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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2222)

PRICE SENSITIVE INFORMATION

This announcement is made by NVC Lighting Holding Limited (the “Company”, together with its subsidiaries, the “Group”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It provides updates, further to the announcements of the Company dated 19 June 2012 and 18 July 2012.

Appointment of Management Committee

On 27 July 2012, the Board approved the establishment of a temporary management committee (the “Management Committee”) to strengthen the management of the Company’s day-to-day operations. The Management Committee consists of Mr Mu Yu (head), Mr Wang Minghua and Mr Tan Ying. The individuals on the Management Committee all have many years of senior management experience with the Company.

Mr Mu Yu is an executive Director and a vice president of the Company, and is primarily responsible for the Company’s production management and research and development. He has over 12 years of experience in production management and has been with the Group since 1999.

Mr Wang Minghua is a vice-president of the Company and is responsible for the Company’s human resources, administration and information technology departments. He has over 12 years of experience in corporate management and joined the Company in 2005.

Mr Tan Ying is a vice-president and chief financial officer of the Company, and joined the Company in 2006. Mr Tan has more than 10 years of experience in accounting and financial management.

The Board believes that the establishment of the Management Committee will help strengthen the administration and management of the Company, and help ensure continuity in the operations of the Company.

The Board also notes that Mr Li Rui (vice president) and Mr Li Xinyu (general manager) have resigned from their positions in the Company. Mr Li Rui and Mr Li Xinyu were previously employed by Schneider Electric China Limited, an affiliate of Schneider Electric Asia Pacific Limited (which, together with its affiliates, is referred to herein as “Schneider”), a substantial shareholder of the Company with a 9.13% shareholding. The Board notes that the decision of Mr Li Rui and Mr Li Xinyu to step down is in line with the demands of employees who were on Strike (see below). The establishment of the Management Committee will help cover these responsibilities previously performed by Mr Li Rui and Mr Li Xinyu.

Cessation of Strike

On 13 July 2012, a strike occurred at two plants of the Company, located in Wanzhou, Chongqing and Huizhou, Guangdong (the “Plants”), as well as at the Chongqing office of the Company (the “Strike”), because of some disagreements with management, including over a request for Mr Wu Changjiang to return to the Company.

The Strike ended on 27 July 2012, and employees at the Wanzhou plant and at the Chongqing office have resumed work.

The Company’s management team met with the employees of the Huizhou plant on 26 July 2012. Employees of the Huizhou plant also agreed to resume work, but they have asked the Board to respond to a number of requests, within two weeks from the date of such meeting (i.e. by 9 August 2012), as follows:

1. the management members who were previously employed by Schneider shall resign from the Company;
2. Mr Wu shall be re-elected to the Board;
3. the remuneration of the employees shall be raised by 15% to 25%; and
4. the Company will not take any retaliatory action against the employees.

The Board’s responses to the above requests are as follows. The Board notes that a number of members of the Company’s senior management team who were previously employed by Schneider have resigned from their positions in the Company, as set out above. The Board’s decision on the possible re-election of Mr Wu is set out below.

In respect of remuneration, the Company has decided that any increase in the remuneration of employees will be dealt with by the Company’s human resources department in accordance with the established and normal procedures for reviewing compensation levels and with approvals from the Management Committee and/or the Remuneration Committee of the Board, where necessary.

The Board has also decided that no measures will be taken against employees who only participated in (and did not organise) the Strike; however, if any employee has

breached relevant laws and regulations, the Board may act in accordance with such laws and regulations. Employees will be reminded of the Board's position on this issue and similar conduct in the future will be dealt with strictly.

Lastly, the Board notes that even though the two week period set by employees of the Huizhou plant for a response has passed, the employees have not resumed their strikes, as at the date of this Announcement. The Board cannot rule out the possibility that the employees of the Huizhou plant may resume their strikes if they do not receive satisfactory responses to their requests. The Company will continue to keep channels of communication with employees open.

Products produced at the Plants include luminaire, lamps and lighting electric products. The aggregate revenue contributed by the Plants is approximately RMB2,095.44 million and RMB2,656.59 million in 2010 and 2011, respectively, representing approximately 65.6% and 69.9% of the total revenue of the Group in 2010 and 2011, respectively.

The Company does not consider that the Strike, which has now ended, will have any material impact on the Group's business operations and financial condition for the current financial year, unless the strikes resume and they continue for a prolonged period.

The Company notes that an article published on sina.com.cn dated 9 August 2012 makes various claims relating to the resignation of workers from the Wanzhou and Huizhou plants.

Since the cessation of the Strike, about 55 employees of the Wanzhou plant and about 102 employees of the Huizhou plant have resigned, respectively. This represents about 2.6% of the workforce at the Wanzhou plant, and about 4.1% of the workforce at the Huizhou plant. The Board believes that the overall impact on the Company's business operations and financial position as a result of these resignations is not material.

The Company also has two plants, in Shanghai and Zhejiang, and a sales subsidiary in the United Kingdom. These are all operating normally and no strikes have taken place at these facilities.

The Company's Distributors and Suppliers

For a period of about two weeks ending on 28 July 2012, 36 of the Company's tier-one distributors (the "Distributors") temporarily suspended placing orders with the Company. Since 28 July 2012, all the Distributors have resumed placing orders with the Company.

The aggregate revenue generated from the Distributors was approximately RMB2,450.19 million in the year ended 31 December 2011, representing approximately 64.5% of the total revenue of the Group in 2011.

The Company does not consider that the suspension of orders by the Distributors will have any material impact on the Group's business operations and financial condition

for the current financial year, unless the Distributors decide to resume their suspension of orders, and this continues for an extended period in the future.

The Board is also aware of some recent news reports about the possible establishment of a new company by the Distributors, to produce products under a new brand, which compete with the Company's products, and that the Distributors are reportedly planning to sell such products, instead of the products of the Company, through their current distribution channel.

The Board is unable to confirm the accuracy of these news reports, and in particular, it is unclear if the Distributors could in fact establish a company to produce competing products in such a short time.

If these reports are true and the Distributors do in fact intend to set up a new company, and if they do in fact manage to do so, then their actions could have a material impact on the Group's business operations and financial condition. In such a situation, the Group will seek to distribute its products, either by using other tier-one distributors or by selling its products directly through second-tier distributors.

In its announcement dated 18 July 2012, the Company had stated that several members of the Board met with the majority of the senior management team of the Company and a number of the Company's distributors and suppliers (collectively, the "Representatives"). The Representatives had made various requests (the "Requests"). These requests are distinct from the requests made by the employees of the Huizhou plant on 26 July 2012, mentioned above.

The Board has considered the Requests. The Board's decision on the possible re-election of Mr Wu is set out below. The Board also notes that a number of members of the Company's senior management team who were previously employed by Schneider have resigned from their positions in the Company, as set out above.

In respect of the composition of the Board, the Board does not consider that this is an appropriate time to appoint additional directors to the Board. In respect of the Request for share options, the Board notes that a share option scheme was previously conditionally approved and adopted in 2010, as disclosed in the Company's prospectus dated 7 May 2010 (the "Prospectus") and the Company's subsequent annual reports. The Board does not consider that this is an appropriate time for introducing a new employee share option scheme, but the Board will keep this issue under review.

The Board notes that recent market news, including an article published on the Apple Daily dated 13 August 2012, stating that some suppliers of the Company have decided to stop supplying raw materials to the Company.

The Board confirms that the Company has received some letters from suppliers. The Wanzhou and Huizhou plants have, in total, about 50 key suppliers of raw materials. Currently, about 25 suppliers have indicated that they will no longer be supplying raw materials to the Company. The Board estimates that the current inventory of the Wanzhou and Huizhou plants is enough for a few days of production. Accordingly, if this situation is not resolved, this will have a material impact on the Group's business operations and financial condition. The Company is currently considering its options

including the possibility of finding alternative suppliers. It believes that if necessary, it will be able to find suitable alternative suppliers within a reasonable period of time.

The Company's Shanghai and Zhejiang plants are not affected by the actions of the above suppliers.

Investigation by independent committee of the Board

The Company noted in its announcement dated 19 June 2012 that the Board was aware of recent speculation in some press reports concerning an investigation by the Chinese authorities into Mr Wu. The Board has therefore been considering what implications, if any, the alleged investigation of Mr Wu by the Chinese authorities or any related matters might have for the Company.

For this purpose, the Board formed an independent committee of the Board, comprising Mr Alan Powrie (independent non-executive director), Mr Wang Jinsui (independent non-executive director) and Mr Lin Ho-Ping (non-executive director), who instructed an investigation team to carry out the investigation in relation to these matters.

The investigation team has provided its findings and the Board is now in a position to give shareholders an update. This is based on a limited investigation carried out in the short time available. The Board notes that if additional facts become known, this may materially change the findings set out below in which case the Company will make an announcement if and when required in accordance with the Listing Rules.

On the issue involving the implications, if any, of the alleged investigation by the Chinese authorities into Mr Wu, the investigation team has been informed by Mr Wu that he himself is not the subject of these investigations, and that he has only been assisting in those investigations. At the time of his resignation, Mr Wu indicated to a member of the Board that he had decided not to return to China in the foreseeable future due to concerns over the investigation. However, it is now clear that Mr Wu is free to continue to travel to and from China. In addition, the Group itself is also not the subject of these investigations by the Chinese authorities. In the circumstances the Board has concluded that the alleged investigation by the Chinese authorities does not have a material impact on the operations of the Company.

A number of other matters relating to Mr Wu have also been considered by the investigation team.

First, the investigation team considered allegations relating to Mr Wu having personally taken up loans from certain distributors, in return for benefits granted by the Company to the distributors. In considering this allegation, the investigation team has interviewed both Mr Wu, and various directors who had previously spoken to a number of distributors about this allegation.

Mr Wu has acknowledged that he had taken up personal loans from 10 distributors, but stated that these loans were offered to him in return for the referral of a business opportunity to these distributors. Mr Wu stated that this business opportunity did not

involve the Company. The investigation team has not been able to verify the accuracy of Mr Wu's explanation.

In addition, the investigation team also considered whether there were additional personal loans granted to Mr Wu by the distributors in return for benefits granted by the Company to the distributors, but considered that there was insufficient evidence to properly substantiate such an allegation.

Second, the investigation team considered issues relating to a preferential opportunity allegedly offered to Mr Wu and/or the Company to develop property in Wanzhou in Chongqing as a result of the establishment by the Company of a production base in Wanzhou, and the circumstances under which this opportunity was taken up by NVC Real Estate Development Co ("NVC Real Estate"), a PRC company that is believed to be currently developing the property and which, notwithstanding the use of "NVC" in its name, is wholly unaffiliated to the Company.

Mr Wu has explained that in 2010, an opportunity arose to develop land in Wanzhou and Mr Wu referred this opportunity to NVC Real Estate. Mr Wu has explained that he did not believe that the Company would be interested in diversifying into real estate development. Mr Wu's wife, was previously a shareholder of NVC Real Estate although according to Mr Wu, she has now disposed of her entire interest in that company.

In the present circumstances, the Board's view is that the Company should not pursue this opportunity to develop the land in Wanzhou. The Board is also considering its further options regarding this matter, such as what steps it should take to make it clear that NVC Real Estate is wholly unaffiliated to the Company.

Third, the investigation team considered issues relating to a contract or letter of intent (the "Document") that had allegedly been signed by Mr Wu, purportedly on behalf of the Company, with the Nan An government in Chongqing, and possibly with another party, in relation to an intended move by the Company of its headquarters to Chongqing, as well as issues arising from any such Document, including the development of related land for the headquarters. This matter is entirely independent from the second matter mentioned above, which related to the separate issue of an opportunity allegedly offered to Mr Wu and/or the Company to develop property in Wanzhou in Chongqing.

In the course of considering this third matter, the investigation team noted that the Company had moved part of its "headquarters" (being the CEO Office and parts of its Human Resources, Legal, Domestic Sales and Marketing, Procurement, Research and Development and Finance departments) to a rental building in Chongqing. There is evidence suggesting that this move had occurred with Mr Wu's approval, although the Board had previously only resolved to approve a sales company in Chongqing, and not to move the Company's headquarters.

Mr Wu has said that he only signed a letter of intent and in his view, this Document imposes no substantive legal obligations, and therefore no Board approval was required. However, a government representative of Nan An District has informed members of the Board that he believes the Company has entered into a binding Document with the government.

To date, Mr Wu has not been able to provide a copy of the signed Document to the Board and the investigation team. Members of the Board have also requested a copy of this Document from a representative of the Nan An District government, but have to date not been provided with one. Accordingly, the investigation team is not in a position to determine the legal effect (if any) of any such Document on the Company's position and exposure.

Fourth, the investigation team has considered allegations relating to events at the time of the Company's IPO in May 2010, and whether at that time, Mr Wu assisted employees and distributors of the Company in subscribing for shares in the Company through nominees.

Mr Wu told the investigation team that at the time of the IPO, he assisted employees and distributors in pooling their capital together, to purchase the Company's shares en bloc; employees and distributors wired their monies into Mr Wu's personal bank account; these monies were consolidated, and Mr Wu arranged for five or six individual investors to subscribe for shares for the employees and distributors; these individual investors were unrelated to Mr Wu except one of them was his former wife; that in total, about HK\$100 million worth of shares were allotted to these individual investors; and most of the shares have now been sold and the bulk of the proceeds of the sale have been transferred to the employees and distributors.

In addition, Mr Wu has emphasized that he himself was not the ultimate beneficial owner of any of these shares purchased by the five or six individual investors; and that he had no shareholding or voting arrangement with these individual investors in relation to these shares.

The Company has not had the opportunity to check the accuracy of Mr Wu's account above with the key individuals involved. The Board is currently assessing what impact or exposure, if any, the above events may have on the Company.

A number of the matters identified above took place in 2010 or early 2011. The Board notes that in March 2011, it approved new guidelines on corporate governance and these were further strengthened with the approval of more corporate governance policies, in March 2012. In addition, the Board, as a matter of good practice, has been working with a number of external parties to strengthen and improve the Company's existing systems and business processes, and this process is ongoing. The Board also remains committed to keeping these issues under constant review.

Consideration of the reappointment of Mr Wu Changjiang

In view of the findings of the investigation team, the Board considers that it would be inappropriate for Mr Wu to be reappointed as the Chairman of the Board and as a director of the Company.

Recent press reports

The Board has noticed recent market news, including but not limited to a report published in the Hong Kong Economic Journal, dated 17 July 2012, stating that Mr

Wu allegedly transferred a RMB20 million government grant and a piece of land to his companies without the Board's approval.

The above news report refers to two items:

- (a) The alleged transfer of a RMB20 million government grant; and
- (b) The alleged transfer of a piece of land.

The investigation team has spoken to some directors of the Company and has been looking into the RMB20 million government grant issue. It does not have sufficient evidence to draw any conclusions in relation to this matter. The Board will continue to keep this matter under review and will make an announcement if and when required in accordance with the Listing Rules.

As for the alleged transfer of a piece of land, the investigation team is unable to confirm if this relates to land relating to the move of part of the Company's "headquarters" to Nan An, which has been addressed above.

The Board further notes that other recent market news, including a report published in the Southern Metropolis Daily on 7 August 2012, have referred to rumours that the Company might manufacture Schneider products after 10 August 2012. The Board is not aware of any basis for this rumour.

Continuing Connected Transactions

The Company's Prospectus and the announcements published by the Company on 24 December 2010 and 31 May 2011 deal with continuing connected transactions between the Company and Mr Wu's associates (as defined in the Listing Rules). Such continuing connected transactions include:

1. those under a framework trademark licensing agreement dated 20 April 2010 with Zhongshan Sheng Di Ai Si Lighting Co., Ltd. ("Sheng Di Ai Si"), Chongqing Enlin Electronics Co., Ltd. ("Chongqing Enlin") and Shandong NVC Lighting Development Co., Ltd. ("Shandong NVC"), which are associates (as defined under the Listing Rules) of Mr Wu, pursuant to which the Company grants to each licensee a non-exclusive and non-transferrable right to use the Company's registered trademarks including "NVC", "雷士" and "光環境專家" in the PRC. The trademark licence fees and consulting fees are 3% of each licensee's sales (including value added tax) of products using the licensed trademarks;
2. those under the framework distribution management agreement dated 20 April 2010, as revised on 31 May 2011, with Sheng Di Ai Si, Shandong NVC and Chongqing Enlin, which are associates (as defined under the Listing Rules) of Mr Wu, pursuant to which Sheng Di Ai Si, Shandong NVC and Chongqing Enlin sell residential luminaire products produced by them through the Company's distribution network and pay the Company 6% to 8% of their respective sales through the Company's distribution network as distribution commission; and
3. those under the framework contract manufacturing agreement dated 20 April 2010 with Chongqing En Wei Xi Industrial Development Co., Ltd. ("Chongqing En Wei Xi"), which is an associate (as defined under the Listing Rules) of Mr Wu, pursuant to which Chongqing En Wei Xi, as a contract manufacturer, produces and supplies to the

Company outdoor luminaires based on the Company's design and technical standards and labels those outdoor luminaires with the Company's brands. Under the framework contract manufacturing agreement, the prices charged by Chongqing En Wei Xi will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates.

(The transactions set out in paragraphs 1 and 2 immediately above are collectively referred to as the "First Continuing Connected Transactions". The transactions set out in paragraph 3 immediately above are referred to as the "Second Continuing Connected Transaction").

The amounts due from the counterparties under the First Continuing Connected Transactions have in the past been settled, although since the beginning of 2012, there have been significant delays. Nonetheless, these counterparties have in recent days resumed making payments and to date, more than half of the amounts outstanding as at 30 June 2012, have been repaid. Mr Wu has also indicated that he will continue to facilitate the repayment of the First Continuing Connected Transactions. The Company's ongoing transactions with these counterparties have now ceased or are at a minimal level.

As at 7 August 2012, the following amounts under the First Continuing Connected Transactions continue to be outstanding (unit: RMB1.00):

Company	Balance outstanding as at 30 June 2012	Balance outstanding as at 7 August 2012
Sheng Di Ai Si	36,509,102	19,695,872
Chongqing Enlin	937,612	0
Shandong NVC	11,708,780	4,708,780
Total	49,115,494	24,404,652

With respect to the Second Continuing Connected Transaction, the Company made prepayments to Chongqing En Wei Xi for an aggregate amount of about RMB30 million from May to July in 2011 and the Company also made payments to Chongqing En Wei Xi for an aggregate amount of about RMB39 million against the products delivered by it. As at 30 June 2012, Chongqing En Wei Xi has delivered products to the Company worth an aggregate amount of about RMB44 million. However, due to a decrease in demand from the Company for outdoor luminaires, the Company does not expect to have sufficient orders to cover the balance of the prepayments in the near future, which amounts to about RMB25 million (including about RMB6.3 million as interest) as at 30 June 2012. The Company has been informed by Chongqing En Wei Xi that it currently does not have sufficient cash to repay the balance of the prepayments.

In finalising the interim results for the six months ended 30 June 2012, consideration will need to be given as to whether any part or full provision should be made in the accounts for the outstanding amounts due under the First Continuing Connected Transactions and the balance of prepayments under the Second Continuing Connected Transaction and whether action should be taken against the relevant counterparties to collect outstanding amounts.

The Board confirms that all price sensitive information has been disclosed in this announcement in accordance with the Listing Rules.

In light of the matters set out above, shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
NVC Lighting Holding Limited
YAN Andrew Y
Chairman

Hong Kong, 14 August 2012

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

Executive Directors:
MU Yu

Non-executive Directors:
YAN Andrew Y
LIN Ho-Ping
HUI Ming Yunn, Stephanie
ZHU Hai

Independent non-executive Directors:
Alan Russell POWRIE
WANG Jinsui