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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)

ANNOUNCEMENT

Reference is made to the annual report of NVC Lighting Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2017 (the “**Annual Report**”). Unless otherwise stated, terms used herein shall bear the same meaning as those defined in the Annual Report.

As disclosed in the Annual Report, the auditors of the Company (the “**Auditors**”) have issued a qualified opinion on the Group’s consolidated financial statements for the year ended 31 December 2017, in connection with several alleged guarantees purportedly provided by the Group. There are ongoing legal proceedings relating to those guarantees, and for the purpose of the annual audit for the Group’s consolidated financial statements for the year ended 31 December 2017, the Auditors were not able to obtain sufficient appropriate audit evidence in relation to (i) impairment of other receivables and uncertainties relating to financial guarantee contracts; and (ii) provision for loss on financial guarantee contract, further details of which are set out in the Annual Report.

Management’s position and accounting treatment

As disclosed in the Annual Report, (i) time deposits of RMB550,924,000 of a subsidiary of the Company (the “**Subsidiary**”) had been withdrawn by several banks due to default of the bank loans under the guarantees provided by the Subsidiary pursuant to several alleged pledge and guarantee agreements entered into by Mr. WU Changjiang (the Company’s former CEO) purportedly on behalf of the Subsidiary. Counter guarantees were provided by one of the borrowers of the bank loans, Chongqing Wu Ji Real Estate Development Co., Ltd. (“**Wu Ji**”), to the Group, and the Group initiated legal actions to claim the counter guarantees provided by Wu Ji. An aggregate amount of RMB550,924,000 was recognised as other receivables due from Wu Ji as at 31 December 2017. The management of the Company was of the opinion that an amount of RMB265,564,000 is recoverable and had made a provision for the irrecoverable amount of RMB285,360,000 since the year ended 31 December 2014; (ii) the Group acted as defendant in lawsuits brought by two PRC banks and a PRC finance company alleging that the Group should assume guarantee liabilities and interests according to alleged guarantee agreements entered into by Mr. WU Changjiang purportedly on behalf of the Subsidiary. In relation to the lawsuits brought by one of the PRC banks, a bank balance of RMB55,396,000 of the Subsidiary had been withdrawn by a court for the purpose of settlement of the claim by the PRC bank. The management of the Company considered that the likelihood of the Group sustaining losses from the guarantees was remote, and accordingly no provision for claims arising from the litigations and the withdrawn bank balance was considered necessary as at 31 December 2017, save for the related legal and other costs.

The view of the management of the Company that (i) an amount of RMB265,564,000 is recoverable was based on counter guarantees provided by Wu Ji, including land use rights pledged by Wu Ji; (ii) the likelihood of the Group sustaining losses from the guarantees was remote as at 31 December 2017 was based on, among other things, (a) legal opinions obtained by the management of the Company regarding the lawsuits brought by the two PRC banks and the PRC finance company; (b) the loans had securities including land use rights pledged by Wu Ji, and land use rights pledged by Chongqing En Wei Xi Industrial Development Co., Ltd.; and (c) there are several other guarantors involved in the legal proceedings with the two PRC banks and the PRC finance company that are adjudged to be jointly and severally liable for the relevant debts to the two PRC banks and the PRC finance company, respectively.

Views of audit committee

The audit committee of the Company confirmed that it had reviewed and agreed with the management's position and the Company's accounting treatment as set out above.

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

Hong Kong, 27 June 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

Non-executive Directors:

LI Huating
LI Wei

Independent Non-executive Directors:

LEE Kong Wai, Conway
WANG Xuexian
WEI Hongxiong
SU Ling