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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)

INSIDE INFORMATION

NEGATIVE PROFIT ALERT

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**”) and Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to update the shareholders of the Company (the “**Shareholders**”) and potential investors that based on its latest preliminary assessment of the Group’s currently available unaudited management accounts, it believes that the Group may record a net loss attributable to owners of the parent for the year ended 31 December 2018, as compared to the profit attributable to owners of the parent for the year ended 31 December 2017.

This turnaround from a profit to a loss is largely due to the following reasons:

- (i) an increase in the impairment provision to be made in connection with recent developments involving the Irrecoverable Amount (as defined below). As previously disclosed, time deposits of RMB550,924,000 of a subsidiary of the Company (the “**Subsidiary**”) had previously been withdrawn by several banks due to defaults of bank loans which were allegedly guaranteed by the Subsidiary pursuant to several alleged pledge and guarantee agreements (the “**Pledge and Guarantee Agreements**”) entered into by Mr. WU Changjiang (the Company’s former CEO) purportedly on behalf of the Subsidiary. Counter guarantees (the “**Counter Guarantees**”) had been provided by one of the borrowers of the bank loans, Chongqing Wu Ji Real Estate Development Co., Ltd. (重慶無極房地產開發有限公司) (“**Wu Ji**”), to the Group in respect of the Group’s potential exposure under the Pledge and Guarantee Agreements, and the Group initiated legal actions to claim on the Counter Guarantees provided by Wu Ji. As previously disclosed, an aggregate amount of RMB550,924,000 had been recognised as other receivables due from Wu Ji, with an amount of RMB265,564,000 being treated as recoverable and a provision of RMB285,360,000 made for the irrecoverable amount (the “**Irrecoverable Amount**”). The view of the management of the Company that an amount of RMB265,564,000 was recoverable was based on, among others, the Counter Guarantees provided by Wu Ji.

The Company has recently discovered that a first trial judgment was issued in 2018 by the Chongqing Fifth Intermediate People's Court which held Wu Ji liable to a third party for the payment of RMB181,209,800 with interest, which together amount to approximately RMB279,856,000 as at 31 December 2018; and that Wu Ji's subsequent appeal against the judgment has been deemed to be withdrawn (as disclosed by an announcement of the Chongqing Higher People's Court issued in December 2018). That same announcement stated that the Chongqing Higher People's Court had upheld the first trial judgment, and that the first trial judgment shall take effect either upon actual delivery of the decision, or upon deemed delivery of the decision (which occurs 60 days after the date of the announcement), whichever happens first. The Company does not know whether actual delivery of the decision occurred, but notes that the date of deemed delivery would have been in February 2019.

Given the additional large sum Wu Ji has been ordered to pay, the Company is concerned that Wu Ji may not have sufficient remaining assets to reimburse the Group under the Counter Guarantees, even if the Company succeeds in the legal actions mentioned above. As a result, and following further urgent enquiries made by the Company, the Company now expects that the amount it may be reimbursed for under the Counter Guarantees will decrease significantly. As such, the Board considers it to be necessary to provide for an additional impairment provision of RMB265,564,000 in the Group's consolidated financial statements for the year ended 31 December 2018, and therefore the provision for the Irrecoverable Amount will be increased from RMB285,360,000 to RMB550,924,000; and

- (ii) losses to be provided for in connection with the Lawsuits (as defined below) for the year ended 31 December 2018. As previously disclosed, the Group was a defendant in lawsuits brought by two PRC banks and a PRC finance company alleging that the Group should assume guarantee liabilities including interest under alleged guarantees entered into by Mr. Wu Changjiang purportedly on behalf of the Subsidiary (the "**Lawsuits**"). As previously disclosed, the Subsidiary was held liable for a total of RMB129,497,000 (including an amount of RMB55,396,000 which had been withdrawn by the courts for the purpose of settling the payment in one of the Lawsuits) plus interests and costs, to the two PRC banks and the PRC finance company in the Lawsuits. No provision was previously made in relation to these amounts for the reasons explained in the Company's earlier announcement dated 27 June 2018.

Following receipt of the court judgments, the Company has been reviewing them and considering the available evidence and grounds for challenge with its lawyers. Based on those considerations, including further discussions and advice from its lawyers, and bearing in mind that there has been a significant lapse of time since the Subsidiary filed its protest with the Supreme People's Procuratorate in relation to one of the Lawsuits and no positive reply has been received in response and the consideration that the Lawsuits are similar to each other on the underlying facts, the Company now considers that the likelihood of successful protests followed by successful retrials of the Lawsuits has been significantly lowered. Even though the outcome of the protest is still pending, the Company considers that it is now appropriate to provide for losses arising from the Lawsuits of approximately RMB207,000,000 (which sum includes the impairment loss on the withdrawn bank balance of RMB55,396,000 and also takes into account interest and legal costs) in the Group's consolidated financial statements for the year ended 31 December 2018.

Please refer to the Company's 2018 interim report and the announcement dated 27 June 2018 for details of the Lawsuits and the Counter Guarantees. The making of provision in connection with the Irrecoverable Amount and the Lawsuits is arrangement to be made in the Group's consolidated financial statements for the year ended 31 December 2018 for historical issues and will not involve any payment of cash in 2018.

The Company is still in the process of finalising the final results of the Group for the year ended 31 December 2018. The information contained in this announcement is based solely on the Board's preliminary assessment of the unaudited management accounts of the Group for the year ended 31 December 2018, but not based on any financial data or information that has been audited or reviewed by the Company's auditor. Details of the Group's financial performance will be disclosed in the annual results announcement of the Company for the year ended 31 December 2018, which is expected to be published in due course pursuant to the requirements of the Listing Rules. Shareholders and potential investors should read carefully such results announcement when it is issued.

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
Wang Donglei
Chairman

Hong Kong, 1 March 2019

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:

YE Yong

Independent Non-executive Directors:

LEE Kong Wai, Conway
WANG Xuexian
WEI Hongxiong
SU Ling