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雷士照明控股有限公司

NVC LIGHTING HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2222)

RESULTS OF THE FORENSIC REVIEW AND INTERNAL CONTROLSASSESSMENT

The Company refers to its announcements dated 21 January, 16 April, 3 June, 16 June and 30 June 2015.

The Company had noted in those announcements that in order to help progress its investigation into the potential impact arising from the alleged unlawful conduct of its former chief executive officer and executive director Mr Wu Chang Jiang (“**Mr Wu**”), and the former vice presidents of the Company removed by the board of the Company (the “**Board**”) on 8 August 2014, the Board has established an independent investigations committee (also known as the Independent Review Committee, the “**IRC**”) comprising independent non-executive directors Mr Lee Kong Wai Conway, Mr Wei Hongxiong and Mr Wang Xuexian, and non-executive director Mr Lin Ho-Ping.

The IRC has been authorised by the Board to exercise powers and perform duties on behalf of the Board in relation to the conduct of the Company’s internal investigations and to consider and make recommendations to the Board with respect to any potential proceedings arising from the internal investigations. Accordingly, an external independent professional adviser has been engaged to conduct:

- (a) a forensic review in respect of the purported entering into of certain pledge/guarantee agreements (the “**Suspected Criminal Conduct**”) and alleged 20-year licensing agreements (the “**Alleged Misconduct**”) by Mr Wu, and the freezing and withdrawal of funds pursuant to the alleged agreements; and
- (b) a separate internal controls assessment of the Company and its key subsidiaries, the purpose of which is to provide the Company with an internal controls assessment in the context of alleged unauthorised connected party

transactions that occurred at NVC Lighting (China) Co., Ltd. (“**NVC China**”) in 2013 and 2014.

This announcement sets out the key findings of the forensic review, and the separate internal controls assessment as at the time the review and assessment were conducted (collectively, the “**Reviews**”), and the responses of the IRC and the Company.

This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Insider Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). It is also made in accordance with one of the conditions for resumption of trading in the Company’s shares imposed by the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), as noted in the Company’s announcement dated 21 January 2015.

KEY FINDINGS FROM THE FORENSIC REVIEW

The Company engaged a forensic consultant to conduct a forensic review into the Suspected Criminal Conduct and Alleged Misconduct by Mr Wu, and the freezing and withdrawals of funds pursuant to the alleged pledge/guarantee agreements.

The key findings of the forensic consultant are summarised below.

Purported pledge/guarantee agreements with four local banks

During the period from 2 September 2013 to 4 August 2014, Mr Wu entered into 14 pledge/guarantee agreements (the “**14 Agreements**”) with four local banks in Chongqing, PRC, purportedly on behalf of NVC Lighting (China) Co., Ltd. (“**NVC China**”) pledging funds as security deposits for debt obligations of five entities for underlying loan amounts totalling RMB 639.8 million.

The four local banks are the Bank of China Chongqing Da Du Kou sub-branch (“**BOC**”), Industrial and Commercial Bank of China Chongqing Nanping sub-branch (“**ICBC**”), China Minsheng Bank Chongqing branch (“**MS Bank**”), and China Construction Bank Chongqing Nanping sub-branch (“**CCB**”) (collectively, the “**Four Banks**”).

The five entities, whose debt obligations were purportedly secured by the 14 Agreements are 重庆雷立捷实业发展有限公司 (“**Lei Li Jie**”), 重庆华标灯具制造有限公司 (“**Huabiao**”), 重庆江特表面处理有限公司 (“**Jiangte**”), 重庆无极房地产开发有限公司 (“**Wuji**”) and 重庆恩纬西实业发展有限公司 (“**En Wei Xi**”) (collectively the “**Five Entities**”).

Based on discussions with representatives of MS Bank and ICBC, it is understood that MS Bank and ICBC made requests to the relevant debtors after 11 August 2014 for early repayment of the underlying loans. The debtors did not repay the loans in accordance with these requests. The two banks claimed that they therefore withdrew

funds from NVC China’s accounts maintained with them for the loans in default and the related loan interest on 29 August 2014.

All of the 14 Agreements were sealed using NVC China’s company chop together with either Mr Wu’s legal representative chop or the signature of Mr Wu. Based on the interviews conducted and documents reviewed by the forensic consultant, it has seen no evidence that the Board has discussed or approved any of the 14 Agreements, nor has it come across evidence that anyone other than Mr Wu had been involved in approving or signing such agreements.

The ledger balance as at 31 December 2014 for each of NVC China’s bank accounts was compared with the bank confirmations obtained by the forensic consultant. The comparison revealed that a total of RMB 550,967,382 was withdrawn by BOC, ICBC and MS Bank and such withdrawals were not recorded in the accounting books and records of NVC China. Out of the withdrawal of RMB 550,967,382, an amount of RMB43,733 was subsequently refunded by ICBC to NVC China which is recorded as interest income by NVC China.

In addition to funds withdrawn by the banks, according to the Director of the Finance Centre of the Company, the year-end balance in a particular NVC China CCB account, in the sum of RMB 54,128,019, was frozen due to a litigation commenced by CCB to recover money from the borrower, Huabiao, pursuant to an agreement for a loan of RMB 80 million, which was purportedly guaranteed by NVC China (i.e., under one of the 14 Agreements).

The bank statements of the aforementioned CCB bank account show a bank balance of RMB 54,128,019 as of 31 December 2014. No transaction had been made by NVC China since 19 August 2014. The last two transactions occurred in 2014 and were two deposits for interest income in the amount of RMB 124,013.61 and RMB 155,882.89 on 21 September 2014 and 21 December 2014, respectively.

Connections with the Five Entities

In addition, according to records of the Five Entities retrieved from the State Administration of Industry and Commerce (the “SAIC”) and discussions with the relevant individuals, the relationships between Mr Wu and the key management personnel of the Five Entities are (in summary form) as follows:

Five Entities	Name	Position in the Five Entities	Suspected Relationship with Mr Wu
En Wei Xi	WU Xianming	<ul style="list-style-type: none"> • Shareholder – 40% • Supervisor 	Father-in-law
	Mr WANG	<ul style="list-style-type: none"> • Shareholder – 20% • CEO and Manager • Legal representative 	College schoolmate

Lei Li Jie	WU Lian	<p><u>From the date of incorporation to 21 December 2011:</u></p> <ul style="list-style-type: none"> • Former shareholder – 90% • Former legal representative • Former Executive Director and Manager 	Spouse
	CHEN Min	<p><u>From the date of incorporation to 21 December 2011:</u></p> <ul style="list-style-type: none"> • Former shareholder – 10% • Former Supervisor 	Mother-in-law
Huabiao	WU Xianming	<ul style="list-style-type: none"> • WU Xianming holds 40% of equity interest in En Wei Xi, which was the sole owner of Huabiao until 3 September 2010 	Father-in-law
	Mr WANG	<ul style="list-style-type: none"> • Mr WANG holds 20% of equity interest in En Wei Xi, which was the sole owner of Huabiao until 3 September 2010 	College schoolmate
Wuji	WU Lian	<p><u>From the date of incorporation to 10 October 2014:</u></p> <ul style="list-style-type: none"> • Former legal representative • Former Executive Director and General Manager 	Spouse
Jiangte	WU Xianming	<ul style="list-style-type: none"> • WU Xianming holds 40% of equity interest in En Wei Xi, which was 51% owner of Jiangte up to 30 September 2014 	Father-in-law

An analysis of the registration records retrieved from the SAIC carried out by the forensic consultant revealed various connections among the Five Entities, Mr Wu's associates and NVC China, in addition to those of Mr Wu mentioned above:

- 重庆无极投资有限公司 (Lei Li Jie's former shareholder for the period from 11 April 2014 to 10 October 2014), and 重庆永照商贸有限公司 (“Yongzhao”) have the same registered business address as NVC China at 22/F, 76 Nanbin Road, Nanan District, Chongqing, the PRC;
- En Wei Xi held a 51% equity interest in Jiangte from 27 May 2009 to 30 September 2014, and was the sole owner of Huabiao from 3 July 2009 to 3 September 2010;
- The former Head of Compliance of NVC China has been the Supervisor at Yongzhao since its date of incorporation on 28 November 2013;
- Wu Lian is the legal representative, executive director and general manager of Yongzhao; and
- One shareholder of En Wei Xi, holding a 24% equity interest, was former executive director of Huabiao (from 3 July 2009 to 21 July 2014) and Jiangte (from 27 May 2009 to 30 September 2014).

Transfers between different accounts of NVC China

Based on the forensic consultant's review of the bank statements, in addition to the 14 Agreements, there were nine transactions with MS Bank that potentially relate to other pledges. According to a representative of MS Bank, these nine transactions, which were noted in NVC China's MS Bank statements with the description “security

deposits” (保证金) or “time deposits” (定期), were related to pledges. These nine transactions indicate that funds totalling RMB 348,380,000 had been transferred from an NVCCChina bank account to other accounts of NVC China (the “**Receiving Accounts**”) maintained with MS Bank. These funds were subsequently transferred back to the NVC bank account from which they were withdrawn together with interest, and the Receiving Accounts were closed. All these transfers and deposits were carried out in 2014. A request made by NVC China for documents relevant to the nine transactions was sent to MS Bank, but MS Bank replied that it no longer had access to such documents because the related pledge accounts had been closed.

Purported licensing agreements

None of Huizhou NVC’s employees interviewed by the forensic consultant had knowledge of whether the alleged licensing agreements purportedly entered into by Mr Wu on behalf of Huizhou NVC Lighting Technology Co., Limited (“**Huizhou NVC**”) with Shandong NVC Lighting Development Co., Limited (“**Shandong NVC**”), Zhongshan Sheng Di Ai Si Lighting Co., Limited (“**Sheng DiAiSi**”) and En Wei Xi, did actually exist.

The books and records of Huizhou NVC indicate that Huizhou NVC had accrued licensing fees receivable from Shandong NVC totalling RMB 6,402,060 from 1 January 2013 to 30 June 2013 and from Sheng DiAiSi totalling RMB 4,588,454 from 1 January 2013 to 31 December 2013 but no licensing fees receivable was recorded for En Wei Xi during the period 1 January 2013 to 31 December 2014. According to the Finance General Manager of the Company, and the General Ledger Accountant at Huizhou NVC, these receivables relate to a joint 3-year licensing agreement and three separately signed annual licensing agreements. The joint 3-year licensing agreement was a framework agreement jointly entered into between Huizhou NVC and ShangdongNVC, Sheng DiAiSi and Chongqing Enlin Electronics Co., Limited (“**Enlin**”). The separately signed annual licensing agreements were signed separately between Huizhou NVC and ShangdongNVC, Sheng DiAiSi and Enlin, respectively.

According to Sheng DiAiSi’s legal representative, Sheng DiAiSi was deregistered in late 2013 and a new company, 中山雷士家居照明有限公司 (“**Zhongshan Lei Shi**”) was established in 2014 to carry on the business operations of Sheng DiAiSi. Based on the SAIC records, Sheng DiAiSi was deregistered on 7 August 2014 and Zhongshan Lei Shi was incorporated on 1 August 2013.

Huizhou NVC had accrued licensing fees receivable from Zhongshan Lei Shi of RMB5,185,407 for the period from October 2013 to June 2014. According to Huizhou NVC’s ledger, the accounts receivable from Sheng DiAiSi as of 31 December 2013 and 31 December 2014 were RMB 13,456,621.15 and RMB 10,000,000, respectively; the accounts receivable from Zhongshan Lei Shi as of 31 December 2013 and 31 December 2014 were RMB 1,545,354.57 and RMB 1,414,714.31, respectively.

The legal representative of Sheng DiAiSi was not aware that any 20-year licensing agreement had been entered into with Huizhou NVC, nor that any payments had been made in relation to such a 20-year licensing agreement. He however claimed that Sheng DiAiSi had entered into agreements annually with Huizhou NVC for the right to use the NVC brand.

According to the legal representative of En Wei Xi, he was told by a sales representative of En Wei Xi about a 20-year licensing agreement with Huizhou NVC, but he advised that he had never seen such an agreement as at the date of his interview with the forensic consultant on 12 February 2015. He further stated that he was not aware of any payments made in relation to the 20-year licensing agreement.

According to the legal representative of Shandong NVC, he was informed by his staff that there was a 20-year licensing agreement, but he had never seen such an agreement. He stated that Shandong NVC was asked to bring their stamps to NVC China in 2012 for the purpose of the 20-year agreement entered into with Huizhou NVC.

Although both the legal representatives of En Wei Xi and Shandong NVC indicated that they had heard about the possible existence of a 20-year licensing agreement, they had not actually seen such agreement, and were unable to provide a signed copy to the forensic consultant.

Forensic computer images of the computers used by (i) Mr Wu, (ii) the former directors of NVC China, (iii) former and current finance managers and accountants, and (iv) personnel who had reportedly worked closely with Mr Wu were acquired by the forensic consultant, and it conducted keyword searches thereon and reviewed the responsive documents. Four unsigned documents in Microsoft Word format titled “商标许可使用合同” and “商标许可使用和咨询服务协议” were found in the computers of the former secretary of Mr Wu, and the acting Head of Legal and Compliance of NVC China. These “agreements” state that Huizhou China agreed to grant the rights for the licensees to use the trademarks of NVC for certain durations as set forth in the table below:

Agreement date	Name of licensess	Custodian	Type of agreement	Duration of the agreement
1 January 2010	Shandong NVC	Former secretary of Mr Wu	Agreement for the Use of Trademark and Consulting Services (商标许可使用和咨询服务协议)	20 years
1 January 2010	Sheng DiAiSi	Former secretary of Mr Wu	Agreement for the Use of Trademark and Consulting Services (商标许可使用和咨询服务协议)	20 years

1 December 2011	En Wei Xi	Former secretary of Mr Wu/ Acting Head of Legal and Compliance of NVC China	Trademark Licensing Agreement (商标许可使用合同)	1 December 2011 to 31 December 2035
30 September 2012		Acting Head of Legal and Compliance of NVC China	Trademark Licensing Agreement (商标许可使用合同)	1 December 2011 to 31 December 2035

Through interviews and review of documents (hardcopy and electronic), the forensic consultant found no evidence that any of the “agreements” above, or the 20-year licensing agreements, had actually been executed.

KEY FINDINGS FROM THE INTERNAL CONTROLSASSESSMENT

The Company also engaged an internal controls consultant to conduct an assessment of the internal controls systems of the Company and certain selected subsidiaries (the “**Selected Subsidiaries**”), in the context of unauthorised connected party transactions that allegedly occurred at NVC China in 2013 and 2014.

The findings from the internal controls assessment were presented by the internal controls consultant to the IRC and the Company. The Company notes that the internal controls consultant conducted the assessment on an exceptions basis, and it identified about 90 findings for follow-up in respect of the internal controls systems of the Company and the Selected Subsidiaries. Four of these findings were categorised by the internal controls consultant with a Risk Priority Rating 1 (the “**Risk Priority Rating 1 Findings**”), and 21 of them were categorised with a Risk Priority Rating 2 (the “**Risk Priority Rating 2 Findings**”).

The key findings of the internal controls assessment as summarised by the IRC to the Company are set out below.

The IRC noted that the internal controls consultant has identified various deficiencies in the internal controls systems of the Company and the Selected Subsidiaries, in particular the Risk Priority Rating 1 Findings and the Risk Priority Rating 2 Findings, which the internal controls consultant believes are of such significance to the Company and the Selected Subsidiaries in that they, directly (in the case of the Risk Priority Rating 1 Findings) or indirectly (in the case of the Risk Priority Rating 2 Findings), relate to internal controls deficiencies that may adversely affect the ability of the Company to prevent, detect or respond to unauthorised connected transactions in the future, which require immediate attention of the senior management of the Company and remediation as a matter of urgency, details of which (together with the view of the internal controls consultant), are set out below:

- (1) The Risk Priority Rating 1 Findings were deficiencies primarily relating to the Company’s systems and controls for the reporting and disclosure of key

transactions for regulatory purposes, such as those stipulated by the Stock Exchange and the Securities and Futures Commission. The Risk Priority Rating 1 Findings include issues relating to the policies, procedures and practices concerning declarations of connected parties and connected party transactions; policies and procedures concerning identifying and disclosing notifiable transactions; policies, procedures and guidelines for identifying and handling price sensitive information; and in the case of one selected subsidiary, procedures concerning the use of chops. The internal controls consultant considers that it is difficult for the Company to ensure the accuracy and completeness of the reporting and recording of such transactions in practice unless a proper system and control for the reporting and disclosure of key transactions has been established. In the absence of this, there is an increased risk that relevant rules and regulations may be breached. Further, there is an increased risk of unauthorised use of the company chops which may lead to invalid transactions where there is a lack of complete internal controls in relation to the management of the company chops.

- (2) The Risk Priority Rating 2 Findings were deficiencies relating to the Group's practices for handling issues regarding (a) ethics and integrity, (b) communications and organisation within the Group (including, without limitation, the lack of formal written delegation of authority at the operational level) without which there is an increased risk of management override, (c) effective monitoring of internal controls of the Group without which it is difficult to help identify risks effectively, (d) controls of computer information systems without which there will be an increased risk of invalid access to the Group's data and the Group may incur loss, theft or corruption of data, and (e) cash and treasury management practices without which the Group's assets may not be properly safeguarded from loss and misappropriation.

Response from the management of the Company to key findings of the internal controls assessment

The management of the Company believes that the Company has a fairly robust internal controls system. The deficiencies identified by the internal controls consultant arose partly from the absence of such internal controls being formally documented in writing. For example, while the Company has procedures requiring board members' declaration of any relationships with customers and suppliers to be made in writing every six months, and for all potentially connected or notifiable transactions under the listing rules of the Stock Exchange to be discussed at the board level, such requirements were previously not formally documented in writing. Notwithstanding this, the management of the Company does not consider that such deficiencies in the internal controls systems of the Company have caused the Suspected Criminal Conduct and Alleged Misconduct. In addition, there is evidence that Mr Wu has

intentionally perpetrated the Suspected Criminal Conduct and Alleged Misconduct. As mentioned above, the management of the Company considers that Mr Wu is primarily personally responsible (and possibly with others) for planning and perpetrating the matters that gave rise to the Suspected Criminal Conduct and Alleged Misconduct. As such, in relation to the Suspected Criminal Conduct and Alleged Misconduct, these were the result of acts primarily or entirely committed or directed by Mr Wu himself.

THE IRC'S OBSERVATIONS

The Company notes the IRC's observations, which are summarised below.

The IRC is deeply concerned with the Suspected Criminal Conduct and Alleged Misconduct. The IRC notes that upon the occurrence of the Suspected Criminal Conduct and Alleged Misconduct having been drawn to the attention of the Company, the Company has promptly taken initiatives to put in place various measures with a view to identifying possible causes that may have led to the Suspected Criminal Conduct and Alleged Misconduct and preventing the Suspected Criminal Conduct and Alleged Misconduct and further wrongdoings similar to the Suspected Criminal Conduct and Alleged Misconduct from occurring or continuing.

The IRC noted the following:

- (a) The forensic review reveals that a total of RMB 550,923,648.73 has been withdrawn by BOC, ICBC and MS Bank between August 2014 and October 2014, and the account balance of a NVC China bank account (with the bank balance of RMB 54,128,019 as of 31 December 2014) has been frozen by CCB. The IRC understands from the Company that the above account balance with CCB has been frozen from, on or around October 2014 to the present, due to a litigation commenced by CCB in the PRC against Huabiao in respect of a RMB80 million loan granted by CCB to Huabiao. As such, the IRC believes that the major financial impact to the Company of the Suspected Criminal Conduct and Alleged Misconduct occurred between August 2014 and October 2014 when the above amounts were withdrawn by the relevant banks, whereas in contrast, the sum of RMB 54,128,019 mentioned above remains frozen by CCB.
- (b) The forensic review also reveals that there is no evidence that the Board has discussed or approved any of the 14 Agreements nor has the forensic consultant come across evidence that anyone other than Mr Wu has been involved in approving or signing of the 14 Agreements.
- (c) For the Five Entities involved in the 14 Agreements and as disclosed in the previous announcements of the Company, the IRC understands from the management of the Company that the Company has been seeking PRC legal

advice in relation to the legal implications, including the legality and enforceability, of the 14 Agreements. The IRC also understands from the management of the Company that in consultation with its PRC legal adviser, the Company would maintain its position in ongoing legal proceedings referred to in paragraph (d) below that the 14 Agreements are not legally valid or enforceable by the relevant PRC banks. Further, the Company has reason to believe that four of the Five Entities, namely, En Wei Xi, Lei Li Jie, Wuji and Jiangte, are or may be associates of Mr Wu and accordingly, connected persons of the Company. In the event that the 14 Agreements are determined to be legally valid, those purported pledges and guarantees may potentially be connected transactions of the Company under the Listing Rules.

- (d) NVC China has commenced legal actions against Mr Wu and various other defendants in the PRC, among other things, (i) claiming that the 14 Agreements are not legally valid or enforceable by the relevant PRC banks and (ii) claiming approximately RMB600million in total from Mr Wu and other defendants. The PRC court has made an order freezing some assets of these defendants, which are believed to be worth approximately RMB1.05billion as at 31 December 2014. Based on the legal opinion of the PRC legal adviser of the Company, the Company estimates that subject to other third party claims, NVC China can possibly recover up to a total amount of approximately RMB322 million from the frozen assets of Mr Wu and other defendants should it succeed in its claim.
- (e) Given that (i) neither the Company nor any counter-party to the three alleged 20-year licensing agreements (“**3 Licensing Agreements**”) can confirm the existence of the 3 Licensing Agreements, and (ii) the licensing fees accrued and recorded in the Company’s books as highlighted by the forensic consultant actually relate to other licensing agreements other than the 3 Licensing Agreements, the IRC has suggested that the Company should consider contacting the counter-parties to the 3 Licensing Agreements with a view to confirming that neither party has entered into such agreements. The Company is in the process of contacting the related counter-parties on the above. As at the date of this report, the IRC understands from the Company that it has entered into an agreement with Shandong NVC, the counterparty to one of the 3 Licensing Agreements, in which Shandong NVC declares that it has not entered into any alleged 20-year licensing agreement(s) with Huizhou NVC, including any agreement(s) involving the NVC trademarks, and further, in that agreement, the parties agree that if any such 20-year licensing agreement should exist, it is terminated immediately.
- (f) The IRC understands from the forensic consultant and agrees with the management of the Company that, apart from the nine transactions with MS Bank potentially related to other pledges (as stated above) and the unsigned Microsoft Word documents with titles relating to licence of trade marks (also

stated above), the forensic consultant has found no evidence pointing to any other unrevealed pledge or loan agreements similar to the 14 Agreements or related to the approximately RMB600 million worth of funds withdrawn or frozen by the Four Banks, or other undisclosed licensing agreements entered into by Mr Wu without the knowledge and authorisation of the Board.

- (g) Mr Wu has been arrested and the Company has adopted various measures mentioned above, including the commencement of the above legal proceedings in the PRC against, among others, Mr Wu. The IRC agrees with the above view of the management of the Company i.e. the Company does not consider that the deficiencies in the internal controls systems of the Company have caused the Suspected Criminal Conduct and Alleged Misconduct as there is evidence that Mr Wu has intentionally perpetrated the Suspected Criminal Conduct and Alleged Misconduct and as such, in relation to the Suspected Criminal Conduct and Alleged Misconduct, these were the result of acts primarily or entirely committed or directed by Mr Wu himself.
- (h) In any event, based on the findings and measures recommended by the internal controls consultant, the IRC considers that those deficiencies in the Company's internal controls systems, in particular those relating to the Risk Priority Rating 1 Findings and the Risk Priority Rating 2 Findings, are of significance and should be rectified as soon as possible.
- (i) The IRC understands from the Company that it is currently taking remedial actions to implement measures recommended by the internal controls consultant in relation to the Risk Priority Rating 1 Findings and Risk Priority Rating 2 Findings. Some remedial actions that the Company has taken to address some of these deficiencies include, without limitation:
 - (i) the adoption by the Company of a standard declaration form for its senior management to file their declarations relating to connected parties on an annual basis;
 - (ii) the establishment of a new policy to require additional disclosures to be made by third parties, including suppliers and customers, of any relationships they have with the Company and its management when they sign any contract with the Company;
 - (iii) the establishment by the Company of a risk management program which contains the items listed in the recommendations from the internal controls consultant;
 - (iv) the holding of regular meetings by the management of the Company to discuss, identify and resolve enterprise risks; and

- (v) the periodic review of the risk assessment program and, through in-house and external resources, update it as required, in accordance with the recommendations of the internal controls consultant.

The IRC notes that the Company has reappointed the internal controls consultant to confirm whether all the deficiencies in the Risk Priority Rating 1 Findings and Risk Priority Rating 2 Findings, among others, have been rectified by the Group in accordance with the recommendations made in the internal controls assessment.

Further, the Company has been taking remedial actions to address all of the deficiencies identified by the internal controls consultant, which requires commitment of time and resources. As such, the IRC understands that while the Company has taken or will shortly be taking remedial actions to deal with the findings, a number of remedial actions may take a longer time to implement fully.

As an on-going process (which can be for an initial period of 6 to 12 months), the internal controls review department to be established by the Company, which will be headed by Mr Anthony Tan, a vice-president and the chief financial officer of the Company, will monitor the implementation of the various internal controls measures proposed by the internal controls consultant and have monthly discussions with the audit committee of the Company, whether by telephone calls or such other manner as the audit committee considers appropriate, with a view to ensuring that the Company implements the measures recommended by the internal controls consultant and strengthening the internal controls system of the Company.

- (j) From the information provided, it appears that Mr Wu is primarily personally responsible (and possibly with others) for planning and perpetrating the matters that gave rise to the Suspected Criminal Conduct and Alleged Misconduct. While the findings of the internal controls consultant identified various weaknesses in the internal controls systems of the Company, based on various discussions between the management of the Company and the IRC, the findings of the forensic review and also the findings of the internal controls review, the IRC agrees with the view of the management of the Company i.e. the Company does not consider that the deficiencies in the internal controls systems of the Company have caused the Suspected Criminal Conduct and Alleged Misconduct as there is evidence that Mr Wu has intentionally perpetrated the Suspected Criminal Conduct and Alleged Misconduct.

In addition, based on the Company's understanding from its PRC legal

advisor, the IRC understands that it is considered as a common prudent practice in the PRC that a legal representative of a PRC company has the authority to sign a legal document on behalf of that company and/or affix the document with the company chop. As such it would be difficult to prevent the Suspected Criminal Conduct and Alleged Misconduct if Mr Wu had deliberately overridden the internal controls systems of the Group and perpetrated the Suspected Criminal Conduct and Alleged Misconduct. While this reflects the common practice in the PRC, the IRC suggests that the Company should consider nominating and appointing future legal representatives of its PRC subsidiaries with great caution and providing trainings to legal representatives of its PRC subsidiaries to assist them in enhancing their compliance awareness with a view to minimising risks that may arise from the above authority of legal representatives.

COMPANY'S RESPONSE AND FOLLOW-UP ACTIONS

The Board has noted the observations of the IRC.

In relation to the findings from the forensic review, the Company has previously announced the existence of the 14 Agreements and their financial implications. Please refer to, among others, the Company's announcements dated 10 September 2014, 6 November 2014, 6 February 2015 and 14 April 2015.

Furthermore, to the extent the transactions under the 14 Agreements involve, or may potentially involve, a connected party of the Company, these transactions have been disclosed as possible connected transactions. Please refer to the Company's announcements dated 8 October 2014, 19 November 2014 and 13 May 2015.

As disclosed previously, beginning from end-2014, NVC China has instituted several legal proceedings in the PRC against Mr Wu and other defendants in connection with the pledge and guarantee agreements entered into by Mr Wu purportedly on behalf of NVC China. In the proceedings, NVC China's position is that the purported pledge and guarantee agreements are not legally valid and enforceable. For the avoidance of doubt, the findings set out above under the headings "Key Findings from the Forensic Review" and "Key Findings from the Internal Controls Assessment" are those of the forensic consultant and internal controls consultant, respectively, at the time the review and assessment were conducted, and have not been independently verified or confirmed by the Company. They also do not necessarily represent the Company's position or view in any legal proceedings which it or its affiliates may be party to.

The Company has noted the findings in the Reviews, and follow-up actions are being taken to address the issues identified by the internal controls consultant. The same internal controls consultant has been engaged by the Company to conduct a follow-up assessment of the internal control systems of the Company and the Selected Subsidiaries to ensure that significant issues have been properly addressed. The follow-up assessment is on-going and is presently expected to be completed within one

month's time. The Company will provide a further update when appropriate.

After finalising the report of the Forensic Review and before the issue of this Announcement, the Company recently became aware of a complaint issued by a bank (the "**Bank**") in the Chongqing First Intermediate People's Court, which relates to NVC China (the "**Complaint**"). The Complaint alleges that NVC China together with other individuals and entities are jointly liable as guarantors for the obligations of En Wei Xi owed to the Bank and that NVC China had allegedly entered into a guarantee agreement with the Bank. For details of the Complaint, please refer to the announcement dated 6 July 2015 issued by the Company. The Company is presently taking steps to obtain more details of the Complaint and is seeking legal advice in relation to the implications of the Complaint. For the avoidance of doubt, the key findings, the IRC's observations and the management response in this Announcement do not cover any issues arising from the Complaint. The Company will provide a further update when appropriate.

SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 11 August 2014 at the request of the Company.

DEFINITIONS

"3 Licensing Agreements"	The three alleged 20-year licensing agreements entered into by Mr Wu
"14 Agreements"	The 14 pledge/guarantee agreements that Mr Wu entered into between 2 September 2013 and 4 August 2014
"Alleged Misconduct"	Purported entering into of alleged 20-year licensing agreements by Mr Wu
"Bank"	a bank which had issued a complaint relating to, among others, NVC China in the Chongqing First Intermediate People's Court
"Board"	the board of Directors of the Company
"BOC"	Bank of China Chongqing Da Du Kou sub-branch
"CCB"	China Construction Bank Chongqing Nanping sub-branch
"China" or "PRC"	the People's Republic of China, which for the purpose of this announcement, shall not include Hong Kong Special Administrative Region, Macao Special Administrative Region or Taiwan

“Company”	NVC Lighting Holding Limited
“Director(s)”	the director(s) of the Company
“Enlin”	重庆恩林电器有限公司 (Chongqing Enlin Electronics Co.,Ltd.*),a limited liability company incorporated in the PRC
“En Wei Xi”	重庆恩纬西实业发展有限公司(Chongqing En Wei Xi Industrial Development Co., Ltd.*), a limited liability company incorporated in the PRC
“Four Banks”	BOC, CCB, ICBC and MS Bank
“Five Entities”	Lei Li Jie, Huabiao, Jiangte, Wuji and En Wei Xi
“Group”	the Company and its subsidiaries
“Huabiao”	重庆华标灯具制造有限公司(Chongqing Hua Biao Lighting Manufacturing Co., Ltd.*), a limited liability company incorporated in the PRC
“Huizhou NVC”	惠州雷士光电科技有限公司 (Huizhou NVC Lighting Technology Co., Ltd.*), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“ICBC”	Industrial and Commercial Bank of China Chongqing Nanping sub-branch
“IRC”	Independent Review Committee
“Jiangte”	重庆江特表面处理有限公司(Chongqing Jiang Te Surface Treatment Co., Ltd.*), a limited liability company incorporated in the PRC
“Lei Li Jie”	重庆雷立捷实业发展有限公司(Chongqing Lei Li Jie Industrial Development Co., Ltd.*), a limited liability company incorporated in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr Wu”	Wu Changjiang
“MS Bank”	China Minsheng Bank Chongqing branch
“NVC China”	雷士照明（中国）有限公司(NVC Lighting (China) Co., Ltd.*), a limited liability company incorporated in

	the PRC and a wholly-owned subsidiary of the Company
“Receiving Accounts”	certain accounts of NVC China maintained with MS Bank
“Reviews”	the forensic review and the internal controls assessment conducted by external professional services companies
“Risk Priority Rating 1 Findings”	findings identified as having a Risk Priority Rating 1 under the internal controls assessment
“Risk Priority Rating 2 Findings”	findings identified as having a Risk Priority Rating 2 under the internal controls assessment
“RMB”	Renminbi, the lawful currency of the PRC
“SAIC”	the State Administration of Industry and Commerce in the PRC
“Selected Subsidiaries”	certain selected subsidiaries of the Company
“Shandong NVC”	山东雷士照明发展有限公司 (Shandong NVC Lighting Development Co., Ltd.*), a limited liability company incorporated in the PRC
“Sheng Di Ai Si”	中山市圣地爱司照明有限责任公司 (Zhongshan Sheng Di Ai Si Lighting Co., Ltd.*), a limited liability company incorporated in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suspected Criminal Conduct”	Purported entering into of certain pledge/guarantee agreements by Mr Wu
“Wuji”	重庆无极房地产开发有限公司 (Chongqing Wu Ji Real Estate Development Co., Ltd.*), a limited liability company incorporated in the PRC
“Yongzhao”	重庆永照商贸有限公司 (Chongqing Yongzhao Trading Co., Ltd.*), a limited liability company incorporated in the PRC
“Zhongshan Lei Shi”	中山雷士家居照明有限公司 (Zhongshan Lei Shi JiaJu Lighting Co., Ltd.*), a limited liability company incorporated in the PRC

* denotes English translation of the name of a Chinese company or entity and is provided for identification purposes only

By Order of the Board

NVC LIGHTING HOLDING LIMITED

Wang Donglei

Chairman

Hong Kong, 17 July 2015

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

Executive Directors:

WANG Donglei

WANG Dongming

XIAO Yu

XIONGJie

Non-executive Directors:

LIN Ho-Ping

ZHU Hai

LI Wei

Independent Non-executive Directors:

LEE Kong Wai, Conway

WU Ling

WANG Xuexian

WEI Hongxiong