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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)

MAJOR TRANSACTION
DISCRETIONARY INVESTMENT MANAGEMENT
AGREEMENT

DISCRETIONARY INVESTMENT MANAGEMENT AGREEMENT

On 24 October 2024, the Company entered into the Agreement with the Manager, pursuant to which the Company has agreed to appoint the Manager, and the Manager has agreed to accept such appointment, as manager in relation to the provision of discretionary investment services by the Manager to the Company with respect to the Account, pursuant to the terms and subject to the conditions of the Agreement. The proposed investment amount is not more than US\$50 million.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the investment amount under the Agreement exceeds 25% but is less than 100%, the transactions contemplated under the Agreement constitute a major transaction for the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder (including the Proposed Investment).

As additional time is required to prepare and finalise the information in the circular, a circular containing, among other things, further details of the Agreement and a notice convening the EGM, is expected to be published on the websites of the Stock Exchange and the Company on or before 29 November 2024.

As the Agreement is subject to the Shareholders' approval, the transactions contemplated under the Agreement may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

DISCRETIONARY INVESTMENT MANAGEMENT AGREEMENT

The principal terms of the Agreement and the transactions contemplated thereunder are as follows:

Date: 24 October 2024

Parties: (1) the Company; and

(2) the Manager

(together, the “**Parties**” and each a “**Party**”).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Manager and its ultimate beneficial owners are Independent Third Parties.

Subject matter

The Company has agreed to appoint the Manager, and the Manager has agreed to accept such appointment, as the manager in relation to the provision of discretionary investment management services by the Manager to the Company with respect to the Account, pursuant to the terms and subject to the conditions of the Agreement.

Condition precedent

The Agreement and the transactions contemplated hereunder (including the Mandate (defined below) and the transfer of assets by the Company to the Account) shall be subject to and conditional upon compliance of the Listing Rules by the Company, including the approval of the Agreement and the transactions contemplated hereunder by the Shareholders (if applicable) in accordance with the Listing Rules (the “**Condition**”). The Condition may not be waived by any Party.

The Company shall notify the Manager in the event that the Listing Rules may impact the Manager from performing the services contemplated under the Agreement.

Management of the Account Assets

The Manager will have full power, authority and discretion to supervise, manage and direct the Account Assets. The Company and/or Morgan Stanley Wealth Management (acting upon the instructions of the Company) shall provide written instruction to the Manager specifying the specific investment strategy (the “**Strategy**”) the Account Assets shall be managed to, and such reasonable restrictions, customisations or other specific instructions applicable to the management of the Account Assets (the “**Mandate**”) and the Company may inform the Manager about any changes in the Mandate from time to time.

The Manager shall make its investment decisions consistent with such Mandate, but otherwise shall have the sole and exclusive authority and discretion to manage the Account Assets, including (i) to purchase, sell, invest, reinvest, exchange convert, trade in and otherwise deal with such Account Assets; and (ii) to place all orders for the purchase or sale of portfolio securities for the Account with or through brokers, dealers, banks or issuers selected by the Manager, as designated by the Company, or as required by Morgan Stanley Wealth Management.

Any discretionary transactions (including but not limited to purchase or disposal) with an amount greater than 5% of Account Assets should be communicated clearly with the Company in a manner that can be reasonably understood. The Manager will not invest in any securities issued by the Manager or its affiliates, including Morgan Stanley. In addition, the Manager will not execute any transactions with its affiliated broker-dealer nor will the Manager invest in its affiliated fund shares (e.g., an exchange traded fund advised by an affiliate) through which the Manager or its affiliate(s) will directly or indirectly receive additional compensation.

The Manager shall use its best efforts in managing the Account to attain the objectives of the Mandate, but there is no guaranteed return of the investment in the Account and the Manager does not guarantee or represent that any investment objectives will be achieved.

Investment policy and restrictions

Depending on the specific Strategy selected by the Company, the Manager may only invest in fixed income products, and permitted investments may comprise (i) direct obligations of the U.S. Government or a U.S. government agency, money market mutual funds, and/or (ii) corporate obligations (including commercial paper, asset-backed securities, floating rates notes, medium-term notes, master notes bonds and debentures).

The Manager shall not invest in (i) any variable rate obligations whose coupon rates adjust in a direction opposite to the direction of the index on which such adjustment is based; (ii) securities with a country of domicile that is not the United States; or (iii) any obligations denominated in a non-USD currency. At the time of purchase, no more than 15% of the Account Assets may be invested in the obligations of a single issuer, but there is no limit to the amounts which may be invested in direct obligations of the U.S. Government or a U.S. Government Agency, and money market funds. The minimum credit quality acceptable to the Company will be BBB (based on Standard and Poor's or Fitch) or Baa2 (based on Moody's).

Custody of Account Assets

The Manager does not act as custodian for the Account, or take or have possession of any assets of the Company. The Company shall select a qualified custodian (the “**Custodian**”) to hold the Account Assets, and the Manager may issue instructions to the Custodian as required or appropriate in carrying out the services to be provided under the Agreement. The Custodian will be responsible for the collection of income, dividends, and other distributions, and for other functions incidental to its role of custodian, including maintaining books and records of the Account. Morgan Stanley Wealth Management will act as the Custodian to hold the Account Assets.

Investment amount

Pursuant to the Agreement, the minimum account size is US\$1 million and account below such minimum amount will require Morgan Stanley's approval. The Company may determine what assets will be transferred to or from the Account from time to time.

The investment amount proposed to be made by the Company to the Account is not more than US\$50 million. The investment amount will be managed by the Manager with full discretionary power in accordance with the terms of the Agreement. If there is an increase in the investment amount, the Company will comply with the applicable requirements under the Listing Rules.

Based on the above arrangements, throughout the term of the Agreement, the Company may from time to time request to withdraw any or all of the investments from the Account, and subsequently transfer the investments back to, or deposit additional assets into, the Account as appropriate (subject to the Company's proposed maximum investment amount set out above). Based on the arrangements with Morgan Stanley Wealth Management in respect of the opening of the Account, the Company may be required to provide up to six (6) business days prior verbal or written notice to of withdrawal of assets from the Account, which will be processed subject to the usual and customary securities settlement procedures.

Term and termination of the Agreement

The Agreement shall take effect from the date of approval of the Agreement by the Shareholders at the EGM until terminated by either Party. The Agreement may be terminated at any time upon written notice by the Company or upon thirty (30) days' written notice by the Manager. Upon any such termination, Morgan Stanley Wealth Management shall not be permitted to initiate any new transaction on behalf of the Account, unless specifically requested to do so by the Company, but shall nevertheless be entitled to settle or close out of any outstanding purchase, sale or other transaction executed on behalf of the Account prior to the date such termination became effective. If the Account is terminated, the Manager will provide a ratable refund of prepaid fees for the period from the date of termination through the end of the then-current quarter.

Management fee

Pursuant to the fee proposal provided by Morgan Stanley Wealth Management and the Agreement, based on the proposed investment amount of US\$50 million, the proposed advisory fees (the "**Fees**") payable by the Company to Morgan Stanley Group in connection with the Agreement and transactions contemplated thereunder comprise the following:

- (a) a management fee (the "**MS Management Fee**") of 0.5% per annum of the appraised value of the assets under management, payable to Morgan Stanley Wealth Management for the investment advisory services, overlay management and portfolio implementation, the execution of transactions and custody of Account Assets with/through Morgan Stanley Group and performance reporting. The MS Management Fee will be charged monthly in advance based on the Account's market value on the last business day of the previous billing month, and will be deducted from the assets contained in the Account when due; and

- (b) an annual advisory fee payable to the Manager (the “**Manager Advisory Fee**”) in the range of 0.07% to 0.32% of the total fair market value of the assets in the Account depending on the Strategy selected by the Company. The Manager Advisory Fee will be calculated and paid each calendar quarter in advance commencing on the funding date of the Account or on the date active management of the Account by the Manager starts (whichever is later), and will be deducted from the assets contained in the Account when due.

Based on the expected investment amount of US\$50 million and the Strategy proposed to be selected by the Company (being U.S. Corporate Ladder), the Manager Advisory Fee is expected to be 0.1%. The Fees may be subject to adjustment from time to time upon reasonable notice to the Company, with reference to the standard fee chargeable by Morgan Stanley Wealth Management generally to its corporate clients. In the event of any proposed adjustment of the Fees by Morgan Stanley Group, the Board will evaluate whether such adjustment is fair and reasonable and determine whether to continue to engage Morgan Stanley Group in providing the relevant services (or to exercise the Company’s right to withdraw any or all of the investments from the Account).

The Fees does not include, among others, (i) other expenses charged by mutual funds and exchange traded funds (ETFs) in which the Account is invested (which are charged directly to the pool of assets which the fund invests and reflected in each fund’s share price), (ii) underwriting fees where a member of Morgan Stanley Group is a member of an underwriting syndicate, and (iii) the costs of brokerage commissions, dealer spreads, trade-away fees and other costs associated with the purchase or sale of securities, custodian fees, interest, taxes, and other Account expenses, which will be borne by the Company.

The Fees were determined after arms-length negotiation among the Company, the Manager and Morgan Stanley Wealth Management, having considered the standard fee rates chargeable by Morgan Stanley Wealth Management to its corporate clients, the Strategy to be selected by the Company and the investment amount proposed to be made by the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

The Company believes that making reasonable and effective use of the Group's temporary idle cash, such as engaging in wealth management activities with low risk exposure, can enhance the Group's overall return on capital. Noting the anticipated interest rate reduction by the U.S. Federal Reserve in the latter half of 2024, the Company entered into the Agreement with the Manager with a view to better manage part of its cash resources for making investments in a portfolio of low-risk fixed income products. The Company is of the view that the investments made by the Manager will enable the Company to achieve principal purpose of capital preservation and to cautiously obtain capital appreciation over the presently unutilised funds.

Based on information available to the Company, the Manager, being an investment adviser registered with the SEC, has been providing investment advisory services since its formation in 1987 and is now a leading global asset management firm offering portfolio management services and investment strategies to both institutional and individual investors. Having considered the Manager's expertise, experience in securities market and track record, the Manager will be able to provide quality professional investment management services and bring moderate returns to the Company.

The Company considers that it can still maintain its liquidity position notwithstanding the entering into of the Agreement and the transactions contemplated thereunder (including the Proposed Investment). The Company notes that (i) despite minimum account size of US\$1 million, the Group's unaudited cash and cash equivalents as at 30 June 2024 amounted to approximately US\$118.8 million; (ii) there is no minimum period of deposit for the funds; (iii) as the Agreement provides that the Company may determine what assets will be transferred to or from the Account from time to time, throughout the term of the Agreement, the Company will have the right to withdraw any or all of the investments from the Account and/or to subsequently transfer the investments back to, or deposit additional assets into, the Account (subject to the Company's proposed maximum investment amount); and (iv) the Company will also have the right to terminate the Agreement upon notice to the Manager. These features enable the Company to enhance returns by effectively using idle cash without negatively impacting the Group's working capital. Upon the appointment of the Manager becoming effective, the Board will regularly monitor the external market circumstances and the Group's liquidity needs and review the performance reports of the investments. The Board will also evaluate whether to exercise the Company's right to withdraw, reinvest and/or terminate any or all of the investments from the Account where necessary or appropriate.

Based on the above, the Directors (including all of the independent non-executive Directors) consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

INFORMATION ABOUT 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. The Company and its subsidiaries are principally engaged in the manufacture and sales of lamps, luminaires, lighting electronic products and related products.

The Manager

The Manager is a company incorporated in the State of Delaware, the United States with limited liability and is part of the asset management division of Morgan Stanley.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) each of the Manager and Morgan Stanley Wealth Management is wholly-owned by Morgan Stanley, the ordinary stock of which is traded on the New York Stock Exchange under the ticker symbol "MS"; (ii) the Manager is an investment advisor registered with the SEC under the Investment Advisers Act and is principally engaged in the provision of investment advisory services, and Morgan Stanley Wealth Management is a U.S. broker-dealer and futures commission merchant; and (iii) the Manager and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the investment amount under the Agreement exceeds 25% but is less than 100%, the transactions contemplated under the Agreement constitute a major transaction for the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder (including the Proposed Investment).

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, no Shareholder has a material interest in the Agreement and the transactions contemplated thereunder (including the Proposed Investment). As such, no Shareholder is required to abstain from voting on the resolution approving the Agreement and the transactions contemplated thereunder (including the Proposed Investment) at the EGM.

As additional time is required to prepare and finalise the information in the circular, a circular containing, among other things, further details of the Agreement and a notice convening the EGM, is expected to be published on the websites of the Stock Exchange and the Company on or before 29 November 2024.

As the Agreement is subject to the Shareholders' approval, the transactions contemplated under the Agreement may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Account”	an investment advisory account established by Morgan Stanley Wealth Management on behalf of the Company
“Account Assets”	the assets in the Account
“Agreement”	the investment management agreement dated 24 October 2024 and entered into between the Manager and the Company in relation to the provision of the discretionary investment services by the Manager to the Company
“Board”	the board of Directors

“Company”	NVC International Holdings Limited (雷士國際控股有限公司)(formerly known as NVC Lighting Holding Limited (雷士照明控股有限公司)), a company incorporated in the British Virgin Islands on 2 March 2006 and subsequently redomiciled to the Cayman Islands on 30 March 2010 as an exempted company with limited liability under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2222)
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approving the Agreement and the transactions contemplated thereunder (including the Proposed Investment)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third party independent of and not connected with (within the meaning of the Listing Rules) any director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their respective associates
“Investment Advisers Act”	the U.S. Investment Advisers Act of 1940, as amended
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Manager”	Parametric Portfolio Associates LLC, a company incorporated in the State of Delaware, the United States with limited liability and an investment advisor registered with the SEC under the Investment Advisers Act
“Morgan Stanley”	Morgan Stanley, a corporation organised under the laws of the State of Delaware, the United States, the ordinary shares of which are listed on the New York Stock Exchange under the ticker symbol “MS”

“Morgan Stanley Group”	Morgan Stanley Wealth Management and its subsidiaries and affiliates
“Morgan Stanley Wealth Management”	Morgan Stanley Smith Barney LLC, a corporation organised under the laws of the State of Delaware, the United States, and a wholly-owned subsidiary of Morgan Stanley
“PRC”	the People’s Republic of China
“SEC”	the U.S. Securities and Exchange Commission
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States” or “U.S.”	the United States of America
“US\$”	United States dollar(s), the lawful currency of the United States
“%”	per cent

By order of the Board
NVC International Holdings Limited
WANG Donglei
Chairman

Hong Kong, 24 October 2024

As at the date of this announcement, the Directors are:

Executive Directors:

WANG Donglei

CHAN Kim Yung, Eva

XIAO Yu

WANG Keven Dun

Non-executive Director:

YE Yong

Independent Non-executive Directors:

LEE Kong Wai, Conway

WANG Xuexian

CHEN Hong