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NVC 雷士照明
NVC LIGHTING HOLDING LIMITED
雷士照明控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2222)

CONTINUING CONNECTED TRANSACTIONS

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

We refer to the announcements of the Company dated 22 January 2016, 14 March 2016 and 29 November 2016 in relation to certain continuing connected transactions between the Group and ETIC which are governed by various agreements.

As these agreements entered between the Group and ETIC will expire on 31 December 2018 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 following renewed agreements with ETIC on 10 December 2018:

- (1) the ETIC Purchase Agreement
- (2) the ETIC Sales Agreement
- (3) the Lease Agreement I
- (4) the Lease Agreement II

LISTING RULES IMPLICATIONS

As at the date of this announcement, ETIC is a substantial shareholder of the Company holding approximately 20.57% 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 constitute connected transactions of the Company under the Listing Rules.

As one or more of the applicable Percentage Ratios calculated based on the annual caps of considerations under the Agreements is more than 0.1% but less than 5%, the transactions under the Agreements are subject to the reporting, announcement and annual review requirements, but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND INFORMATION

We refer to the announcements of the Company dated 22 January 2016, 14 March 2016 and 29 November 2016 in relation to certain continuing connected transactions between the Group and ETIC which are governed by various agreements.

As these agreements entered between the Group and ETIC will expire on 31 December 2018 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 following renewed agreements with ETIC on 10 December 2018:

- (1) the ETIC Purchase Agreement;
- (2) the ETIC Sales Agreement;
- (3) the Lease Agreement I;
- (4) the Lease Agreement II; and

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

(1) The ETIC Purchase Agreement

Principal Terms of the ETIC Purchase Agreement:

Parties: The Company and ETIC

Transaction: Pursuant to the 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. In determining the market price, the business department of the relevant subsidiary of the Company shall collect the relevant market information (including but not limited to the price for the same or similar type of finished products and raw materials), review and compare the costs and profits of transactions conducted in the most recent year of the same or similar type entered into with ETIC or at least two independent third parties, and prepare fee quotes for review by the management department of the relevant subsidiary of the Company, and the marketing department of the relevant subsidiary may need to further submit the fee quotes to the management of such subsidiary for review depending on the actual situations (such as the amount and size of the transaction).

Term of the Agreement: The term of the ETIC Purchase Agreement is three years commencing from 1 January 2019.

Historical Amounts

The existing annual caps for the amount payable by the Group under the original ETIC Purchase Agreement (as revised on 29 November 2016) for the years ended 31 December 2016, 2017 and 2018 are RMB120 million, RMB130 million and RMB140 million, respectively. The actual amount paid/payable by the Group under the original ETIC Purchase Agreement for the years ended 31 December 2016, 2017 and nine months ended 30 September 2018 were RMB109.83 million, RMB124.25 million and RMB93.54 million, respectively.

Proposed Annual Caps

The proposed annual caps of the purchase price payable by the Group under the ETIC Purchase Agreement for each of the three years ending 31 December 2019, 2020 and 2021 are RMB98 million, RMB98 million and RMB98 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.

Reasons for and Benefits of the ETIC Purchase Agreement

The Company entered into the 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.

(2) The ETIC Sales Agreement

Principal Terms of the ETIC Sales Agreement:

Parties: The Company and ETIC

Transaction: Pursuant to the ETIC Sales Agreement, the Group agrees to sell finished products and raw materials including but not limited to LED luminaire products to ETIC and its associates on a non-exclusive basis. The quality, quantity and technical standards of the products delivered by the Group must meet ETIC and its associates' standards as set out in the sub-contract for each sales order.

Pricing: The prices charged by the Group will be agreed following arm's length negotiations between the parties with reference to the prevailing market price. In determining the market price, the business department of the relevant subsidiary of the Company shall collect the relevant market information (including but not limited to the price for the same or similar type of finished products and raw materials), review and compare the costs and profits of transactions conducted in the most recent year of the same or similar type entered into with ETIC or at least two independent third parties, and prepare fee quotes for review by the management department of the relevant subsidiary of the Company, and the marketing department of the relevant subsidiary may need to further submit the fee quotes to the management of such subsidiary for review depending on the actual situations (such as the amount and size of the transaction).

Term of the Agreement: The term of the ETIC Sales Agreement is three years commencing from 1 January 2019.

Historical Amounts

The existing annual caps for the amount receivable by the Group under the original ETIC Sales Agreement for the years ended 31 December 2016, 2017 and 2018 are RMB100 million, RMB100 million and RMB100 million, respectively. The actual amount received/receivable by the Group under the original ETIC Sales Agreement for the years ended 31 December 2016, 2017 and nine months ended 30 September 2018 were RMB10.47 million, RMB2.93 million and RMB6.12 million, respectively.

Proposed Annual Caps

The proposed annual caps of the purchase price receivable by the Group under the ETIC Sales Agreement for each of the three years ending 31 December 2019, 2020 and 2021 are RMB98 million, RMB98 million and RMB98 million, respectively. In determining the above annual caps, the Board took into account the historical data on selling similar products to other customers, the expected growth in the sales volume of the relevant products and the expected market prices of LED luminaire products and other related products.

The proposed annual caps for the years of 2019, 2020 and 2021 are significantly higher than the historical amounts mainly because (1) the Group completed the acquisition of Elec-Tech in November 2018, which has sales in the course of its business to ETIC and its associates. For the nine months ended 30 September 2018, the sales amount of Elec-Tech to ETIC and its associates was RMB89 million. The completion of acquisition of Elec-Tech is expected to increase the Group's sales amount to ETIC and its associates; and (2) the continued expansion of the business scale of the Group and the fluctuations in market price of the related finished products and raw materials are expected to give rise to the increase in the Group's sales amount to ETIC and its associates.

Reasons for and Benefits of the ETIC Sales Agreement

The Company entered into the ETIC Sales Agreement given the continued demand for such finished products and raw materials by ETIC and its associates in the next three years and the fees paid/payable by ETIC and its associates are competitive.

(3) The Lease Agreement I

Principal Terms of the Lease Agreement I:

Parties: The Company and ETIC

Transaction: Pursuant to the Lease Agreement I, the Group agrees to lease certain properties from ETIC and its associates. Details of each properties to be leased will be set out in the sub-contract for each lease.

Pricing: The rent charged by ETIC and its associates will be agreed following arm's length negotiations between the parties with reference to the prevailing market price. In determining the market price, the business department of the relevant subsidiary of the Company shall collect the relevant market information (including but not limited to the rent for the same or similar type of properties in the same region), review and compare rents of the same or similar type of properties leased from independent third parties in the most recent year, and prepare fee quotes for review by the management department of the relevant subsidiary of the Company, and the marketing department of the relevant subsidiary may need to further submit the fee quotes to the management of such subsidiary for review depending on the actual situations (such as the amount and size of the transaction).

Term of the Agreement: The term of the Lease Agreement I is three years commencing from 1 January 2019.

Historical Amounts

The existing annual caps for the rent payable by the Group under the original Lease Agreement I for the years ended 31 December 2016, 2017 and 2018 are RMB2 million, RMB2 million and RMB2 million, respectively. The actual amount paid/payable by the Group under the original Lease Agreement I for the years ended 31 December 2016, 2017 and nine months ended 30 September 2018 were RMB0.25 million, RMB0.18 million and RMB0.26 million, respectively.

Proposed Annual Caps

The proposed annual caps of the rent payable by the Group under the Lease Agreement I for each of the three years ending 31 December 2019, 2020 and 2021 are RMB5 million, RMB5 million and RMB5 million, respectively. In determining the above annual caps, the Board took into account the current effective leasehold between the Group and ETIC and its associates, the historical data on renting similar premises from other parties and the expected market trends of rental prices of such premises.

The rent under each definitive lease agreement will be determined based on the condition of each premise with reference to the prevailing market price and rents of comparable properties in similar locations.

The proposed annual caps for the years of 2019, 2020 and 2021 are significantly higher than the historical amounts mainly because (1) the Group completed the acquisition of Elec-Tech in November 2018 which currently leased some properties from ETIC and its associates. For the nine months ended 30 September 2018, the rent payable by Elec-Tech to ETIC and its associates was RMB1.8 million. The completion of acquisition of Elec-Tech is expected to increase the rent payable by the Group to ETIC and its associates; (2) the continued expansion of the business scale of the Group is expected to give rise to the increase in the demand of the Group for leasing the properties from ETIC; and (3) the development of the PRC real estate market is expected to lead to rise in rental price in the PRC market in future.

Reasons for and Benefits of the Lease Agreement I

The Company entered into the Lease Agreement I given the Group has a continuous demand for such properties in the next three years and the rent charged by ETIC and its associates are competitive.

(4) The Lease Agreement II

Principal Terms of the Lease Agreement II:

Parties:	The Company and ETIC
Transaction:	Pursuant to the Lease Agreement II, the Group agrees to lease certain properties to ETIC and its associates. Details of each properties to be leased will be set out in the sub-contract for each lease.
Pricing:	The rent charged by the Group will be agreed following arm's length negotiations between the parties with reference to the prevailing market price. In determining the market price, the business department of the relevant subsidiary of the Company shall collect the relevant market information (including but not limited to the rent for the same or similar type of properties in the same region), review and compare rents of the same or similar type of properties leasing to independent third parties in the most recent year, and prepare fee quotes for review by the management department of the relevant subsidiary of the Company, and the marketing department of the relevant subsidiary may need to further submit the fee quotes to the management of such subsidiary for review depending on the actual situations (such as the amount and size of the transaction).
Term of the Agreement:	The term of the Lease Agreement II is three years commencing from 1 January 2019.

Historical Amounts

The existing annual caps for the rent receivable by the Group under the original Lease Agreement II for the years ended 31 December 2016, 2017 and 2018 are RMB5 million, RMB5 million and RMB5 million, respectively. The actual amount received/receivable by the Group under the original Lease Agreement II for the years ended 31 December 2016, 2017 and nine months ended 30 September 2018 were RMB1.41 million, RMB1.14 million and RMB0.86 million, respectively.

Proposed Annual Caps

The proposed annual caps of the rent receivable by the Group under the Lease Agreement II for each of the three years ending 31 December 2019, 2020 and 2021 are RMB5 million, RMB5 million and RMB5 million, respectively. In determining the above annual caps, the Board took into account the current effective leasehold between the Group and ETIC and its associates, the historical data on renting similar premises to other parties and the expected market trends of rental prices of such premises. The rent under each definitive lease agreement will be determined based on the condition of each premise with reference to the prevailing market price and rents of comparable properties in similar locations.

The proposed annual caps for the years of 2019, 2020 and 2021 are significantly higher than the historical amounts mainly because (1) the Group completed the acquisition of Elec-Tech in November 2018, which currently leases certain properties to ETIC and its associates. For the nine months ended 30 September 2018, the rent receivable by Elec-Tech from ETIC and its associates was RMB0.5 million. The completion of acquisition of Elec-Tech is expected to give rise to the increase in the rent amount receivable by the Group from ETIC and its associates; (2) the continued expansion of the business scale of ETIC is expected to give rise to the increase in the demand of ETIC and its associates for leasing the properties from the Group; and (3) the development of the PRC real estate market is expected to lead to rise in rental price in the PRC market in future.

Reasons for and Benefits of the Lease Agreement II

The Company entered into the Lease Agreement II given ETIC and its associates have continuous demands for such properties in the next three years and the rent paid/payable by ETIC and its associates are competitive.

INFORMATION OF THE COMPANY AND THE COUNTERPARTIES

The Company

The Company is a leading supplier of lighting products in the PRC. It designs, develops, produces, markets and sells a variety of lighting products, with a strong focus on energy-saving products.

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 date of this announcement, ETIC indirectly holds approximately 20.57% of the Company's issued share capital. Therefore, ETIC is a substantial shareholder of the Company under the Listing Rules.

LISTING RULES IMPLICATIONS

As at the date of this announcement, ETIC is a substantial shareholder of the Company holding approximately 20.57% 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 constitute connected transactions of the Company under the Listing Rules.

As one or more of the applicable Percentage Ratios calculated based on the annual caps of considerations under the Agreements is more than 0.1% but less than 5%, the transactions under the Agreements are subject to the reporting, announcement and annual review requirements, but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the terms of the Agreements 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.

Mr. Wang Donglei, who concurrently serves as an executive Director and the chief executive officer of the Company and a director of ETIC, Mr. Li Huating, who concurrently serves as a non-executive Director of the Company and a director of ETIC, Mr. Wang Dongming, the brother of Mr. Wang Donglei and an executive Director of the Company, and Mr. Wang Keven Dun, the son of Mr. Wang Donglei and an executive Director of the Company, are deemed to have a material interest in the continuing connected transactions between the Company and ETIC and its associates and have abstained from voting on the Board resolutions in relation to the proposed transactions and their proposed annual caps under the Agreements.

DEFINITION

“Agreements”	(1) the ETIC Purchase Agreement, (2) the ETIC Sales Agreement, (3) the Lease Agreement I, and (4) the Lease Agreement II.
“associate”	has the meaning ascribed thereto under the Listing Rules.
“Board”	the board of directors of the Company.
“China” or “PRC”	“China” or “PRC” the People’s Republic of China, which for the purpose of this announcement, shall not include Hong Kong Special Administrative Region, Macau Special Administrative Region or Taiwan.
“Company”	NVC Lighting Holding Limited.
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules.
“Director(s)”	the director(s) of the Company.
“Elec-Tech”	Elec-Tech Solid State Lighting (HK) Limited, a limited company incorporated in Hong Kong on 31 May 2010
“ETIC”	Elec-Tech International Co., Ltd.* (廣東德豪潤達電氣股份有限公司), a company incorporated in the PRC which is currently listed on the Shenzhen Stock Exchange and a substantial shareholder of the Company.
“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.
“ETIC Sales Agreement”	a framework finished products and raw material sales agreement entered into between the Company and ETIC on 10 December 2018 as amended or supplemented from time to time.
“Group”	the Company and its subsidiaries.

“Lease Agreement I”	a framework property lease agreement entered into between the Company and ETIC on 10 December 2018, pursuant to which the Group agrees to lease certain properties from ETIC and its associates.
“Lease Agreement II”	a framework property lease agreement entered into between the Company and ETIC on 10 December 2018, pursuant to which the Group agrees to lease certain properties to ETIC and its associates.
“LED”	Light-Emitting Diode.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Percentage Ratios”	has the meaning ascribed to it under Chapter 14 of Listing Rules.
“RMB”	Renminbi, the lawful currency of the PRC.
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules.

By Order of the Board
NVC LIGHTING HOLDING LIMITED
WANG Donglei
Chairman

Hong Kong, 10 December 2018

As at the date of this announcement, the Board consists of the following directors:

Executive Directors:

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

Non-executive Directors:

LI Huating
LI Wei
YE Yong

Independent Non-executive Directors:

LEE Kong Wai, Conway
WANG Xuexian
WEI Hongxiong
SU Ling