for the year and the amounts below would be positive.

	The Target Group	
	2019	**2020**
	RMB'000	*RMB'000*
Profit or loss	(138,045)	(143,140)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the end of each reporting period exposure does not reflect the exposure during the relevant years.

Interest rate risk

The Target Group is exposed to fair value interest rate risk in relation to restricted, pledged and structured bank deposits and bank balances (see Note 30), fixed-rate bank borrowings (see Note 37) and lease liabilities (see Note 33). The Target Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, structured bank deposits, restricted bank deposits and bank balances (see Note 30).

No sensitivity analysis was prepared as the management considers that the financial impact arising on changes in interest rate was minimal due to limited changes in interest rate.

Credit risk and impairment assessment

Credit risk refers to the risk that the Target Group's counterparties default on their contractual obligations resulting in financial losses to the Target Group. The Target Group's credit risk exposures are primarily attributable to trade and bill receivables, other receivables, refundable deposits, finance lease receivables, amounts due from related parties, restricted, pledged and structured bank deposits and bank balances. The Target Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with settlement of certain trade receivables are backed by bills issued by reputable financial institutions.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Target Group only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Target Group considers the credit risk arising from the endorsed or discounted bills is insignificant. In this regard, the management considers that the Target Group's credit risk is significantly reduced.

As at December 31, 2019 and 2020, the Target Group has concentration of credit risk as 9% and 39% and 5% and 18% of the total trade receivables was due from the Target Group's largest customer and the five largest customers respectively. In order to minimise the credit risk, the directors of the Target Company have delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Target Group performs impairment assessment under ECL model on trade receivables with credit-impaired balances individually. Except for debtors with credit-impaired balances, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the Target Group's aging of outstanding balances using provision matrix. Impairment of RMB3,414,000 is recognised during the year ended December 31, 2020. Details of the quantitative disclosures are set out below in this note.

Pledged, structured and restricted bank deposits and bank balances

Credit risk on pledged, structured and restricted bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Target Group assessed 12m ECL for pledged, structured, and restricted bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged, structured, and restricted bank deposits and bank balances is considered to be insignificant and therefore no loss allowance was recognised.

Other receivables and refundable deposits

For other receivables and refundable deposits, the management makes periodic individual assessment on the recoverability of other receivables and refundable deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Except for an impairment loss, net of reversal, of approximately RMB6,762,000 recognised on other receivables during the year ended December 31, 2020, the management believes that there are no significant increase in credit risk of these amounts since initial recognition and the ECL provision on the remaining other receivables and refundable deposits is insignificant. Details of the quantitative disclosures are set out below in this note.

Amounts due from related parties

The Target Group was exposed to credit risk on amounts due from related parties. The directors of the Target Company periodically monitor the financial position of each of the related companies to ensure each related company is financially viable to settle the amounts due to the Target Group. The directors of the Target Company believe that there is no material credit risk inherent in the Target Group's outstanding balances of amounts due from related parties since initial recognition and the Target Group provided impairment based on 12m ECL. As at December 31, 2020, the Target Group assessed the ECL for amounts due from related parties were insignificant and thus no loss allowance was recognised.

Bills receivables

The Target Group was exposed to credit risk on bills receivables. Except for bills receivables from reputable banks with high credit ratings assigned by international credit agencies, the directors of the Target Company make individual assessment on the recoverability of bills receivables based on historical settlement records, past experience and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Target Company believe that there is no material credit risk inherent in the Target Group's outstanding balances of bills receivables since initial recognition and the Target Group provided impairment based on 12m ECL. As at December 31, 2020, the Target Group assessed the ECL for bills receivables were insignificant and thus no loss allowance was recognised.

Finance lease receivables

The directors of the Target Company estimate the amount of 12m ECL of finance lease receivables based on individual assessment of each finance lease borrower, after considering internal credit ratings based on available information at each reporting date for its finance lease receivables.

The Target Group would also review the repayment history of finance lease with reference to the repayment schedule from the date of finance lease up to the reporting date to determine the recoverability of a finance lease receivables. The directors of the Target Company believe that there is no material credit risk inherent in the Target Group's outstanding balances of finance lease receivables since initial recognition and the Target Group provided impairment passed in 12m ECL. As at December 31, 2020, the Target Group assessed the ECL for finance lease receivables were insignificant and thus no loss allowance was recognised.

The Target Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Target Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Target Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2019 RMB'000	2020 RMB'000
Financial assets at amortised cost						
The Target Group						
Trade receivables *(Note 1)*	26	N/A	Low risk	Lifetime ECL – not credit-impaired	561,821	500,803
Other receivables and refundable deposits *(Note 2)*	28	N/A	Low risk	12m ECL	51,644	46,212
			Loss	Lifetime ECL – credit-impaired	–	6,762
					51,644	52,974
Pledged, structured and restricted bank deposits and bank balances	30	AA	N/A	12m ECL	1,184,700	1,351,289

Notes:

(1) For trade receivables, the Target Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired balances, the Target Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

As part of the Target Group's credit risk management, the Target Group uses debtors' ageing to assess the impairment of trade receivables from customers because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the Target Group's exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

	2019		**2020**	
	Average loss rate	**Gross carrying amount**	**Average loss rate**	**Gross carrying amount**
	%	*RMB'000*	*%*	*RMB'000*
Current	–	420,515	0.22	410,895
Less than 2 months past due	–	94,071	1.09	45,849
2 to 6 months past due	–	37,338	1.83	18,845
7 to 12 months past due	–	8,166	4.56	23,337
Over 1 year past due	–	1,318	31.97	1,877
		561,821		500,803

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended December 31, 2020, the Target Group recognised an impairment of RMB3,414,000 for trade receivables based on the provision matrix.

(2) In determining the ECL, the Target Group has taken into account the historical default experience and forward-looking information as appropriate. During the year ended December 31, 2020, the Target Group has recognised an impairment loss on other receivables, net of reversal, of approximately RMB6,762,000 since the directors of the Target Company considered the counterparties are in financial difficulties and the credit risk of the related other receivables have increased significantly since initial recognition. For the remaining other receivable balances, the Target Group has considered the consistently low historical default rate in connection with payments and concluded that credit risk inherent in these balances is insignificant.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) *RMB'000*
As at date of incorporation and December 31, 2019	–
Impairment losses recognised	3,414
As at December 31, 2020	3,414

Further quantitative disclosures in respect of the Target Group's exposure to credit risk arising from trade receivables are set out in Note 26.

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	Lifetime ECL (credit-impaired) *RMB'000*
As at date of incorporation and December 31, 2019	–
Impairment losses recognised	6,762
As at December 31, 2020	6,762

Further quantitative disclosures in respect of the Target Group's exposure to credit risk arising from other receivables are set out in Note 28.

Liquidity risk

In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows.

As at December 31, 2020, the Target Group's current liabilities exceeded its current assets by RMB102,612,000 and had bank balances and cash of approximately RMB978,446,000 against trade and other payables, bank borrowings, amounts due to related parties and lease liabilities due within one year amounted to approximately RMB2,242,942,000.

The Target Group finances its capital intensive operations by short-term and long-term bank borrowings and shareholders' equity.

Despite uncertainties mentioned in Note 3, the directors of the Target Company believe that the Target Group will be able to generate sufficient cash flows to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period.

The following tables detail the Target Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the contractual repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate	On demand or within one year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2019						
Trade and other payables	–	1,582,203	–	–	1,582,203	1,582,203
Lease liabilities	5.25	14,168	7,355	4,851	26,374	22,750
Bank borrowings	6.41	420,519	313,200	3,259,600	3,993,319	3,131,638
Amounts due to related parties	–	282,424	–	–	282,424	282,424
Dividends payables	–	249,351	–	–	249,351	249,351
		2,548,665	320,555	3,264,451	6,133,671	5,268,366
2020						
Trade and other payables	–	1,657,612	–	–	1,657,612	1,657,612
Lease liabilities	5.25	13,091	6,477	3,620	23,188	21,851
Bank borrowings	6.56	453,200	385,700	2,873,900	3,712,800	3,044,927
Amounts due to related parties	–	42,320	–	–	42,320	42,320
		2,166,223	392,177	2,877,520	5,435,920	4,766,710

c. Fair value measurements of financial instruments

Some of the Target Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Target Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Target Group engages third party qualified valuers to perform the valuation. The directors of the Target Company work closely with the qualified valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value are disclosed below.

i) Fair value of the Target Group's financial asset that is measured at fair value on a recurring basis

Some of the Target Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial asset	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	2019	2020			
	RMB'000	*RMB'000*			
Equity investments at FVTOCI	34,396	N/A	Level 3	income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be deemed from the ownership of this investee based on an appropriate discount rate.	Discount rate of 15.8%

Note: As at December 31, 2020. If the estimated discount rate used were multiplied by 95% or 105% while all the other variables were held constant, the fair value of the investment would increase by approximately RMB1,616,000 or decrease by approximately RMB1,441,000, respectively.

There is no transfer between the different levels of the fair value hierarchy during the Relevant Periods.

Reconciliation of Level 3 fair value measurements

	RMB'000
At date of incorporation	–
Acquisition of a subsidiary	34,396
At December 31, 2019	34,396
Transfer to interests in associates	(34,396)
At December 31, 2020	–

ii) ***Fair value of the Target Group's financial assets and financial liabilities that are not measure at fair value on a recurring basis***

The fair value of other financial assets and financial liabilities that are not measured at fair value on a recurring basis are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

44. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the consolidated financial statements, the Target Group also entered into the following material transactions or arrangements with related parties:

Relationships	**Nature of transactions**	**8.6.2019 (date of incorporation) to 12.31.2019**	**1.1.2020 to 12.31.2020**
		RMB'000	*RMB'000*
Fellow subsidiaries:	Sales of goods	–	491
	Purchase of goods	4,871	92,281
	Royalty income	–	2,124
Entity with significant influence over the Target Group:	Consultancy fee	–	6,888
Subsidiaries of the entity with significant influence over the Target Group:	Sales of goods	8,625	49,396
	Purchase of goods	–	11,983
	Rental expenses	923	2,283
Associates of the Target Group:	Sales of goods	128	2,859
	Purchase of goods	1,113	19,304

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE TARGET COMPANY

Details of the subsidiaries directly and indirectly held by the Target Company at the end of the reporting period are set out below.

Name of subsidiaries	Place of establishment/ registration/ operations	Registered and paid up capital/ issued ordinary share capital	Proportion ownership interest held by the Target Company Directly 2019 %	Directly 2020 %	Indirectly 2019 %	Indirectly 2020 %	Principal activities
Directly held							
Brilliant Lights (Finco) Pte. Ltd.	Singapore	USD148,644,000	100	100	–	–	Investment holding
Indirectly held							
Brilliant Lights Investment Pte. Ltd.	Singapore	USD148,044,000	–	–	100	100	Investment holding
Huizhou NVC Lighting Technology Company Limited* (惠州雷士光電科技有限公司)	PRC	RMB266,499,000	–	–	100	100	Manufacture and sales of lamps, luminaries, lamp transformers, lighting electronic products and other appliances
Blue Light (HK) Trading Co. Limited	HK	RMB447,000	–	–	100	100	Sabs and distribution of lighting products through e-commerce platforms and distribution channels
Zhuhai Yaohui Technology Co. Ltd.* (珠海耀輝科技有限公司)	PRC	–**	–	–	100	100	Software development and application
Huizhou NVC Fire Lighting Co., Ltd.* (惠州雷士消防照明標識有限公司) ("NVC Fire Lighting")	PRC	RMB5,000,000	–	–	70	70	Research, development, manufacture and sales of emergency light and LED lighting products
Huizhou NVC Lighting Engineering Company Limited* (惠州雷士照明工程有限公司)	PRC	RMB10,000,000	–	–	100	100	Research, development, manufacture and sale of lamps, luminaries and lighting electronic products and other appliances
Huizhou NVC Kitchenware Co., Ltd.* (惠州雷士櫥衛電器有限責任公司) ("NVC Kitchenware")	PRC	RMB5,000,000	–	–	51	51	Manufacture and sales of lamps, luminaries, lamp transformers, lighting electronic products and other appliances
Zhongshan NVC Decorative Lighting Technology Co., Ltd.* (中山雷士燈飾科技有限公司)	PRC	RMB15,000,000	–	–	100	100	Trading of lamps, luminaries and LED lighting products
Bengbu NVC Smart Household Technology Co., Ltd.* (蚌埠雷士光電科技有限公司)	PRC	RMB5,000,000	–	–	100	100	Manufacture and sales of lamps, luminaries, lamp transformers, lighting electronic products and other appliances
Huizhou NVC Trade Development Company Limited* (惠州雷士貿易發展有限公司)	PRC	RMB10,000,000	–	–	100	100	Manufacture and sales of lamps, luminaries, lamp transformers, lighting electronics products and other appliances
Chongqing NVC Lighting Company Limited*(重慶雷士照明有限公司)	PRC	RMB4,000,000	–	–	100	100	Manufacture and sale of lamps, luminaries and other lighting electronic appliances
Zhongshan Leiya Lighting Company Limited*(中山市雷雅照明有限公司)	PRC	RMB1,000,000	–	–	100	100	Manufacture and sale of lamps, luminaries and other lighting electronic appliance
Zhuhai Dongshang Decorative Lighting Technology Co., Ltd.* (珠海東尚燈飾科技有限公司)	PRC	RMB3,000,000	–	–	100	100	Research, development, manufacture and consulting services of lamps, lighting fixture and other LED lighting products
Zhuhai Shenghuayang Technology Company Limited* (珠海盛華陽科技有限公司)	PRC	RMB100,000	–	–	100	100	Investment holding

Name of subsidiaries	Place of establishment/ registration/ operations	Registered and paid up capital/ issued ordinary share capital	Proportion ownership interest held by the Target Company Directly 2019 %	Directly 2020 %	Indirectly 2019 %	Indirectly 2020 %	Principal activities
Chongzhou Construction Company Limited* (崇洲建設有限公司)	PRC	RMB50,000,000	–	–	100	100	Building construction engineering, building decoration and decoration engineering, urban and road lighting engineering, highway pavement engineering
Zhuhai NVC Technology Company Limited* (珠海雷士科技有限公司)	PRC	–***	–	–	100	100	Investment holding
Zhuhai NVC Logistics Company Limited* (珠海市雷士物流有限公司)	PRC	RMB10,000,000	–	–	100	100	Provide logistics and warehouse management services
Wuhu Blue Light Xinguang Lighting Trading Co., Ltd* (蕪湖蔚藍芯光照明貿易有限公司)	PRC	RMB5,000,000	–	–	100	100	Investment holding
Wuhu Fenglei Network Technology Co., Ltd* (蕪湖風雷網絡科技有限公司)	PRC	RMB600,000	–	–	100	100	Investment holding
Wuhu NVC Lighting Electronic Commerce Co., Ltd* (蕪湖雷士照明電子商務有限公司)	PRC	RMB4,000,000	–	–	100	100	Trading of lamps, luminaries and LED lighting products
Zhuhai Yijie Network Technology Co., Ltd* (珠海市壹姐網絡科技有限公司)	PRC	RMB1,000,000	–	–	100	100	Trading of lamps, luminaries and LED lighting products
Wuhu Aokong Electronic Commerce Co., Ltd* (蕪湖奧空電子商務有限公司)	PRC	RMB1,000,000	–	–	100	100	Trading of lamps, luminaries and LED lighting products
Zhuhai Leidong Technology Co., Ltd* (珠海市雷東科技有限公司)	PRC	RMB50,000	–	–	100	100	Investment holding
Zhuhai Huiyin Electronic Commerce Co., Ltd* (珠海惠銀電子商務有限公司)	PRC	RMB1,000,000	–	–	100	100	Trading of lamps, luminaries and LED lighting products
Huizhou Shangyi Electronic Commerce Co., Ltd* (惠州市尚億電子商務有限公司)	PRC	RMB4,000,000	–	–	100	100	Trading of lamps, luminaries and LED lighting products
Huizhou Shangjia Lighting Technology Co., Ltd* (惠州市尚佳光電有限公司)	PRC	RMB1,000,000	–	–	100	100	Trading of lamps, luminaries and LED lighting products
Lishui NVC Lighting Technology Company Limited (麗水雷士照明科技有限公司)	PRC	–****	–	–	–	100	Trading of lamps, luminaries and LED lighting products

* *The English name is for identification only*

** *Registered capital of RMB1,000,000 not yet due for payment.*

*** *Registered capital of RMB150,000,000 not yet due for payment.*

**** *Registered capital of RMB10,000,000 not yet due for payment.*

Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Target Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2020	2019	2020	2019	2020
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NVC Fire Lighting	The PRC	30%	30%	197	3,606	42,206	45,812
NVC Kitchenware	The PRC	49%	49%	491	2,893	180,686	183,579
				688	6,499	222,892	229,391

Summarised financial information in respect of each of the Target Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

NVC Fire Lighting	**2019**	**2020**
	RMB'000	*RMB'000*
Current assets	28,074	38,301
Non-current assets	128,406	128,470
Current liabilities	(15,795)	(14,064)
Equity attributable to owners of the Target Company	98,479	106,895
Non-controlling interests of NVC Fire Lighting	42,206	45,812

	8.6.2019 (date of incorporation) to 12.31.2019	**1.1.2020 to 12.31.2020**
	RMB'000	*RMB'000*
Revenue	2,806	48,566
Expenses	(2,148)	(36,546)
Profit for the period/year	658	12,020

NVC Fire Lighting	8.6.2019 (date of incorporation) to 12.31.2019	1.1.2020 to 12.31.2020
	RMB'000	*RMB'000*
Profit attributable to owners of the Target Company	461	8,414
Profit attributable to the non-controlling interests of NVC Fire Lighting	197	3,606
Profit for the period/year	658	12,020
Net cash outflow from operating activities	(3,772)	(9,465)
Net cash outflow from investing activities	–	(126)
Net cash outflow	(3,772)	(9,591)

NVC Kitchenware	2019	2020
	RMB'000	*RMB'000*
Current assets	101,771	55,086
Non-current assets	352,089	351,863
Current liabilities	(85,112)	(32,298)
Equity attributable to owners of the Target Company	188,062	191,072
Non-controlling interests of NVC Kitchenware	180,686	183,579

	8.6.2019 (date of incorporation) to 12.31.2019	1.1.2020 to 12.31.2020
	RMB'000	*RMB'000*
Revenue	6,935	97,363
Expenses	(5,932)	(91,459)
Profit for the period/year	1,003	5,904

NVC Kitchenware

	8.6.2019 (date of incorporation) to 12.31.2019 *RMB'000*	1.1.2020 to 12.31.2020 *RMB'000*
Profit attributable to owners of the Target Company	512	3,011
Profit attributable to the non-controlling interests of NVC Kitchenware	491	2,893
Profit for the period/year	1,003	5,904
Net cash (outflow) inflow from operating activities	(1,255)	27,731
Net cash outflow from investing activities	–	(627)
Net cash (outflow) inflow	(1,255)	27,104

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payables *RMB'000*	Lease liabilities *RMB'000*	Amounts due to related parties *RMB'000*	Bank borrowings *RMB'000*	Total *RMB'000*
Acquisition of a subsidiary	249,351	25,103	268,495	250,412	793,361
Financing cash flows	–	(2,738)	(89,348)	2,871,000	2,778,914
Finance costs	–	467	–	10,226	10,693
New leases entered	–	(82)	–	–	(82)
At December 31, 2019	249,351	22,750	179,147	3,131,638	3,582,886
Financing cash flows	(390,471)	(20,050)	(170,481)	(101,232)	(682,234)
Finance costs	–	1,925	–	200,900	202,825
Dividends declared	141,120	–	–	–	141,120
New lease entered	–	17,226	–	–	17,226
Exchange adjustments	–	–	–	(186,379)	(186,379)
At December 31, 2020	–	21,851	8,666	3,044,927	3,075,444

47. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE TARGET COMPANY

		At December 31,	
		2019	**2020**
	NOTE	*RMB'000*	*RMB'000*
Non-current assets			
Investment in a subsidiary		2,073,946	2,073,946
Amount due from a subsidiary		914,547	855,382
		2,988,493	2,929,328
Current assets			
Prepayments and other receivables		29	99
Amount due from a subsidiary		3,023	73,558
Bank balances and cash		59,891	6,807
		62,943	80,464
Current liabilities			
Accruals and other payables		60	3,862
Net current assets		62,883	76,602
Net assets		3,051,376	3,005,930
Capital and reserves			
Share capital	*39*	3,075,842	3,075,842
Reserves		(24,466)	(69,912)
Total equity		3,051,376	3,005,930

Reserves of the Target Company

	Exchange reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At August 6, 2019 (date of incorporation)	–	–	–
Profit for the period	–	2,707	2,707
Exchange differences arising on translation from functional currency to presentation currency	(27,173)	–	(27,173)
Total comprehensive (expenses) income and at December 31, 2019 and January 1, 2020	(27,173)	2,707	(24,466)
Profit for the year	–	167,738	167,738
Exchange differences arising on translation from functional currency to presentation currency	(72,064)	–	(72,064)
Total comprehensive (expenses) income	(72,064)	167,738	95,674
Dividend paids *(Note 14)*	–	(141,120)	(141,120)
At December 31, 2020	(99,237)	29,325	(69,912)

48. EVENTS AFTER THE REPORTING PERIOD

Subsequent to December 31, 2020, the Target Company and Lighting Holdings II entered into a share transfer agreement in relation to the sale and purchase of the 100% issued shares of Brilliant Lights (Dragon) Pte. Ltd. for a consideration which is represented by the issuance of 228,714 shares of the Target Company at share price at the date of acquisition. The acquisition was completed on April 27, 2021. Brilliant Lights (Dragon) Pte. Ltd., together with its subsidiaries, are engaged in the lighting source business which has synergy with the Target Company's business. Details of the acquisition are set out in Note 23 in Appendix IIB of this circular.

49. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company or any of its subsidiaries or the Target Group have been prepared in respect of any period subsequent to December 31, 2020.

The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.

Deloitte. 德勤

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF BRILLIANT LIGHTS INTERNATIONAL HOLDING PTE. LTD. TO THE DIRECTORS OF NVC INTERNATIONAL HOLDINGS LIMITED

Introduction

We have reviewed the condensed consolidated financial statements of Brilliant Lights International Holding Pte. Ltd. (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages IIB-3 to IIB-24, which comprise the condensed consolidated statement of financial position as of June 30, 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the six-month period then ended, and certain explanatory notes. The condensed consolidated financial statements have been prepared by the directors of the Target Company solely for the inclusion in the circular of NVC International Holdings Limited (the "Company") dated December 10, 2021 in connection with the Company's subscription of 68,614 issued shares of the Target Company. As a result, the condensed consolidated financial statements may not be suitable for another purpose. The directors of the Target Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board ("IASB"). Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of 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* ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other Matter

The comparative condensed consolidated statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended June 30, 2020 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

December 10, 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2021

		Six months ended June 30,	
		2021	2020
	NOTES	*RMB'000*	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	2,002,784	1,272,245
Cost of sales		(1,231,400)	(862,956)
Gross profit		771,384	409,289
Other income	*5*	45,601	40,653
Other gains and losses	*6*	(37,156)	29,323
Impairment losses under expected credit loss model, net of reversal		(60,084)	(26,046)
Share of results of associates		(2,063)	9
Selling and distribution costs		(352,662)	(255,424)
Administrative expenses		(164,688)	(200,087)
Research and development expenses		(31,122)	(25,248)
Finance costs		(99,959)	(92,710)
Profit (loss) before tax		69,251	(120,241)
Income tax expense	*7*	(41,643)	(18,993)
Profit (loss) for the period	*8*	27,608	(139,234)
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation from functional currency to presentation currency		(29,645)	(73,730)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		28,107	22,485
Other comprehensive expense for the period		(1,538)	(51,245)
Total comprehensive income (expense) for the period		26,070	(190,479)

	Six months ended June 30, 2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit (loss) for the period attributable to:		
– owners of the Target Company	21,559	(139,534)
– non-controlling interests	6,049	300
	27,608	(139,234)
Total comprehensive income (expenses) for the period attributable to:		
– owners of the Target Company	20,021	(190,779)
– non-controlling interests	6,049	300
	26,070	(190,479)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2021

	NOTES	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	408,007	398,649
Intangible assets	12	3,373,076	3,293,033
Right-of-use assets	13	70,679	75,170
Interests in associates	14	21,724	65,205
Investment in a joint venture		823	823
Finance lease receivables		2,334	3,198
Goodwill	15	2,259,871	1,906,481
Deferred tax assets	16	60,338	49,783
Prepayments	18	18,414	9,370
Pledged bank deposits	19	74,300	53,900
Bank deposits	19	60,000	–
		6,349,566	5,855,612
Current assets			
Inventories		489,746	309,825
Trade and bills receivables	17	799,616	778,378
Other receivables, deposits and prepayments	18	150,885	74,613
Amounts due from related parties		18,997	56,277
Finance lease receivables		1,897	1,860
Tax recoverable		22	323
Structured bank deposits	19	60,000	–
Pledged bank deposits	19	136,609	318,943
Bank deposits	19	50,000	–
Bank balances and cash	19	750,453	978,446
		2,458,225	2,518,665

	NOTES	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
Current liabilities			
Trade and other payables	20	2,414,608	1,749,559
Contract liabilities		35,819	49,056
Provision		42,479	38,162
Refund liabilities		177,614	193,139
Deferred income		324	544
Lease liabilities		11,259	13,016
Bank borrowings	21	290,146	438,047
Amounts due to related parties		6,774	42,320
Tax payables		87,601	97,434
		3,066,624	2,621,277
Net current liabilities		(608,399)	(102,612)
Total assets less current liabilities		5,741,167	5,753,000
Non-current liabilities			
Deferred income		9,484	9,521
Lease liabilities		7,932	8,835
Deferred tax liabilities	16	594,031	580,698
Bank borrowings	21	2,556,584	2,606,880
		3,168,031	3,205,934
Net assets		2,573,136	2,547,066
Capital and reserves			
Share capital	22	3,075,842	3,075,842
Reserves		(738,146)	(758,167)
Equity attributable to owners of the Target Company		2,337,696	2,317,675
Non-controlling interests		235,440	229,391
Total equity		2,573,136	2,547,066

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Attributable to the owners of the Target Company						
	Share capital	Exchange reserve	Statutory surplus reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2021 (audited)	3,075,842	166,951	10,369	(935,487)	2,317,675	229,391	2,547,066
Profit for the period	–	–	–	21,559	21,559	6,049	27,608
Exchange differences arising on translation of foreign operations	–	28,107	–	–	28,107	–	28,107
Exchange differences arising on translation from functional currency to presentation currency	–	(29,645)	–	–	(29,645)	–	(29,645)
Total comprehensive (expenses) income for the period	–	(1,538)	–	21,559	20,021	6,049	26,070
Transfer to statutory surplus reserve	–	–	525	(525)	–	–	–
At June 30, 2021 (unaudited)	3,075,842	165,413	10,894	(914,453)	2,337,696	235,440	2,573,136

	Attributable to the owners of the Target Company						
	Share capital	Exchange reserve	Statutory surplus reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2020 (audited)	3,075,842	(11,121)	4,119	(80,591)	2,988,249	222,892	3,211,141
(Loss) profit for the year	–	–	–	(139,534)	(139,534)	300	(139,234)
Exchange differences arising on translation of foreign operations	–	22,485	–	–	22,485	–	22,485
Exchange differences arising on translation from functional currency to presentation currency	–	(73,730)	–	–	(73,730)	–	(73,730)
Total comprehensive (expenses) income for the period	–	(51,245)	–	(139,534)	(190,779)	300	(190,479)
Dividends paid	–	–	–	(141,120)	(141,120)	–	(141,120)
At June 30, 2020 (unaudited)	3,075,842	(62,366)	4,119	(361,245)	2,656,350	223,192	2,879,542

Note: In accordance with the Articles of Association of the Target Company's subsidiaries established in the People's Republic of China (the "PRC") and relevant PRC laws and regulations, these subsidiaries are required to transfer at least 10% of their profit after taxation, which is determined in accordance with the PRC accounting rules and regulations, to a statutory surplus reserve (including the general reserve fund and enterprise expansion fund, where appropriate). Transfer to this statutory surplus reserve is subject to the approval of the respective board of directors, and is discretionary when the balance of such fund has reached 50% of the registered capital of the respective company. Statutory surplus reserve can only be used to offset accumulated losses or to increase capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Six months ended June 30,	
	2021	**2020**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Profit (loss) before tax	69,251	(120,241)
Adjustments for:		
Amortisation of intangible assets	52,383	32,529
Depreciation of property, plant and equipment	34,495	29,851
Depreciation of right-of-use assets	7,067	7,862
Finance costs	99,959	92,710
Interest income	(9,403)	(4,281)
Impairment losses under expected credit loss model, net of reversal	60,084	26,046
(Gain) loss on disposal of property, plant and equipment	(2,107)	4,035
Gain on disposal of an associate	(320)	–
Share of results of associates	2,063	(9)
Impairment loss on interests in an associate	6,522	–
Government grants	(25,851)	(16,869)
Allowance for inventories	8,787	6,604
Operating cash flow before movements in working capital	302,930	58,237
(Increase) decrease in inventories	(176,394)	125,282
(Increase) decrease in trade and bill receivables	(75,316)	15,927
(Increase) decrease in other receivables, deposits and prepayments	(88,963)	14,729
Decrease (increase) in amounts due from related parties	150,598	(2,946)
Decrease in finances lease receivables	827	–
Increase (decrease) in trade and other payables	75,521	(267,569)
(Decrease) increase in contract liabilities	(14,721)	6,095
Increase in provision	4,317	–
Decrease in amounts due to related parties	(68,935)	(93,495)
Decrease in refund liabilities	(15,529)	(4,947)
Receipt of government grants	25,594	16,955
Cash generated from (used in) operations	119,929	(131,732)
Income tax paid	(71,144)	(56,374)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	48,785	(188,106)

	Six months ended June 30, 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
INVESTING ACTIVITIES		
Interest received	9,403	4,281
Proceeds on disposal of an interest in an associate	820	–
Purchases of property, plant and equipment	(29,614)	(21,625)
Placement of structured bank deposits	(60,000)	–
Proceeds from disposal of property, plant and equipment	9,475	4,922
Additions to intangible assets	(1,749)	(2,503)
Repayments from related parties	15,268	628,771
Placement of bank deposits	(110,000)	–
Placement of pledged bank deposits	(127,659)	(36,186)
Withdrawal of pledged bank deposits	289,593	134,721
Withdrawal of restricted bank deposits	–	6,799
Acquisition of a subsidiary *(Note 23)*	38,299	–
NET CASH FROM INVESTING ACTIVITIES	33,836	719,180
FINANCING ACTIVITIES		
Dividends paid	–	(390,471)
Interest paid	(87,197)	(89,537)
Repayments to related parties	(5,684)	(185,617)
Proceeds from bank borrowings	–	224,033
Repayments of bank borrowings	(207,945)	(254,916)
Repayment of lease liabilities	(5,236)	(1,960)
NET CASH USED IN FINANCING ACTIVITIES	(306,062)	(698,468)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(223,441)	(167,394)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	978,446	832,463
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(4,552)	(41,842)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	750,453	623,227

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2021

1. GENERAL INFORMATION

Brilliant Lights International Holding Pte. Ltd. (the "Target Company") was incorporated in Singapore as a private limited liability company on August 6, 2019. The address of the registered office of the Target Company is at 10 Changi Business Park Central 2, #05-01 Hansapoint, Singapore 486030 and the principal place of business is at NVC Industrial Park, Ruhu Town, Huizhou City, Guangdong Province, PRC.

The Target Company's ultimate holding company is KKR Co. & Inc., who is a leading global investment firm that manages multiple alternative asset classes including private equity, energy, infrastructure, real estate and credit, with strategic partners that manage hedge funds and its shares listed in New York Stock Exchange. The Target Company's immediate holding company is Lighting Holdings II Pte. Ltd. ("Lighting Holdings II"), who is a private limited liability company and act as an investment holding company.

The Target Company act as an investment holding company. The principal activity of the Target Company and its subsidiaries (collectively the "Target Group") comprise the manufacture and sale of lamps, luminaries, lighting electronic products and related products directly to customers through (i) traditional sale channels; (ii) e-commerce platforms; and (iii) online distributorship corporations.

The condensed consolidated financial statements is presented in Renminbi ("RMB") whereas the functional currency of the Target Company is US dollar ("USD") while the functional currency of principal subsidiaries in the PRC is RMB.

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 issued by the International Accounting Standards Board as well as with the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

While recognising that the Target Group had net current liabilities of approximately RMB608,399,000 at June 30, 2021, the directors of the Target Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Target Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those presented in the Target Group's historical financial information for the period from August 6, 2019 (date of incorporation) to December 31, 2019 and the year ended December 31, 2020 included in Appendix IIA to the circular of the Company.

Application of amendments to International Financial Reporting Standards ("IFRS Standards")

During the six months ended June 30, 2021, the Target Group has applied the following amendments to IFRS Standards issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2021 for the preparation of the Target Group's condensed consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to IFRS Standards in the current interim period has had no material impact on the Target Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue from contracts with customers

	Six months ended June 30,	
	2021	**2020**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of goods	2,002,784	1,272,245

All the sales of goods from contracts with customers are recognised at a point in time.

Segment information

For the purpose of resources allocation and performance assessment, the directors of the Target Company, being the chief operating decision maker ("CODM"), review the overall results and financial position of the Target Group as a whole prepared based on same accounting policies. Accordingly, the Target Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

No analysis of the Target Group's assets and liabilities is disclosed as such information is not regularly provided to the CODM for review.

Information about major customers

Revenue from customers contributing over 10% of the total sales of the Target Group are as follows:

	Six months ended June 30,	
	2021	**2020**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Customer A	N/A[1]	180,166

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Target Group.

Geographical information

All the sales of goods from contracts with customers are derived from the PRC.

All the non-current assets are located in the PRC.

5. OTHER INCOME

	Six months ended June 30,	
	2021	**2020**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income	9,403	4,281
Trademark licence fee	–	3,027
Government grants *(Note)*	25,851	16,869
Rental income	2,869	2,781
Others	6,938	13,695
	45,601	40,653

Note: Government grants from the PRC government are specifically for (i) capital expenditure incurred for plant and machinery, which are recognised as income over the useful life of related assets; and (ii) incentives and other subsidies for research and development activities, which have no specific conditions attached to the grants and recognised as other income upon receipt.

6. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2021	**2020**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(Gain) loss on disposal of property, plant and equipment	(2,107)	4,035
Impairment loss on interests in an associate	6,522	–
Net foreign exchange losses (gains)	32,755	(37,615)
Others	(14)	4,257
	37,156	(29,323)

7. INCOME TAX EXPENSE

	Six months ended June 30,	
	2021	**2020**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT"):		
Current tax	64,923	33,452
Overprovision in prior period	(10,151)	(3,747)
	54,772	29,705
Withholding tax on PRC dividend income	5,013	–
Deferred taxation *(Note 16)*	(18,142)	(10,712)
	41,643	18,993

The basic tax rate of the Company's PRC subsidiaries is 25% under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law.

Chongqing NVC Lighting Company Limited was recognised as western development enterprise by the local tax authority and are entitled to the preferential tax rate of 15% during the six months ended June 30, 2021 and 2020 according to a local tax policy on western development issued in 2011.

Huizhou NVC Lighting Technology Company Limited ("Huizhou NVC") was recognised as high and new technology enterprise by the PRC tax authority and entitled a preferential tax rate of 15% during the six months ended June 30, 2020 and 2021.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

PRC withholding income tax of 10% shall be levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after January 1, 2008.

8. PROFIT (LOSS) FOR THE PERIOD

	Six months ended June 30,	
	2021	**2020**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging:		
Amortisation of intangible assets	52,383	32,529
Auditor's remuneration	598	2,000
Cost of inventories recognised as an expense	1,222,613	856,352
Allowance for inventories	8,787	6,604
Depreciation of property, plant and equipment	34,495	29,851
Depreciation of right-of-use assets	7,067	7,862
Staff costs:		
Directors' emoluments	1,561	798
Other staff costs	195,990	233,745
Retirement benefit scheme contributions	17,884	8,022
Total staff costs	215,435	242,565

9. DIVIDENDS

No dividend was paid or proposed during the six months ended June 30, 2021.

10. EARNINGS PER SHARES

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the transaction.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2021, the Target Group disposed of certain plant and machinery with an aggregate carrying amount of RMB7,368,000 (six months ended June 30, 2020: RMB8,957,000) for cash proceeds of RMB9,475,000 (six months ended June 30, 2020: RMB4,922,000), resulting in a gain on disposal of RMB2,107,000 (six months ended June 30, 2020: loss of RMB4,035,000).

In addition, during the six months ended June 30, 2021, the Target Group acquired plant and machinery of RMB38,658,000 (six months ended June 30, 2020: RMB21,765,000).

12. INTANGIBLE ASSETS

During the six months ended June 30, 2021, the Target Group paid RMB1,749,000 (six months ended June 30, 2020: RMB2,503,000) for acquisition of intangible assets.

In addition, intangible assets of RMB130,677,000 were acquired through the acquisition of a subsidiary during the six-months ended June 30, 2021.

13. RIGHT-OF-USE ASSETS

During the six months ended June 30, 2021, the Target Group entered into several new lease agreements with lease terms ranged from 2 to 3 years. On lease commencement, the Target Group recognised right-of-use assets of RMB2,576,000 (six months ended June 30, 2020: RMB17,226,000) and lease liabilities of RMB2,576,000 (six months ended June 30, 2020: RMB17,226,000).

14. INTERESTS IN ASSOCIATES

As at December 31, 2020, the Target Group held 28% of the equity interests of Zhuhai Berkeley and the remaining interests were held by Brilliant Lights (Dragon) Pte. Ltd. (the "Dragon Group"). On April 27, 2021, the Target Group acquired 100% of the issued share capital of the Dragon Group. Accordingly, Zhuhai Berkeley became a subsidiary of the Target Group. Details of the acquisition of the Dragon Group are set out in Note 23.

15. GOODWILL

	Acquisition of the NVC China Group	Acquisition of the Dragon Group	Total
	RMB'000	*RMB'000*	*RMB'000*
COST			
At January 1, 2020 and December 31, 2020	2,373,414	–	2,373,414
Arising on acquisition of a subsidiary *(Note 23)*	–	353,390	353,390
At June 30, 2021	2,373,414	353,390	2,726,804
IMPAIRMENT			
At January 1, 2020	–	–	–
Impairment loss recognised in the year	466,933	–	466,933
At December 31, 2020 and June 30, 2021	466,933	–	466,933
CARRYING VALUES			
At June 30, 2021 (unaudited)	1,906,481	353,390	2,259,871
At December 31, 2020 (audited)	1,906,481	–	1,906,481

The directors of the Target Company determines that there is no impairment indicator of any of its cash-generating units containing goodwill and, hence, the Target Company has not provided any further impairment loss for the six months ended June 30, 2021

16. DEFERRED TAXATION

	June 30, 2021	December 31, 2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Deferred tax assets	60,338	49,783
Deferred tax liabilities	(594,031)	(580,698)
	(533,693)	(530,915)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the six months ended June 30, 2021:

	ECL provision	Provision for obsolete stock	Fair value adjustment arising from business combination	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2020 (audited)	26,835	2,231	(600,991)	5,741	(566,184)
(Charge) credit to profit or loss	(3,182)	990	10,136	2,768	10,712
At June 30, 2020 (unaudited)	23,653	3,221	(590,855)	8,509	(555,472)
Credit (charge) to profit or loss	13,397	1,407	10,157	(404)	24,557
At December 31, 2020 (audited)	37,050	4,628	(580,698)	8,105	(530,915)
Acquisition of a subsidiary *(Note 23)*	–	705	(23,469)	1,844	(20,920)
Credit (charge) to profit or loss	8,431	2,528	10,136	(2,953)	18,142
At June 30, 2021 (unaudited)	45,481	7,861	(594,031)	6,996	(533,693)

17. TRADE AND BILL RECEIVABLES

	June 30, 2021	December 31, 2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables from contracts with customers	660,523	500,803
Less: Allowance for credit losses	(63,865)	(3,414)
	596,658	497,389
Bill receivables	202,958	280,989
	799,616	778,378

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the transaction date.

	June 30, 2021	December 31, 2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 90 days	475,606	366,753
91 – 180 days	45,934	58,337
Over 180 days	75,118	72,299
	596,658	497,389

All bills receivables of the Target Group are with a maturity period of less than one year.

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	June 30, 2021	December 31, 2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Other receivables *(Note)*	116,168	68,352
Less: Allowance for credit losses	(6,532)	(6,762)
	109,636	61,590
Deposits and prepayments	41,249	13,023
Prepayments for purchase of property, plant and equipment	18,414	9,370
	169,299	83,983
Less: Non-current	(18,414)	(9,370)
Current	150,885	74,613

Note: Other receivables mainly comprise VAT recoverable, advances to staffs and temporary payments.

19. PLEDGED, STRUCTURED AND BANK DEPOSITS, AND BANK BALANCES AND CASH

During the six months ended June 30, 2021, pledged bank deposits with an original maturity over three months carry interest at fixed market rates which range from 1.30% to 3.64% per annum. The balance represents deposits pledged to banks (i) to secure bills payable expected to be due in six months issued to suppliers; and (ii) to secure the Target Group's performance obligation fulfilment to several customers on projects. For those projects as mentioned in (ii) above which expected to be completed over twelve months, the balance of RMB74,300,000 and RMB53,900,000 was classified as non-current as at June 30, 2021 and December 31, 2020.

Structured bank deposits with an original maturity over three months carry interest at market rates which range from 1.50% to 3.80% per annum for the six months ended June 30, 2021.

As at June 30, 2021, (i) bank deposits with a term of three years amounting to RMB60,000,000 carried interest at market interest ranging from 3.59% to 3.64% per annum and are classified as non-current assets; and (ii) bank deposits with an original maturity of one year amounting to RMB50,000,000 carried interest at market interest rates of 3.35% per annum and are classified as current assets.

During the six months ended June 30, 2021, bank balances carry interest at fixed market rates which range from 0.0001% to 2.75% per annum.

20. TRADE AND OTHER PAYABLES

	June 30, 2021 *RMB'000* (unaudited)	December 31, 2020 *RMB'000* (audited)
Trade payables	698,699	569,494
Bills payables	645,632	671,542
Other payables and accrued charges	579,999	508,523
Consideration payable	490,278	–
	2,414,608	1,749,559

The following is an aged analysis of trade payables presented based on the transaction date.

	June 30, 2021 *RMB'000* (unaudited)	December 31, 2020 *RMB'000* (audited)
0 – 90 days	665,455	540,165
91 – 180 days	7,976	10,248
Over 180 days	25,268	19,081
	698,699	569,494

The average credit period granted by suppliers to the Target Group on purchase of goods is 30 to 180 days during the six months ended June 30, 2021 and 2020.

Bills payables are normally settled within one year.

21. BANK BORROWINGS

	June 30, 2021	December 31, 2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Secured bank borrowings carried interest at fixed rate	2,846,730	2,906,595
Unsecured bank borrowings carried interest at fixed rate	–	80,000
Advances from banks on discounted bills receivable with recourse	–	58,332
	2,846,730	3,044,927
Carrying amounts repayable:		
Within one year	290,146	438,047
Within a period of more than one year but not exceeding two years	458,909	344,559
Within a period of more than two years but not exceeding five years	2,097,675	2,262,321
	2,846,730	3,044,927
Less: Amounts due within one year shown under current liabilities	(290,146)	(438,047)
Amount shown under non-current liabilities	2,556,584	2,606,880

Bank borrowings comprise:

	Maturity date	Effective interest rate	Carrying amount June 30, 2021	Carrying amount December 31, 2020
			RMB'000	*RMB'000*
			(unaudited)	(audited)
Secured bank borrowings *(Note)*	12.12.2024	6.7%	2,846,730	2,906,595
Unsecured bank borrowings	04.21.2021	4.2%	–	30,000
Unsecured bank borrowings	06.29.2021	4.0%	–	50,000

Note: The bank borrowings are secured by equity interests in Huizhou NVC and Zhuhai Yaohui Technology Co., Ltd. and repayable according to the repayment schedule stated in the bank borrowing agreement.

22. SHARE CAPITAL

	Number of shares	Amounts
	'000	*RMB'000*
Ordinary shares of USD436.98 each:	1,000	3,075,842
Authorised, issued and fully paid		
At January 1, 2020 (audited), June 30, 2020 (unaudited), January 1, 2021 (audited) and June 30, 2021 (unaudited)	1,000	3,075,842

23. ACQUISITION OF A SUBSIDIARY

On March 23, 2021, the Target Company and Lighting Holdings II entered into a share transfer agreement in relation to the sale and purchase of the 100% issued shares of the Dragon Group for a consideration which is represented by the issuance of 228,714 shares of the Target Company at share price at the date of acquisition (the "Consideration"). Concurrently, the Target Company granted an option (the "Subscription Right") to NVC International Holdings Limited (the "Company") to subscribe for 68,614 ordinary shares of the Target Company (the "Ordinary Shares") (subject to any bonus share issue, share subdivision, share combination, share split, recapitalization, reclassification or similar event occurring since the date hereof) at the subscription price of RMB210 million (the issuance of Ordinary Shares to the Company referred to above, the "Issuance of Shares I"). The principal activities of the Dragon Group is engaged in the lighting source and modern lighting business that has synergy with the Target Group.

The Consideration is payable to Lighting Holdings II at the earlier of (a) at the time of Issuance of Shares I and (b) December 31, 2021 as follows: (i) in the event the Company does not exercise the Subscription Right, the Target Company would issue 228,714 Ordinary Shares to Lighting Holdings II that represents 100% of the Consideration, or (ii) in the event the Company has exercised the Subscription Right, the Target Company would issue 160,100 Ordinary Shares to Lighting Holdings II that represents 70% of the Consideration, and payment of cash in immediately available funds in U.S. dollars that are equivalent to the remaining 30% of the Consideration to Lighting Holdings II.

On April 27, 2021, the Target Company had control over the Dragon Group as it had sufficiently dominant voting interest to direct the relevant activities of the Dragon Group. The acquisition was accounted for as acquisition of business using the acquisition method.

The fair value of the Consideration is determined by reference to the fair value of the Ordinary Shares of the Target Company at the date of acquisition.

Acquisition-related costs amounting to approximately RMB124,000 have been excluded from the Consideration transferred and have been recognised as an expense within the administrative expenses item in the condensed consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment *(Note 11)*	12,561
Intangible assets	130,677
Deferred tax assets *(Note 16)*	2,549
Inventories	12,314
Trade receivables and bills receivables	6,786
Other receivables and deposits and prepayments	4,619
Amounts due from related parties	128,586
Bank balances and cash	38,299
Trade and other payables	(98,969)
Contract liabilities	(1,484)
Refund liabilities	(4)
Amounts due to related parties	(33,473)
Dividend payables	(5,600)
Tax payables	(1,827)
Deferred tax liabilities *(Note 16)*	(23,469)
Non-controlling interests	(34,677)
	136,888

The fair value of trade and bills receivables at the date of acquisition amounted to approximately RMB6,786,000. The gross contractual amounts of those trade and bills receivables acquired amounted to approximately RMB6,786,000 at the date of acquisition.

Goodwill arising on acquisition:

	RMB'000
Consideration payable	490,278
Less: net assets acquired	(136,888)
Goodwill arising on acquisition *(Note 15)*	353,390

Goodwill arose in the acquisition of the Dragon Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the Dragon Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the Acquisitions is expected to be deductible for tax purposes.

Net cash inflow on acquisition of Dragon Group

	RMB'000
Cash consideration paid	–
Less: cash and cash equivalents balances acquired	(38,299)
	(38,299)

24. RELATED PARTY DISCLOSURE

Except as disclosed elsewhere in the condensed consolidated financial statements, the Target Group also entered into the following material transactions or arrangements with related parties:

Relationships	Nature of transactions	Six months ended June 30, 2021	2020
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Fellow subsidiaries:	Sales of goods	1,591	–
	Purchase of goods	71,712	11,714
	Royalty income	–	2,124
Entity with significant influence over the Target Group:	Consultancy fee	–	3,444
Subsidiaries of the entity with significant influence over the Target Group:	Sales of goods	15,603	21,695
	Purchase of goods	6,428	3,361
	Rental expenses	–	1,239
Associates of the Target Group:	Sales of goods	53	179
	Purchase of goods	27	–

The following management discussion and analysis should be read in conjunction with the accountants' report of the Target Group for the period from 6 August 2019 (date of incorporation) to 31 December 2019 and the year ended 31 December 2020 and the condensed consolidated financial statements of the Target Group for the six months ended 30 June 2021 as set out in Appendix IIA and Appendix IIB to this circular.

THE TARGET GROUP'S ACQUISITION

On 10 August 2019, the Target Company, the Company, LED Holdings Limited (a subsidiary of the Company), Brilliant Lights Investment Pte. Ltd. ("BLIPL", a wholly owned subsidiary of the Target Company) and Lighting Holdings II entered into the 2019 Share Purchase Agreement in relation to the sale and purchase of the entire issued shares of (i) Huizhou NVC Lighting Technology Company Limited ("Huizhou NVC"), (ii) Blue Light (HK) Trading Co., Limited; and (iii) Zhuhai Yaohui Technology Co., Ltd. ("Zhuhai Yaohui") (together collectively referred to as the "NVC China Group") for a consideration of approximately RMB5,559.0 million which comprises (1) cash consideration of approximately RMB4,611.3 million; and (2) a share consideration of 30% of the issued share capital of the Target Company (the "Acquisition"). The Acquisition was completed on 12 December 2019. After completion of the Acquisition, the Target Company, through BLIPL, holds 100% of equity interests in the NVC China Group and the Company holds 30% equity interests in the Target Company.

On 23 March 2021, the Target Company and Lighting Holdings II entered into a share transfer agreement to acquire 100% issued shares of Brilliant Lights (Dragon) Pte. Ltd (the "Dragon Group") for a consideration which represents by the issuance of 228,714 shares of the Target Company at share price at the date of acquisition, which was completed on 27 April 2021.

BUSINESS REVIEW

The Target Company is a private limited liability company incorporated in Singapore on 6 August 2019. The Target Company acts as an investment holding company. The principal activities of its subsidiaries comprise the manufacture and sale of lamps, luminaries, lighting electronic products and related products directly to customers in the PRC through (i) traditional sale channels; (ii) e-commerce platforms; and (iii) online distributorship corporations (the "Target Group's Core Operation"). All the sales of lighting products from contracts with customers are derived from the PRC, mainly under the trademark of NVC(雷士照明). After the acquisition of the Dragon Group, the subsidiaries of the Target Company also sells lighting products under the trademark of Berkeley(伯克麗).

The Target Group maintains stable relationship with its major suppliers and distributors since the commencement of operation.

FINANCIAL REVIEW

In 2020, the global economy experienced unprecedented turbulence due to the novel coronavirus ("COVID-19") pandemic. Despite the negative impact of COVID-19, the Target Group recorded revenue of approximately RMB213.3 million for the period from 6 August 2019 to 31 December 2019, RMB3,644.1 million for the year ended 31 December 2020, and RMB2,002.8 million for the six months ended 30 June 2021. The gross profit of the Target Group amounted to approximately RMB82.6 million for the period from 6 August 2019 to 31 December 2019, RMB1,402.9 million for the year ended 31 December 2020, and RMB771.4 million for the six months ended 30 June 2021.

As the Target Company completed its acquisition of the NVC China Group in December 2019, certain non-recurring expenditures and finance costs were incurred in 2019 and early 2020 for the Acquisition, such as legal and professional fee, one-off human resources costs and restructuring cost, etc. The Target Group incurred a loss of approximately RMB75.8 million for the period from 6 August 2019 to 31 December 2019, a loss of approximately RMB701.0 million for the year ended 31 December 2020, and a profit of approximately RMB27.6 million for the six months ended 30 June 2021. The Target Group's Adjusted EBITDA amounted to approximately RMB654.2 million for the year ended 31 December 2020 and RMB303.0 million for the six months ended 30 June 2021.

Revenue

Revenue represents manufacture and sale of lamps, luminaries, lighting electronic products and related products by the Target Group.

Revenue amounted to approximately RMB213.3 million for the period from 6 August 2019 to 31 December 2019, RMB3,644.1 million for the year ended 31 December 2020, and RMB2,002.8 million for the six months ended 30 June 2021.

Cost of sales

Cost of sales mainly consist of cost of raw materials, direct and indirect labor costs and other manufacturing overheads. Cost of sales amounted to approximately RMB130.6 million for the period from 6 August 2019 to 31 December 2019, RMB2,241.2 million for the year ended 31 December 2020, and RMB1,231.4 million for the six months ended 30 June 2021.

Gross profit margin

The Target Group recorded gross profit margin of approximately 38.7% for the period from 6 August 2019 to 31 December 2019, 38.5% for the year ended 31 December 2020 and 38.5% for six months ended 30 June 2021.

Administrative expenses

Administrative expenses mainly comprise staff costs, amortisation and depreciation, legal and professional fee and other miscellaneous expenses.

Administrative expenses amounted to approximately RMB100.8 million for the period from 6 August 2019 to 31 December 2019, RMB404.2 million for the year ended 31 December 2020, and approximately RMB164.7 million for the six months ended 30 June 2021.

The significant increase in 2020 was mainly due to the increase in staff costs, legal and professional fee and amortisation on customer relationship arising from from the Acquisition.

Administrative expenses for the six months ended 30 June 2021 decreased as compared to the same period in 2020, mainly due to a large amount of legal and professional fee incurred by the Target Group for the Acquisition for the six months ended 30 June 2020.

Selling and distribution expenses

Selling and distribution expenses mainly comprise platform surcharges, transportation expenses, advertisement expenses, staff cost and other miscellaneous costs.

Selling and distribution expenses amounted to approximately RMB35.5 million for the period from 6 August 2019 to 31 December 2019, RMB654.5 million for the year ended 31 December 2020, and RMB352.7 million for six months ended 30 June 2021.

The significant increase in 2020 was mainly due to the increase in platform surcharges, transportation expenses and advertisement expenses in connection to the expansion of business by the Target Group in 2020.

Selling and distribution expenses for the six months ended 30 June 2021 increased by approximately 38.1% as compared to the corresponding period in 2020. The increase was mainly attributable to increase in platform surcharges and transportation expenses as a result of the continuous business growth in 2021.

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.

TARGET GROUP DEBTS AND FINANCIAL CONDITIONS

Borrowings

The Target Group's borrowings comprise of bank borrowings and advances from banks on discounted bills receivable with recourse, amounted to approximately RMB3,131.6 million, RMB3,044.9 million and RMB2,846.7 million as at 31 December 2019, 31 December 2020 and 30 June 2021. Certain bank borrowings are secured by equity interests in Huizhou NVC and Zhuhai Yaohui.

Funding and Treasury Policies

Cash and cash equivalents as at 31 December 2019, 31 December 2020 and 30 June 2021 amounted to approximately RMB967.2 million, RMB978.4 million and RMB860.5 million, respectively. The balance as at 30 June 2021 decreased by approximately 11% as compared to 31 December 2020, which was mainly attributable to the increase in procurement of inventories and repayment of bank borrowings.

The operations of the Target Group are mainly funded by cash flows from its operation and borrowings. The Target Group will perform periodical review on its business plan and funding requirements, and will consider to seek for debt or equity financing as and when appropriate.

Market Risks

Foreign Currency

The Target Group is exposed to currency risk arising from borrowings other than its functional currency. As a result, it is exposed to fluctuations in the exchange rate between the functional currencies and foreign currencies. The Target Group does not have any hedging instrument outstanding.

Liquidity risk

In the management of the liquidity risk, the Target Group monitors and maintains a balance between continuity and flexibility of funding through adequate cash and cash equivalents and the use of bank loans to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Target Company have reviewed its working capital and cash flow forecast and determined that they have adequate resources to continue in operation existence in the foreseeable future and that they have no significant liquidity risk.

Interest rate risk

The Target Group is exposed to interest rate risk in relation to pledged bank deposits, structured bank deposits and restricted bank deposits, fixed-rate bank borrowings and lease liabilities.

No sensitivity analysis was prepared as the management considers that the financial impact arising on changes in interest rate was minimal due to limited changes in interest rate.

EMPLOYEES AND REMUNERATION POLICIES

The average number of employees of the Target Group during the period from 6 August 2019 to 31 December 2019, for the year ended 31 December 2020, and for the six months ended 30 June 2021 was 4,840, 4,315 and 4,966, 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 period from 6 August 2019 to 31 December 2019, for the year ended 31 December 2020, and the six months ended 30 June 2021 were approximately RMB26.8 million, RMB484.6 million and RMB215.4 million, respectively.

Pension retirement benefit schemes

Majority of the employees are employed by the Target Group's subsidiaries operating in the PRC. Pursuant to the relevant PRC laws and regulations, the employees of the Target Group's subsidiaries operating in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Target Group'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.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save for the Acquisition as disclosed in Note 41 to the Appendix IIA Accountants' Report and Note 23 to the Appendix IIB Condensed Consolidated Financial Statements, the Target Group did not have any significant investments or carried out any material acquisition and disposal of subsidiaries, associates and joint ventures during the period from 6 August 2019 to 31 December 2019, the year ended 31 December 2020 and the six months ended 30 June 2021.

GEARING RATIO

Gearing ratio is net debt divided by the total equity attributable to owners of the Target Company. Net debt includes borrowings less cash and cash equivalents. The gearing ratios of the Target Group as at 31 December 2019, 31 December 2020 and 30 June 2021 were approximately 89.2%, 72.4% and 85.0%.

CAPITAL COMMITMENTS

The Target Group had no significant commitments as at 31 December 2019, 31 December 2020 and 30 June 2021.

CONTINGENT LIABILITIES

As at 31 December 2019, 31 December 2020 and 30 June 2021, there were no material contingent liabilities of the Target Group.

PLEDGE OF ASSETS

Other than certain bank borrowings as secured by equity interests in Huizhou NVC and Zhuhai Yuohui, the remaining items represents deposits pledged to banks (i) to secure bills payable expected to be due in six months issued to suppliers; and (ii) to secure the Target Group's performance obligation fulfilment to several customers on projects.

NON-IFRS MEASURES

To supplement the Target Group's consolidated results which are prepared in accordance with the accounting policies which conform with International Financial Reporting Standards (“IFRS Standards”), the Target Group's management uses Adjusted EBITDA as an additional financial measure, which is not required by, or presented in accordance with IFRS Standards. The Target Group's management believes that this non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating impacts of items that the Target Group does not consider to be indicative of performance in relation to the Target Group's Core Operation.

The Target Group's management believes that the Adjusted EBITDA provided meaningful information to the Target Group's shareholders and other potential investors in understanding and evaluating the Target Group's Core Operation for the periods under review. The presentation of the Adjusted EBITDA may not be comparable to similarly titled measures presented by other companies. Non-IFRS measures have limitations as analytical tools, and should not be considered in isolation from, or as a substitute for analysis of, the Target Group's results of operations or financial conditions as reported under IFRS Standards.

EBITDA is defined as net profit/(loss), adding back net finance costs; income tax expense; depreciation and amortisation.

Adjusted EBITDA is defined as EBITDA, adding back impairment of goodwill; net foreign exchange losses/(gains) generated from loan raised for the Acquisition; corporate expenses incurred by the Target Company and its subsidiaries incorporated in Singapore ("Singapore Companies"); one-off human resources costs after the Acquisition; and restructuring costs after the Acquisition (collectively the "EBITDA Adjustments"). The EBITDA Adjustments are expenses or incomes which are not related to the Targe Group's Core Operation or non-recurring in nature.

The following table sets forth the reconciliations of the Target Group's EBITDA and Adjusted EBITDA for the periods under review:

	Notes	**For the year ended 31 December**	**For the six months ended 30 June**	
		2020	**2021**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) for the period		**(701,027)**	**27,608**	**(139,234)**
Add:				
Net finance costs		197,392	91,113	88,429
Income tax expense		149,173	41,643	18,993
Depreciation		82,737	41,562	39,058
Amortisation		104,205	52,383	32,529
EBITDA		**(167,520)**	**254,309**	**39,775**
EBITDA Adjustments:				
Impairment of goodwill	*(1)*	466,933	–	–
Net foreign exchange losses/(gains) generated from the loan raised for the Acquisition	*(2)*	196,496	32,755	(37,615)
Corporate expenses incurred by the Singapore Companies	*(3)*	52,954	15,943	19,601
One-off human resources costs after the Acquisition	*(4)*	62,541	–	41,348
Restructuring costs after the Acquisition	*(5)*	42,792	–	19,254
Adjusted EBITDA		**654,196**	**303,007**	**82,362**

Given the Target Company completed its acquisition of the NVC China Group in December 2019, the Target Group's management considers that the presentation of the Adjusted EBITDA for the period from 6 August 2019 is not meaningful in the evaluation of the Target Group's Core Operation, and therefore it has been excluded from the reconciliation above.

Notes:

1) **Impairment of goodwill**

The amount solely represents impairment of goodwill generated from the Acquisition. Therefore, it is not related to the Target Group's Core Operation.

2) **Net foreign exchange losses/(gains) generated from the loan raised for the Acquisition**

The Target Group's Core Operation is solely in the PRC. The Target Group does not involve in any foreign export and import transactions. Net foreign exchange losses were mainly generated from the foreign currency loan raised by BLIPL to finance the Acquisition (the "BLIPL Loan"). Accordingly, the net foreign exchange losses/(gains) are not related to the Target Group's Core Operation.

3) **Corporate expenses incurred by the Singapore Companies**

The amount represents all corporate expenses incurred by the Singapore Companies at headquarter level, the breakdown of which is set out below:

	For the year ended 31 December	**For the six months ended 30 June**	
	2020	**2021**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Managements fees paid to the Target Company's shareholders (i.e. KKR and the Company)	19,106	7,354	7,689
Legal and professional fees for restructuring and other ad-hoc corporate projects	18,965	1,530	6,162
Audit fee for the Target Group	3,999	598	2,000
Director and staff allowance	2,860	1,582	–
Amortisation of transaction costs for the BLIPL Loan	5,689	2,642	2,887
Other corporate expenses incurred by the Singapore Companies *(note i)*	2,335	2,237	863
	52,954	15,943	19,601

i) The amount represents other corporate expenses incurred by the Singapore Companies including but not limited to professional fees for tax, general legal advice, book keeping, and company secretarial; offices expenses; and other tax expenses.

These expenses are not related to the Target Group's Core Operation.

4) One-off human resources costs after the Acquisition

The amount represents one-off human resources costs after the Acquisition, the breakdown of which is set out below:

	For the year ended 31 December	For the six months ended 30 June	
	2020	**2021**	**2020**
Severance *(note i)*	31,459	–	28,691
Salaries of terminated position *(note i)*	12,477	–	8,974
Special bonus *(note ii)*	18,605	–	3,683
	62,541	–	41,348

i) The Target Group conducted human resources restructuring after the Acquisition (the "HR Restructuring"). The amounts represent severance and salaries of terminated positions which are no longer to exist because of HR Restructuring.

ii) Special bonus was payable to the NVC China Group's employees to recognise their contribution over the past years before the Acquisition. This special bonus was agreed between the Company and KKR during the negotiation of the Acquisition.

These expenses are non-recurring in nature and not related to the Target Group's Core Operation.

5) Restructuring costs after the Acquisition

The amount represents restructuring incurred after the Acquisition, including but not limited to, reallocation costs to consolidate all offices in one premise at Huizhou, the PRC; transfer of Targets Group's assets to the Group according to 2019 Share Purchase Agreement; impairment of prepayments made by the NVC China Group before the Acquisition; and other tax related expenses, all of which are non-recuring in nature.

The Target Group's Adjusted EBITDA amounted to approximately RMB654.2 million for the year ended 31 December 2020, RMB82.4 million for the six months ended 30 June 2020 and RMB303.0 million for the six months ended 30 June 2021. Adjusted EBITDA increased by RMB220.6 million or 267.9% from RMB82.4 million for the six months ended 30 June 2020 to RMB303.0 million for the six months ended 30 June 2021, driven by improvement of profit and EBITDA for the six months ended 30 June 2021. The management of the Target Group considers that improvement of revenue generated from lighting products in PRC, strengthening of internal operation management and one-off expenses in relation to the Acquisition in 2020 are the key factors for increase in profit and EBITDA for the six months ended 30 June 2021.

A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

On 23 March 2021, Brilliant Lights International Holding Pte. Ltd ("Brilliant Lights"), an associate of NVC International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), entered into an agreement with Lighting Holdings II Pte. Ltd. ("Lighting Holdings") for the purpose of acquisition of the entire equity interest of Brilliant Lights (Dragon) Pte. Ltd. ("Brilliant Dragon") which is a wholly owned subsidiary of Lighting Holdings at consideration of RMB700,000,000, which will be satisfied by 228,714 new ordinary shares issued by Brilliant Lights at the price of RMB3,060.59 per share (the "Shares Consideration") (the "Acquisition of Brilliant Dragon"). As at 27 April 2021, the Acquisition of Brilliant Dragon has been completed whereas the Shares Consideration have not yet issued by Brilliant Lights as at 30 June 2021. Upon issuance of the Shares Consideration, the equity interest of Brilliant Lights held by the Group will be diluted from 30% to 24%.

On the same date, the Company entered into an agreement ("Agreement") with Brilliant Lights and Lighting Holdings that the Company is granted a right to, at any time before 31 December 2021, subscribe for 68,614 ordinary shares out of the Share Consideration for an aggregate subscription price of RMB210,000,000 at the price of RMB3,060.59 per share (the "Subscription Right"). Under the circumstance that all of 68,614 ordinary shares of Brilliant Lights have been subscribed by the Company, the equity interest of Brilliant Lights held by the Group will be increased from 24% to 30%.

The following unaudited pro forma condensed consolidated statement of assets and liabilities of the Group in respect of the exercise of the Subscription Right ("Unaudited Pro Forma Financial Information") is prepared by the directors of the Company ("Directors") in accordance with Rule 4.29 of the Listing Rules to illustrate the financial effect of the exercise of the Subscription Right on the Group as if the Subscription Right had been exercised on 30 June 2021.

The Unaudited Pro Forma Financial Information is prepared based on the condensed consolidated statement of financial position of the Group as at 30 June 2021, which has been extracted from published interim report of the Company for the six months ended 30 June 2021, and adjusted in accordance with the pro forma adjustments relating to the exercise of the Subscription Right, as if the Subscription Right had been exercised on 30 June 2021.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, because of its hypothetical nature, it may not give a true picture of the financial position of the Group upon exercise of Subscription Right as at 30 June 2021 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group set out in the published interim condensed consolidated financial statements of the Company for the six months ended 30 June 2021 and other financial information included elsewhere in this circular and does not take into account any transactions of the Group entered into subsequent to 30 June 2021.

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

(1) UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP AS AT 30 JUNE 2021

	Unaudited pro forma of the Group as at 30 June 2021	Unaudited pro forma adjustment	The Group as at 30 June 2021
	RMB'000	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	
Non-current assets			
Property, plant and equipment	323,775	–	323,775
Right-of-use assets	205,244	–	205,244
Investment properties	8,867	–	8,867
Goodwill	216,072	–	216,072
Other intangible assets	350,067	–	350,067
Interests in associates	598,818	210,000	808,818
Equity instruments of fair value through other comprehensive income	14,000	–	14,000
Deferred tax assets	10,166	–	10,166
Deposits	296,466	–	296,466
	2,023,475	210,000	2,233,475
Current assets			
Inventories	606,013	–	606,013
Trade and bills receivables	481,738	–	481,738
Other receivables, deposit and prepayment	93,582	–	93,582
Tax recoverable	267	–	267
Financial assets at fair value through profit and loss	98,482	–	98,482
Pledged bank deposits	487	–	487
Bank balances and cash	1,040,509	(210,000)	830,509
	2,321,078	(210,000)	2,111,078

	Unaudited pro forma of the Group as at 30 June 2021	Unaudited pro forma adjustment	The Group as at 30 June 2021
	RMB'000	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	
Current liabilities			
Trade and bills payables	516,435	–	516,435
Other payables and accruals	210,958	–	210,958
Contract liabilities	11,970	–	11,970
Borrowings	133,487	–	133,487
Deferred income	2,298	–	2,298
Lease liabilities	16,256	–	16,256
Income tax liabilities	11,503	–	11,503
	902,907	–	902,907
Net current assets	1,418,171	(210,000)	1,208,171
Total assets less current liabilities	3,441,646	–	3,441,646
Non-current liabilities			
Borrowings	22	–	22
Deferred income	1,703	–	1,703
Lease liabilities	34,891	–	34,891
Deferred tax liabilities	57,436	–	57,436
	94,052	–	94,052
Net assets	3,347,594	–	3,347,594

(2) NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP AS AT 30 JUNE 2021

1. The amounts are extracted from the condensed consolidated financial statements of the Group as set out in the published interim report of the Company for the six months ended 30 June 2021 dated 20 August 2021.

2. For the purpose of the Unaudited Pro Forma Financial Information, it is assumed 68,614 ordinary shares of Brilliant Lights will be subscribed by the Group.

   Upon the issuance of Shares Consideration of 160,100 ordinary shares of Brilliant Lights to Lighting Holdings and subscription of 68,614 ordinary shares of Brilliant Lights by the Group, 860,100 and 368,614 ordinary shares of Brilliant Lights will be held by Lighting Holdings and the Group, respectively. The fair value of Brilliant Lights as at 31 August 2021 will be RMB2,949,246,000, which is determined by the directors of the Company with reference to a valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer which is not connected with the Group.

   For the purpose of the Unaudited Pro Forma Financial Information, the directors of the Company have estimated the fair value of the equity interest of Brilliant Lights based on the assumption that the Subscription Right was exercised on 30 June 2021.

   The adjustment represents the issuance of 68,614 ordinary shares of Brilliant Lights subscribed by the Group as if the Subscription Right had been exercised on 30 June 2021. No impairment loss arising from the exercise of the Subscription Right is recognised as the fair value of the equity interest in Brilliant Lights is higher than its carrying amount. These adjustments are not expected to have a continuing effect on the Group.

Interest in Brilliant Lights	*Notes*	**As at 30 June 2021** *RMB'000*	**Acquisition consideration** *RMB'000*	**Pro forma carrying amount** *RMB'000*
Fair value	*(a)*	720,081	164,692	884,773
Carrying amount	*(b)*	598,818	210,000	808,818
Excess/(deficit) of fair value over carrying amount	*(c)*	121,263	(45,308)	75,955

Notes:

(a) The amounts represent fair value of the Group's equity interest of Brilliant Lights and the acquisition consideration based on the valuation of Brilliant Lights as at 31 August 2021, which is determined by the directors of the Company by reference to a valuation using market approach performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer which is not connected with the Group as if the Subscription Right had been exercised on 30 June 2021. The fair value of the equity interest of Brilliant Lights being acquired is subject to changes upon exercise of Subscription Right because the fair value being acquired shall be assessed at the date of the actual exercise of Subscription Right.

(b) The amount as at 30 June 2021 is extracted from the condensed consolidated financial statements of the Group as set out in the published interim report of the Company for the six months ended 30 June 2021 dated 20 August 2021. The amount of acquisition consideration is the aggregate subscription price stated on the Agreement dated 23 March 2021.

(c) The amount represents the excess/deficit of the fair value of the equity interest in Brilliant Lights over its carrying amount or the acquisition consideration as if the Subscription Right had been exercised on 30 June 2021. The fair value is determined based on the fair value of equity interest of Brilliant Lights as at 31 August 2021. For the purpose of the Unaudited Pro Forma Financial Information, no impairment loss has been recognised in respect of the equity interest in Brilliant Lights as the fair value of the equity interest of Brilliant Lights is higher than the pro forma carrying amount of the equity interest of Brilliant Lights. The fair value is subject to re-assessment, being finalised on the date of actual exercise of the Subscription Right.

The amounts of the impairment loss (if any), the fair value of equity interest of Brilliant Lights, and the related impairment assessment are subject to change upon actual exercise of the Subscription Right due to the fair value assessment of the equity interest of Brilliant Lights, which may differ materially from the amounts disclosed above.

3. No adjustment has been made to reflect the transaction costs of the exercise of the Subscription Right since the directors of the Company considered the amount involved will not be significant. The total transaction costs, including legal, accountancy and other professional services are estimated to be approximately RMB3,600,000. The expenses are charged to profit or loss directly and settled by cash.

4. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2021.

C. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report on the unaudited financial information of the Group, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF NVC INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of NVC International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma condensed consolidated statement of assets and liabilities of the Group as at 30 June 2021 and related notes as set out on pages IV-1 to IV-6 of the circular issued by the Company dated 10 December 2021 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-2 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of Group's proposed subscription for 68,614 ordinary shares of Brilliant Lights International Holding Pte. Ltd. at aggregate subscription price of RMB210,000,000 (the "Subscription") on the Group's financial position as at 30 June 2021 as if the Subscription had taken place at 30 June 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 June 2021, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors 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 an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group 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 event or transaction at 30 June 2021 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 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' judgment, having regard to the reporting accountants' understanding of the nature of the Group, 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 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

10 December 2021

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation of the Target Company as at 31 August 2021.

JLL
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
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公司牌照號碼:C-030171

10 December 2021

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

Dear Sirs,

In accordance with the instructions of NVC International Holdings Limited ("NVC International" or the "Company"), we have undertaken a valuation exercise to determine an independent opinion on the fair value of 100 percent equity value (excluding non-controlling interest) of Brilliant Lights International Holding Pte. Ltd. ("Brilliant Lights" or the "Target Company") as at 31 August 2021 (the "Valuation Date"). The report which follows is dated 10 December 2021 (the "Report Date").

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

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

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

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Target 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 (excluding non-controlling interest) in the Target Company as at the Valuation Date is reasonably stated as below:

Valuation Date	**Fair Value of 100% Equity Value (Excluding Non-controlling Interest)** *(RMB '000)*
31 August 2021	2,949,246

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
Executive Director

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INTRODUCTION

In accordance with the instructions of NVC International Holdings Limited ("NVC International" or the "Company"), we have undertaken a valuation exercise to determine an independent opinion on the fair value of 100 percent equity value (excluding non-controlling interest) of Brilliant Lights International Holding Pte. Ltd. ("Brilliant Lights" or the "Target Company") as at 31 August 2021 (the "Valuation Date"). The report which follows is dated 10 December 2021 (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

The Target Company is incorporated in Singapore and is principally engaged in investment holding and manufacture and sales of lamps, luminaries, lamp transformers, lighting electronic products and other appliances in the PRC. As at the Valuation Date, the Target Company is a 30% owned associate of the Company, with the remaining 70% owned by KKR.

Brilliant Lights (Dragon) Pte. Ltd. is principally engaged in the investment holding and lighting source business in the PRC. In April 2021, the Target Company completed an acquisition of the entire issued share capital of Brilliant Lights (Dragon) Pte. Ltd. from KKR at the acquisition consideration pursuant to an agreement dated 23 March 2021. Since completion of such acquisition, Brilliant Lights (Dragon) Pte. Ltd. became a wholly owned subsidiary of the Target Company.

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:

- 31 August 2021 management account of the Target Company;
- 31 December 2020 audited financial report of the Target Company;
- Corporate structure of the Target Company;
- Introduction of the Target Company; and
- Target Company business registration number and related information.

Other sources of information included:

- We have held discussions with the management of the Company regarding the operational and the condition of the Target 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

To select the most appropriate approach, we have considered the purpose of the Valuation and the resulting basis of value as well as the availability and reliability of information provided to us to perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Target Company. In our opinion, the cost approach is inappropriate for valuing the Target Company, as it does not directly incorporate information about the economic benefits contributed by the Target Company. The income approach is inappropriate as this approach require detailed operational information and long-term financial projection of the Target Company but such information is not available to us.

In view of the above, we have adopted the market approach for the valuation. The 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 comparable. 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.

We have therefore relied solely on the market approach based on the management account of the Target Company in determining our opinion of value. Price to earnings ratio ("P/E"), price to book value ratio ("P/B"), and price to sales ratio ("P/S") are the most commonly used market multiples for determine the value of a business by market participants. However, P/E and P/S ratios are not applicable in this exercise for the reasons as below:

(1) P/E is not applicable, as the trailing 12-month net income of the Target Company is negative;

(2) Enterprise value to sales ratio ("EV/S"), as an alternative approach to P/S, is applied in this case study, for the reason that the Target Company's capital structure changed substantially in the past years, and EV/S is adopted to reflect differences in capital structure position between the Target Company and the comparable companies.

Hence, we applied comparable companies' P/B, and EV/S multiples, which are sourced from Bloomberg, to determine the fair value of the Target Company and taken into account of non-controlling interest together with market illiquidity discount as the appropriate adjustments.

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 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 Target 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.

Market Multiples

In determining the price multiple, a list of comparable companies was identified. The selection criteria are as follows.

- Companies are searchable in Bloomberg;
- The selection of comparable companies is based on the industry peer of the Target Company, which designs, manufactures and trades a variety of commercial lighting products, especially focus on energy-saving products with a reasonably sufficient listing period of more than two years; and
- Companies are publicly listed in the stock exchanges of Hong Kong or China main board capital markets.

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

As sourced from Bloomberg, the market multiples of the comparable companies as at the Valuation Date satisfying the above criteria are listed exhaustively in below table:

Ticker	P/B	EV/S
2222 HK EQUITY	0.21	Negative
1868 HK EQUITY	0.60	0.38
600261 CH EQUITY	1.39	0.91
000541 CH EQUITY	1.41	1.58
603303 CH EQUITY	2.87	1.65
603515 CH EQUITY	3.21	1.44
002449 CH EQUITY	1.70	1.87
603685 CH EQUITY	2.02	1.79
Adopted Multiples	**1.68**	**1.38**

* *Adopted multiples are calculated as mean multiples of comparable companies.*

Financial Data Input from the Target Company

2021/8/31	*RMB '000*
Mean P/B multiple of the comparable companies *(times)*	1.68
Net book value including non-controlling interest	3,237,334
Non-controlling interest	235,506
Net book value excluding non-controlling interest	3,001,827
Estimated 100% equity value excluding non-controlling interest before DLOM	**5,029,599**
Mean EV/S multiple of the comparable companies *(times)*	1.38
Trailing 12-month revenue	4,566,947
Enterprise value	6,285,163
Add: Cash and bank balance	1,084,797
Less: Lease liability-current	13,016
Less: Lease liability-non-current	8,835
Less: Notes payable	764,617
Less: Short-term debt	156,889
Less: Long-term debt	2,680,069
Less: Non-controlling interest	235,506
Estimated 100% equity value excluding non-controlling interest before DLOM	**3,511,028**
Average 100% equity value excluding non-controlling interest before DLOM	**4,270,314**

* *All financial data used refers to the Target Company's management account*

DISCOUNT FOR LACK OF MARKETABILITY

Discount for Lack of Marketability ("DLOM")

A factor to be considered in valuing a private-held company 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.

In this study, we have assessed the DLOM by treating the right to sell the asset freely and easily before a liquidity event (IPO) as a put option. By treating DLOM as a put option accounts for the factor that as time to the liquidity event (IPO) gets shorter, the degree of DLOM becomes smaller as well. DLOM is estimated by using the value of the put option as a percentage of calculated asset value.

Approach and Methodology

Black-Scholes Option Model	
Valuation Date	2021/8/31
Target IPO Date	2024/8/31
Time to Expected IPO	3.0
Risk Free Rate	0.38%
Volatility	47.12%
Spot Price	1.00
Exercise Price	1.00
Put Option Value	0.309
DLOM	**30.9%**

Note: (1) The Risk Free Rate is referenced to Hong Kong Government BVAL Curve as at the Valuation Date from Bloomberg;

(2) The Volatility is referenced to the stock price historical volatilities of the comparable companies as at the Valuation Date from Bloomberg;

(3) The IPO date is estimated to be 31 August 2024 by the management of the Company;

(4) Spot Price and Exercise Price are both assumed 1 in this calculation.

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 Target Company as has been made available to us. Such information has been provided by the Company. We have assumed the accuracy of, and have relied on such information. We have relied to a considerable extent on such information provided in arriving at our opinion of value.

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

In arriving at our assessed value, we have only considered the core business of the Target 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 Target Company. The competition in the industry may have adverse effect on the operating performance of the Target 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 Target 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 (excluding non-controlling interest) in the Target Company as at the Valuation Date is reasonably stated as below:

Valuation Date	**Fair Value of 100% Equity Value (Excluding Non-controlling Interest)** *(RMB '000)*
31 August 2021	2,949,246

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
Executive 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. 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
  Executive Director

  Michael Q. Ding
  Senior Director

  Joyce J. Xu
  Senior Manager

EXHIBIT C – COMPARABLE COMPANIES

Company Name	Ticker	Description
NVC International Holdings Limited	HK 2222	NVC International Holdings Limited designs, manufactures, and distributes lighting fixtures. The company produces LED strips, LED spotlights, LED downlight, LED flood lights, LED underwater lights, LED in-ground lights, LED lamps and drivers, and more. NVC International Holdings markets its products in Japan, Singapore, the Middle East, and the United Kingdom.
Neo-Neon Holdings Limited	HK 1868	Neo-Neon Holdings Limited researches and develops, designs, manufacturers and distributes incandescent-based decorative lighting products, LED-based decorative lighting products and entertainment lighting products.
Zhejiang Yankon Group Co., Ltd	CH 600261	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 & Light Co., Ltd	CH 000541	Foshan Lighting is committed to research, development, production, promotion of high-quality green energy-saving lighting products, providing customers with a full range of lighting solutions and professional services, is one of the domestic lighting brands with comprehensive competitive strength.
Hengdian Group Tospo Lighting Co., Ltd.	CH 603303	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.

Company Name	Ticker	Description
OPPLE Lighting Co., Ltd	CH 603515	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	CH 002449	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.
Zhejiang Chenfeng Science and Technology Co. Ltd.	CH 603685	Zhejiang Chenfeng Science and Technology Co. Ltd. manufactures lighting fixture products. The company produces and sells light emitting diode (LED) bulbs, lamp holders, lamp fittings, and other products. Zhejiang Chenfeng Science and Technology markets its products worldwide.

EXHIBIT D – MARKET APPROACH

Market Approach Valuation

Target:	Brilliant Lights
Valuation Date	8/31/2021

Financial Figure	*RMB '000*
Net book value including non-controlling interest	3,237,334
Non-controlling interest	235,506
Net book value excluding non-controlling interest	3,001,827
Trailing 12-month Sales	4,566,947
Cash and Bank Balances	1,084,797
Lease liabilities-current	13,016
Lease liabilities-non-current	8,835
Notes Payable	764,617
Inter-bearing loans and borrowings in Current Liability	156,889
Inter-bearing loans and borrowings in Non-Current Liability	2,680,069

Source: Brilliant Lights management account

RMB '000	**Price to Book Ratio** *(P/B)*	**Enterprise Value to Sales Ratio** *(EV/S)*
Implied Enterprise Value	N/A	6,285,163
Implied 100% Equity Value excluding non-controlling interest before DLOM	5,029,599	3,511,028
DLOM 30.9%	1,555,961	1,086,174
100% Equity Value excluding non-controlling interest after DLOM	3,473,638	2,424,854
Average 100% Equity Value excluding non-controlling interest from P/B and EV/S		**2,949,246**

Company	Ticker	Price to Earnings Ratio *(P/E)*	Price to Book Ratio *(P/B)*	Price to Sales Ratio *(P/S)*	Enterprise Value to EBITDA *(EV/EBITDA)*	Enterprise Value to Sales Ratio *(EV/S)*
NVC Lighting Holding Ltd.	2222 HK EQUITY	#N/A N/A	0.21	0.28	#N/A N/A	#N/A N/A
Neo-Neon Holdings Limited	1868 HK EQUITY	#N/A N/A	0.60	0.99	#N/A N/A	0.38
Zhejiang Yankon Group Co	600261 CH EQUITY	10.64	1.39	1.14	5.70	0.91
Foshan Electrical & Light	000541 CH EQUITY	30.77	1.41	2.03	16.21	1.58
Hengdian Group Tospo Lighting Co., Ltd.	603303 CH EQUITY	24.44	2.87	1.74	23.19	1.65
OPPLE Lighting Co., Ltd	603515 CH EQUITY	17.26	3.21	1.92	10.85	1.44
Foshan NationStar Optoelectronics Co. Ltd	002449 CH EQUITY	47.46	1.70	1.76	13.57	1.87
Zhejiang Chenfeng Science and Technology Co. Ltd.	603685 CH EQUITY	17.10	2.02	1.50	21.94	1.79

Source: Bloomberg

Max	47.46	3.21	2.03	23.19	1.87
Mean	24.61	1.68	1.42	15.24	1.38
Median	20.85	1.55	1.62	14.89	1.58
Min	10.64	0.21	0.28	5.70	0.38

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 Company. 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 misleading.

2. DISCLOSURE OF INTERESTS

Director and chief executive's interests and short positions in Shares, underlying Shares or debentures of the Company

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

Interests in the Shares of the Company

Name of Director	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of the total issued Shares[1]
YE Yong	Beneficial owner	274,039,000 (L)	6.48%
	Spouse's interest	7,433,000 (L) [2]	0.18%

Notes:

(1) The approximate percentage of the total issued Shares is calculated with reference to the Company's number of Shares in issue as at the Latest Practicable Date.

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

(3) (L) represents long position.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interest or short position 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 notifiable to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Interests and short positions of substantial Shareholders in the Shares and underlying Shares

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

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company [(1)]
Elec-Tech International (H.K.) Company Limited	Beneficial owner	740,346,000 (L)	17.51%
Elec-Tech International Co., Ltd.	Interest of corporation controlled by the substantial shareholder	740,346,000 (L) [(2)]	17.51%
SU Lixin	Beneficial owner	649,350,649 (L)	15.35%
Rising Wealth Limited	Beneficial owner	638,400,000 (L) [(3)]	15.09%
ZHAO Yu	Interest of corporation controlled by the substantial Shareholder	638,400,000 (L) [(4)]	15.09%
Harbour Faith Enterprises Limited	Beneficial owner	341,071,000 (L)	8.07%
CHAN Sin Wa Carrie	Interest of corporation controlled by the substantial Shareholder	341,071,000 (L) [(5)]	8.07%

Notes:

(1) The approximate percentage of the total issued Shares is calculated with reference to the Company's number of Shares in issue as at the Latest Practicable Date.

(2) These Shares were the same parcel of Shares 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) On 8 July 2021, Rising Wealth Limited reported its holding of 638,400,000 Shares since 3 August 2018 (the date of event).

(4) On 2 August 2021, Ms. ZHAO Yu reported her holding of 638,400,000 Shares since 3 August 2018 (the date of event). These Shares were the same parcel of Shares held by Rising Wealth Limited. As Rising Wealth Limited is wholly-owned by Ms. ZHAO Yu, Ms. ZHAO Yu is deemed to be interested in these Shares.

(5) These Shares were the same parcel of Shares held by Harbour Faith Enterprises Limited. As Harbour Faith Enterprises Limited is wholly-owned by Ms. CHAN Sin Wa Carrie. Ms. CHAN Sin Wa Carrie is deemed to be interested in these Shares.

(6) (L) represents long position.

Save as disclosed above, as at the Latest Practicable Date, as far as the Directors are aware, no other person (except the Directors and chief executive) or corporation had interests or short positions in the shares or underlying shares which were recorded in the register required to be kept under Section 336 of the SFO.

3. COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors nor their respective close associates had any direct or indirect interests in any businesses that constitutes or may constitute a competing business of the Company.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had entered into any service contract or letter of appointment with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date:

(a) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Group; and

(b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

6. QUALIFICATION OF EXPERT AND CONSENT

The qualification of the expert who has given an opinion or advice in this circular is as follow:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants, Hong Kong
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent professional property valuer and business valuer

As of the Latest Practicable Date, the experts mentioned above (i) have given and have not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and the references to its names included herein in the form and context in which it is respectively included; (ii) have no direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and (iii) have no direct or indirect interests in any assets which have been, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and, insofar as the Directors were aware, no litigation or claims of material importance was pending or threatened against any member of the Group.

8. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there had been no material adverse change in the financial or trading position of the Company since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. MATERIAL CONTRACTS

No material contracts, being contracts entered into in the ordinary course of business of the Group, have been entered into by members of the Group within two years immediately preceding the date of this circular.

10. DOCUMENTS ON DISPLAY

A copy of each of the following documents will be available on display online on the Stock Exchange's website through e-Submission System and on the Company's website for a period of 14 days from the date of this circular:

(a) the letter from the Independent Board Committee dated 10 December 2021, the text of which is set out on page 25 of this circular;

(b) the letter of recommendation from Gram Capital dated 10 December 2021, the text of which is set out on pages 26 to 35 of this circular;

(c) the accountant's report on the Target Group for the period from 6 August 2019 to 31 December 2019 and for the year ended 31 December 2020, the texts of which are set out in Appendix IIA to this circular;

(d) the review report on the unaudited consolidated financial statements of the Target Group for the six months ended 30 June 2021, the texts of which are set out om Appendix IIB to this circular;

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

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

(g) the annual reports of the Company for each of the three years ended 31 December 2018, 2019 and 2020 and the interim report of the Company for the six months ended 30 June 2021, respectively;

(h) the written consents referred to in the paragraphs headed "Qualification of Expert and Consent" in this Appendix;

(i) the 2021 ETIC Purchase Agreement;

(j) the Agreement; and

(k) a copy of this circular.

11. GENERAL INFORMATION

(a) The company secretary of the Company is Ms. Teh Lai Ching, a Chartered Secretary and an associate of both The Hong Kong Chartered Governance Institute and Chartered Governance Institute of the United Kingdom.

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

(c) The head office and principal place of business in Hong Kong of the Company is Unit 705, 7/F., Building 20E, Phase 3, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

(d) The principal share registrar and transfer office in the Cayman Islands of the Company is Suntera (Cayman) Limited, Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands.

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

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

Set out below are the biographical details of Mr. CHEN Hong who will retire from office at, or hold office until, the EGM and are proposed to be re-elected at the EGM.

Mr. CHEN Hong ("**Mr. Chen**"), aged 56, served as an engineer of Guangzhou Wenchong Shipyard Co., Ltd. *(廣州文沖船廠有限責任公司) from September 1986 to January 1991. From July 2002 to July 2020, Mr. Chen served as a lawyer of Guangdong Yinghui Law Firm*(廣東盈輝律師事務所). Since August 2020, he has been serving as a lawyer of Guangdong Jiegao Law Firm*(廣東捷高律師事務所). Mr. Chen graduated from Dalian Institute of Technology*(大連工學院)(currently known as Dalian University of Technology*(大連理工大學)) and obtained a bachelor's degree in ship engineering in July 1986. He also obtained the legal professional qualification certificate from the Ministry of Justice of the People's Republic of China in September 2002.

Save as disclosed above, Mr. Chen has not held any other directorships in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas. Mr. Chen does not have any relationships with other directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Chen does not have any interests in nor is he deemed to be interested in any shares or underlying shares and debentures of the Company or its associated corporations pursuant to Part XV of the SFO.

Mr. Chen has entered into a letter of appointment with the Company for a term of three years, unless terminated by not less than three calendar months' notice in writing served by either party on the other. He is subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Listing Rules and the Articles of Association. Pursuant to the letter of appointment, the director's fee payable to Mr. Chen is HK$300,000 per annum. His director's emoluments are determined based on the Company's operating results, personal performance and comparable market statistics.

Save as disclosed above, there is no other information which is disclosable pursuant to the requirements under Rule 13.51(2) of the Listing Rules, and there are no other matters relating to the appointment of Mr. Chen that need to be brought to the attention of the shareholders of the Company.

The following are details of Mr. JI Qingbin, which have been reproduced from and are solely based upon the information provided by the Requesting Shareholder. Such information has not been independently verified by the Company or the Directors.

MR. JI QINGBIN

Position and Experience

Mr. JI Qingbin (季慶濱), aged 50, was a member of the Harbin Economic System Reform Commission from July 1993 to January 1998. He subsequently acted as a senior member of the China Securities Regulatory Commission Heilongjiang Regulatory Bureau from January 1998 to April 2003.

Between April 2003 to July 2013, Mr. JI Qingbin served as the general manager of Heilongjiang Yuhua Guarantee Investment Co., Ltd.* (黑龍江省宇華擔保投資股份有限公司). He subsequently acted as the vice president at Jinzhou Cihang Group Co., Ltd* (金洲慈航集團股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 587), from July 2013 to January 2020. Since May 2021, he has been the secretary to the board of Elec-Tech International Co., Ltd.* (安徽德豪潤達電氣股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 2005). Elec-Tech International Co., Ltd. was the sole shareholder of the Requesting Shareholder as at the Latest Practicable Date.

Mr. JI Qingbin received a bachelor degree in technical economics from the Harbin Institute of Technology (哈爾濱工業大學) in 1993 and received a master of business administration degree from Harbin Engineering University (哈爾濱工程大學) in 2002.

Save as disclosed above, Mr. JI Qingbin does not hold any position with the Company or other members of the Group and Mr. JI Qingbin has not held any other directorships in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Relationships

As far as the Directors are aware, save as disclosed above, Mr. JI Qingbin does not have any relationships with other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Interests in Shares

As far as the Directors are aware, as at the Latest Practicable Date, Mr. JI Qingbin does not have interests in any shares or underlying shares and debentures of the Company or its associated corporations pursuant to Part XV of the SFO.

Length of Service and Director's Emoluments

Upon the approval of appointment of Mr. JI Qingbin as a non-executive Director at the EGM, Mr. JI Qingbin will enter into a service contract with the Company for a period of no longer than three years subject to the relevant provisions of retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles of Association. Following his appointment, the remuneration of Mr. JI Qingbin will be considered and determined by the Board as recommended by the remuneration committee of the Company with reference to his qualification, experience, duties in the Company as well as the prevailing market situation.

Other Information that Needs to Be Disclosed and Matters that Need to Be Brought to the Attention of the Shareholders

As far as the Directors are aware, there is no other information which is discloseable nor is/was Mr. JI Qingbin involved in any of the matters required to be disclosed pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules and there are no other matters concerning Mr. JI Qingbin that need to be brought to the attention of the Shareholders.

* *For identification purpose only*

NVC International Holdings Limited
雷士國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2222)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of NVC International Holdings Limited (the "**Company**") will be held at Unit 705, 7/F., Building 20E, Phase 3, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong at 10:00 a.m. on Tuesday, 28 December 2021 for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company. Unless otherwise defined, capitalized terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 10 December 2021:

ORDINARY RESOLUTIONS

"1. The exercise of the Subscription Right under the Agreement be and is hereby confirmed and approved.";

"2. (a) The 2021 ETIC Purchase Agreement, a copy of which is tabled at the meeting and marked "**A**" and initialed by the chairman of the meeting for identification purpose, the terms thereof and the continuing connected transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) the proposed annual caps in the 2021 ETIC Purchase Agreement as set out in the circular of the Company dated 10 December 2021 be and is hereby approved; and

(c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the 2021 ETIC Purchase Agreement.";

"3. To re-elect Mr. CHEN Hong as an independent non-executive director of the Company, and authorise the board of directors of the Company (the "**Board**") to fix his remuneration."; and

"4. To elect Mr. JI Qingbin as a non-executive director of the Company, and authorise the Board to fix his remuneration."

Yours faithfully,
By Order of the Board
NVC International Holdings Limited
WANG Donglei
Chairman

Hong Kong, 10 December 2021

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

Principal place of business in Hong Kong:
Unit 705, 7/F., Building 20E,
Phase 3, Hong Kong Science Park,
Pak Shek Kok, New Territories
Hong Kong

Notes:

1. All resolutions at the Meeting (except those relate to the procedural or administrative matters, which should be taken by a show of hands as the chairman of 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 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/her.

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 holding the Meeting or any adjournment thereof (as the case maybe) (for the Meeting, i.e. not later than 10:00 a.m. on Sunday, 22 August 2021). Completion and return 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, 22 December 2021 to Tuesday, 28 December 2021 (both days inclusive), during which period 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 for registration with the Company's Hong Kong branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 21 December 2021.

5. In compliance with the Hong Kong government's ("**HK Government**") directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Hong Kong Department of Health on the prevention of Novel Coronavirus ("**COVID-19**"), the Company will implement additional precautionary measures at the Meeting including, without limitation:

   - compulsory body temperature screening;
   - mandatory use of surgical face masks;
   - mandatory health declaration – anyone subject to quarantine, has any flu-like symptoms or has travelled overseas within 14 days immediately before the Meeting ("**recent travel history**"), or has close contact with any person under quarantine or with recent travel history will not be permitted to attend the Meeting;
   - no corporate gifts, refreshments or drinks will be provided to attendees at the Meeting;
   - anyone attending the Meeting is reminded to observe good personal hygiene at all times; and
   - appropriate distancing and spacing in line with the guidance from the HK Government will be maintained and as such, the Company may limit the number of attendees at the Meeting as may be necessary to avoid over-crowding.

6. The Company reminds all shareholders that physical attendance in person at the Meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the Meeting as their proxy to vote on the relevant resolution(s) at the Meeting instead of attending the Meeting in person, by completing and return the form of proxy.

7. If any shareholder chooses not to attend the Meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the board of directors of the Company, he/she is welcome to send such question or matter in writing to the Company's principal place of business in Hong Kong at Unit 705, 7/F., Building 20E, Phase 3, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong or fax at (852) 2865 1638. If any shareholder has any question relating to the Meeting, please contact Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar as follows:

   Computershare Hong Kong Investor Services Limited
   17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
   Email: hkinfo@computershare.com.hk
   Tel: (852) 2862 8555
   Fax: (852) 2865 0990

8. Shareholders are advised to read the "Precautionary Measures for the Extraordinary General Meeting" section in the circular carefully for further detail and pay attention to the development of COVID-19. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

9. References to time and dates in this notice are to Hong Kong time and dates.