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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)**

### **FURTHER ANNOUNCEMENT ON AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019**

Reference is made to the announcement of the Company dated 27 March 2020 (the “**Announcement**”) and the announcement of the Company dated 9 April 2020 in respect of, among other things, the delay in the publication of the financial results of the Group for the year ended 31 December 2019 which have been agreed with the auditor. Unless otherwise required, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board of the Company is pleased to announce that the Company’s auditor, BDO Limited, has completed its audit of the annual results of the Group for the year ended 31 December 2019 (the “**2019 Results**”) in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The 2019 Results is consistent with the unaudited annual results of the Group for the year ended 31 December 2019 contained in the Announcement in all material respects.

The financial figures in respect of the consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2019, as set out in the Announcement, have been compared by the Company’s auditor to the amounts set out in the audited consolidated financial statements for the year and the amounts were found to be in agreement. Such work performed by BDO Limited in this respect did not constitute an audit, review or other assurance engagement in accordance with HKSAs, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the Announcement.

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The Company's external auditor has issued a qualified opinion on the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2019. An extract from the independent auditor's report is as follows:

### Qualified Opinion

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Qualified Opinion

(a) *Impairment of other receivables and uncertainties relating to financial guarantee contracts*

As set out in Note 37 to the consolidated financial statements, a subsidiary of the Company (the "**Subsidiary**") entered into several pledge and guarantee agreements in 2013 and 2014 (the "**Pledge and Guarantee Agreements**") with certain banks in the People's Republic of China (the "**PRC**"), providing guarantees to the banks for their loan facilities granted to certain borrowers. Certain counter guarantees were provided by one of the borrowers of the bank loans (the "**Borrower**") to the Group. During 2014, aggregate pledged time deposits of RMB550,924,000 of the Subsidiary had been withdrawn by the banks due to default of the bank loans under the guarantees of the Subsidiary.

The Group initiated legal actions to claim the counter guarantees provided by the Borrower. The directors were of the opinion that an amount of RMB265,564,000 (the "**Recoverable Amount**") was recoverable in prior years. Therefore other receivables of RMB550,924,000 due from the Borrower were included in "Prepayments, deposits and other receivables" in the consolidated statement of financial position as at 31 December 2014, and a provision for the irrecoverable amount of RMB285,360,000 had been recognised in profit or loss for the year ended 31 December 2014. There was no subsequent reversal of the provision or further provision recognised up to 31 December 2017.

As at 31 December 2018, the directors assessed the amount that the Group would recover from the Borrower under the Pledge and Guarantee Agreements taking into consideration all information available, including the additional claims from other creditors against the Borrower as noted in a court announcement issued in December 2018. Based on the then latest estimated value of the Borrower's assets, the priority of other creditors over the Borrower's asset and the amounts of their claims, the directors considered that the Group would not be able to recover the Recoverable Amount. Therefore an additional provision of RMB265,564,000 on the Recoverable Amount was recognised in profit or loss for the year ended 31 December 2018. The provision was included in "Other expenses, net" in the consolidated statement of profit or loss. After the additional provision, the net carrying amount of the Recoverable Amount became RMBNil as at 31 December 2018.

As set out in Note 37 to the consolidated financial statements, the Subsidiary also entered into guarantee agreements with another PRC bank in 2013 (the "**Guarantee Agreement 1**") and a PRC finance company in 2014 (the "**Guarantee Agreement 2**") respectively, providing guarantees to the PRC bank and the PRC finance company for their loan facilities granted to their borrowers. The outstanding loans of RMB35,497,000 and RMB34,000,000 in relation to the Guarantee Agreements 1 and 2 were in default in 2015 and 2014 respectively. The PRC bank and the PRC finance company took legal actions against the respective borrowers and the guarantors (including the Borrower and the Subsidiary as guarantors) to recover the loan balances and interests.

For the Guarantee Agreement 1, according to the first court judgement in 2016 and the final court judgement in 2017, the Subsidiary is adjudicated to be jointly liable for the payment to the PRC bank of the outstanding loan, plus interest and costs. The Subsidiary filed application of retrial of the PRC court judgements and the commencement thereof was accepted by the PRC court in January 2018, but the application was rejected according to the court judgement received by the Subsidiary in May 2018.

For the Guarantee Agreement 2, according to the first court judgement in 2016 and the final court judgement in 2017, the Subsidiary was adjudicated to be jointly liable for the payment to the PRC finance company of the outstanding loan, plus interest and costs.

As of 31 December 2017, the Subsidiary was in the process of applying for protests of the PRC court judgements in relation to Guarantee Agreements 1 and 2. Accordingly, the Group was of the view that the legal proceedings in relation to Guarantee Agreements 1 and 2 were still in progress notwithstanding the respective final court judgements and the rejection of the application of retrial in relation to Guarantee Agreement 1.

Based on the view that the legal proceedings were still in progress and with reference to legal opinions obtained and other factors, the directors considered that the likelihood of the Group sustaining losses from the Guarantee Agreements 1 and 2 was remote as it was considered that the loans had sufficient underlying securities including the Borrower's guarantees and the Subsidiary is only one of the guarantors for the loans. As a result, the directors considered that no provision thereon was considered necessary as at 31 December 2017.

The Group had another litigation (defined as Guarantee Agreement 3 in (b) below) with circumstances similar to those of Guarantee Agreement 1 and Guarantee Agreement 2. As of 31 December 2018, the directors assessed whether to recognise any provision for losses arising from Guarantee Agreement 1 and Guarantee Agreement 2 with reference to all available information including the Group's experience in Guarantee Agreement 3 and latest legal opinion and considered that it was probable that the Group's application for protest of the PRC court judgements would not be successful and the Subsidiary would be adjudicated to be jointly liable for the payment to the PRC bank and PRC finance company for their losses. Accordingly full provisions for outstanding loans in relation to the Guarantee Agreements 1 and 2 respectively, plus interest and costs, in the amounts of RMB61,830,000 and RMB60,700,000 respectively, were recognised in profit or loss for the year ended 31 December 2018. The provision was included in "Other expenses, net" in the consolidated statement of profit or loss.

In our audit of the Company's consolidated financial statements for the year ended 31 December 2017, we were unable to obtain sufficient appropriate audit evidence to ascertain whether the assessment on recoverability of the Recoverable Amount due from the Borrower and RMBNil provision for the Guarantee Agreements 1 and 2 as at 31 December 2017 was appropriate. As such audit scope limitation may have a consequential impact on the amounts of provisions on the Recoverable Amount and on Guarantee Agreement 1 and Guarantee Agreement 2 recognised during the year ended 31 December 2018, the audit opinion on the Company's consolidated financial statements for the year ended 31 December 2018 was modified. Our audit opinion on the Company's consolidated financial statements for the year ended 31 December 2019 is also modified because of the possible effect of this matter on the comparability of the related 2019 figures and the 2018 figures in the consolidated financial statements for the year ended 31 December 2019.

**(b) Provision for loss on financial guarantee contract**

As set out in Note 37 to the consolidated financial statements, in addition to the agreements as mentioned in the above paragraphs, the Subsidiary entered into a guarantee agreement (the "**Guarantee Agreement 3**") with a PRC bank in 2014, providing guarantee to the bank for a loan facility granted to its borrower. The bank loan was in default in 2014 and the bank took legal actions against the borrower and the guarantors (including the Subsidiary) to recover the bank loan balance and interest. A court order was issued to freeze assets of the guarantors (including the Subsidiary) in the amount of RMB62,000,000. As a result of the court order, bank balance of the Subsidiary in the amount of RMB55,396,000 (the "**Withdrawn Amount Recoverable**") had been frozen by the bank in 2014. According to the first court judgement in 2016 and the final court judgement in 2017, the Subsidiary is adjudicated to be jointly liable for the payment to the PRC bank of RMB60,000,000, plus interest and costs. In February 2017, the frozen bank balance of the Subsidiary was withdrawn by the court for the purpose of settlement of the claim by the PRC bank. During 2017, the Subsidiary filed an application of retrial of the PRC court judgements in relation to Guarantee Agreement 3 which was rejected by the PRC court. During 2017, the Subsidiary filed an application of protest of the PRC court judgements and the commencement of related legal proceeding was accepted by the PRC court in March 2018. Accordingly, the Group was of the view that the legal proceeding was still in progress notwithstanding the final court judgement and the rejection of the application of retrial.

As of 31 December 2017, the directors, with reference to legal opinion obtained and other factors, considered that the likelihood of the Group sustaining losses from the guarantee was remote as it was considered that the bank loan had sufficient underlying securities and the Subsidiary is only one of the guarantors for the bank loan. The directors believed that the Withdrawn Amount Recoverable would be fully recovered upon the conclusion of the protest of the PRC court judgements and no provision on the Withdrawn Amount Recoverable was considered necessary as at 31 December 2017. In addition, the directors were of the opinion that no provision on any shortfall between the amount to be ultimately settled by the Group under the Guarantee Agreement 3 and the Subsidiary's withdrawn amount was considered necessary as at 31 December 2017.

As of 31 December 2018, the directors assessed whether the Group would be held liable for the PRC bank's loss under Guarantee Agreement 3 and as a result, whether the Group would incur loss. The directors' assessment was made with reference to all available information and the latest circumstances including the fact that it has been a significant lapse of time since the Subsidiary filed its protest with the PRC court but no positive reply has been received. The legal opinion obtained considered the likelihood of the protest being successful was significantly lowered and became remote. Based on the assessment, the directors considered that it was probable for the Group to be held liable for the PRC bank's loss under Guarantee Agreement 3. The Withdrawn Amount Recoverable of RMB55,396,000 was therefore determined to be irrecoverable and fully impaired with the corresponding amount recognised in the profit or loss during the year ended 31 December 2018. The directors also estimated there was a shortfall of RMB4,604,000 between the Group's liability under Guarantee Agreement 3 and the withdrawn amount. Provision for this shortfall plus interest and costs under Guarantee Agreement 3 of RMB28,989,000 was recognised in the profit or loss during the year ended 31 December 2018. These provisions were included in "Other expenses, net" in the consolidated statement of profit or loss.

In our audit of the Company's consolidated financial statements for the year ended 31 December 2017, we were unable to obtain sufficient appropriate audit evidence regarding whether the Group would be held liable for the PRC bank's loss and the probability that the Group would incur loss under Guarantee Agreement 3 as at 31 December 2017. As such audit scope limitation may have a consequential impact on the amount of Withdrawn Amount Recoverable impaired and the amount of provision for further loss under Guarantee Agreement 3 recognised during the year ended 31 December 2018, the audit opinion on the Company's consolidated financial statements for the year ended 31 December 2018 was modified. Our audit opinion on the Company's consolidated financial statements for the year ended 31 December 2019 is also modified because of the possible effect of this matter on the comparability of the related 2019 figures and 2018 figures in the consolidated financial statements for the year ended 31 December 2019.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

By Order of the Board  
**NVC International Holdings Limited**  
**Wang Donglei**  
*Chairman*

Hong Kong, 23 April 2020

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

*Executive Directors:*

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

*Non-executive Director:*

YE Yong

*Independent Non-executive Directors:*

LEE Kong Wai, Conway  
WANG Xuexian  
WEI Hongxiong  
SU Ling