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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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020 AND DISSOLUTION OF INDEPENDENT INVESTIGATIONS COMMITTEE**

#### **HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2020:**

- The Group's revenue amounted to RMB1,100,956,000, representing an increase of 2.8% as compared with that from continuing operations in the Corresponding Period.
- The Group's gross profit amounted to RMB296,479,000, representing an increase of 9.7% as compared with that from continuing operations in the Corresponding Period.
- The Group's profit before income tax amounted to RMB111,694,000, with the profit before income tax from continuing operations amounted to RMB247,722,000 in the Corresponding Period.
- Profit attributable to owners of the parent amounted to RMB52,453,000, with the profit attributable to owners of the parent from continuing operations amounted to RMB235,045,000 in the Corresponding Period.
- The Group's profit for the period from discontinued operations amounted to RMB148,123,000 in the Corresponding Period.
- Basic earnings per share attributable to owners of the parent amounted to RMB1.24 cents (continuing operations in the Corresponding Period: RMB5.56 cents).
- The Board has proposed not to declare an interim dividend (Corresponding Period: no interim dividend declared).

The Board announces the interim results of the Group for the Period under Review. The interim results have been reviewed by the external auditor and the Audit Committee of the Company.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

|                                                          |       | Six months ended       |                  |
|----------------------------------------------------------|-------|------------------------|------------------|
|                                                          |       | 30 June                |                  |
|                                                          |       | 2020                   | 2019             |
|                                                          | Notes | RMB'000                | RMB'000          |
|                                                          |       | (Unaudited)            | (Unaudited)      |
|                                                          |       |                        | (Re-presented)   |
| <b>CONTINUING OPERATIONS</b>                             |       |                        |                  |
| <b>REVENUE</b>                                           | 2     | <b>1,100,956</b>       | 1,071,087        |
| Cost of sales                                            |       | <u>(804,477)</u>       | <u>(800,842)</u> |
| <b>GROSS PROFIT</b>                                      |       | <b>296,479</b>         | 270,245          |
| Other income and gains                                   | 3     | <b>144,787</b>         | 24,780           |
| Selling and distribution costs                           |       | <b>(118,093)</b>       | (117,689)        |
| Administrative expenses                                  |       | <b>(118,911)</b>       | (123,893)        |
| Reversal of impairment/(impairment) of trade receivables |       | <b>12,602</b>          | (953)            |
| Impairment of other receivables                          |       | –                      | (554,918)        |
| Other expenses                                           |       | <b>(60,114)</b>        | (7,540)          |
| Finance costs                                            | 4     | <b>(2,120)</b>         | (3,706)          |
| Share of results of associates                           |       | <b>(42,936)</b>        | 123              |
| Gain on disposal of a subsidiary                         | 13    | <u>–</u>               | <u>761,273</u>   |
| <b>PROFIT BEFORE INCOME TAX</b>                          |       | <b>111,694</b>         | 247,722          |
| Income tax                                               | 5     | <u><b>(38,237)</b></u> | <u>(2,629)</u>   |
| <b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>  |       | <b>73,457</b>          | 245,093          |
| <b>DISCONTINUED OPERATIONS</b>                           |       |                        |                  |
| Profit for the period from discontinued operations       | 7     | <u>–</u>               | <u>148,123</u>   |
| <b>PROFIT FOR THE PERIOD</b>                             |       | <u><b>73,457</b></u>   | <u>393,216</u>   |

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Continued)

|                                                                                                            |      | Six months ended<br>30 June           |                                                         |
|------------------------------------------------------------------------------------------------------------|------|---------------------------------------|---------------------------------------------------------|
|                                                                                                            | Note | 2020<br><b>RMB'000</b><br>(Unaudited) | 2019<br><b>RMB'000</b><br>(Unaudited)<br>(Re-presented) |
| Attributable to:                                                                                           |      |                                       |                                                         |
| Owners of the parent                                                                                       |      |                                       |                                                         |
| Profit for the period from continuing operations                                                           |      | 52,453                                | 235,045                                                 |
| Profit for the period from discontinued operations                                                         |      | —                                     | 139,236                                                 |
| Profit for the period attributable to owners of the parent                                                 |      | 52,453                                | 374,281                                                 |
| Non-controlling interests                                                                                  |      |                                       |                                                         |
| Profit for the period from continuing operations                                                           |      | 21,004                                | 10,048                                                  |
| Profit for the period from discontinued operations                                                         |      | —                                     | 8,887                                                   |
| Profit for the period attributable to non-controlling interests                                            |      | 21,004                                | 18,935                                                  |
|                                                                                                            |      | <b>73,457</b>                         | <b>393,216</b>                                          |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT FROM CONTINUING AND DISCONTINUED OPERATIONS</b> |      |                                       |                                                         |
| Basic                                                                                                      | 6    | 1.24 cents                            | 8.85 cents                                              |
| Diluted                                                                                                    | 6    | 1.24 cents                            | 8.85 cents                                              |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT FROM CONTINUING OPERATIONS</b>                  |      |                                       |                                                         |
| Basic                                                                                                      | 6    | 1.24 cents                            | 5.56 cents                                              |
| Diluted                                                                                                    | 6    | 1.24 cents                            | 5.56 cents                                              |

Details of the dividend are disclosed in Note 8 on page 15 of this announcement.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|                                                                                                    | Six months ended       |                       |
|----------------------------------------------------------------------------------------------------|------------------------|-----------------------|
|                                                                                                    | 30 June                |                       |
|                                                                                                    | 2020                   | 2019                  |
|                                                                                                    | <i>RMB'000</i>         | <i>RMB'000</i>        |
|                                                                                                    | (Unaudited)            | (Unaudited)           |
| <b>PROFIT FOR THE PERIOD</b>                                                                       | <b><u>73,457</u></b>   | <b><u>393,216</u></b> |
| <b>OTHER COMPREHENSIVE INCOME</b>                                                                  |                        |                       |
| Items that may be reclassified subsequently to profit or loss:                                     |                        |                       |
| Exchange differences on translation of foreign operations                                          | <b>10,012</b>          | (18,079)              |
| Share of other comprehensive income of associates                                                  | <b><u>(11,775)</u></b> | <u>–</u>              |
|                                                                                                    | <b>(1,763)</b>         | (18,079)              |
| Item that will not be reclassified subsequently to profit or loss:                                 |                        |                       |
| Fair value change on financial assets at fair value through other comprehensive income, net of tax | <u>–</u>               | <u>5,428</u>          |
|                                                                                                    | <b><u>(1,763)</u></b>  | <u>(12,651)</u>       |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>                                                   | <b><u>71,694</u></b>   | <b><u>380,565</u></b> |
| Attributable to:                                                                                   |                        |                       |
| Owners of the parent                                                                               | <b>51,201</b>          | 361,526               |
| Non-controlling interests                                                                          | <b><u>20,493</u></b>   | <u>19,039</u>         |
|                                                                                                    | <b><u>71,694</u></b>   | <b><u>380,565</u></b> |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|                                                              |              | 30 June<br>2020                             | 31 December<br>2019                       |
|--------------------------------------------------------------|--------------|---------------------------------------------|-------------------------------------------|
|                                                              | <i>Notes</i> | <b><i>RMB'000</i></b><br><b>(Unaudited)</b> | <b><i>RMB'000</i></b><br><b>(Audited)</b> |
| <b>NON-CURRENT ASSETS</b>                                    |              |                                             |                                           |
| Property, plant and equipment                                |              | 313,117                                     | 320,233                                   |
| Right-of-use assets                                          |              | 224,932                                     | 226,472                                   |
| Goodwill                                                     |              | 213,968                                     | 213,968                                   |
| Other intangible assets                                      |              | 375,697                                     | 389,425                                   |
| Investments in associates                                    |              | 697,684                                     | 803,118                                   |
| Long term investments                                        |              | 28,000                                      | 28,000                                    |
| Deferred tax assets                                          |              | 24,752                                      | 23,873                                    |
| Prepayments for purchase of property,<br>plant and equipment |              | 286,227                                     | 283,363                                   |
| <b>Total non-current assets</b>                              |              | <b>2,164,377</b>                            | <b>2,288,452</b>                          |
| <b>CURRENT ASSETS</b>                                        |              |                                             |                                           |
| Inventories                                                  |              | 384,896                                     | 385,418                                   |
| Trade and bills receivables                                  | 9            | 500,089                                     | 606,590                                   |
| Prepayments, deposits and other receivables                  | 9            | 127,779                                     | 479,812                                   |
| Income tax recoverable                                       |              | 1,752                                       | 1,733                                     |
| Other current assets                                         |              | 22,847                                      | 24,928                                    |
| Held-for-trading investments                                 |              | 29,120                                      | 39,506                                    |
| Short-term deposits                                          |              | 100,089                                     | 56,300                                    |
| Cash and cash equivalents                                    |              | 1,056,226                                   | 1,551,520                                 |
| <b>Total current assets</b>                                  |              | <b>2,222,798</b>                            | <b>3,145,807</b>                          |
| <b>CURRENT LIABILITIES</b>                                   |              |                                             |                                           |
| Trade and bills payables                                     | 10           | 451,504                                     | 530,918                                   |
| Other payables and accruals                                  |              | 231,250                                     | 806,276                                   |
| Interest-bearing loans and borrowings                        | 11           | 15,485                                      | 21,917                                    |
| Lease liabilities                                            |              | 9,139                                       | 6,674                                     |
| Government grants                                            |              | 1,009                                       | 1,009                                     |
| Income tax payable                                           |              | 93,171                                      | 558,450                                   |
| <b>Total current liabilities</b>                             |              | <b>801,558</b>                              | <b>1,925,244</b>                          |
| <b>NET CURRENT ASSETS</b>                                    |              | <b>1,421,240</b>                            | <b>1,220,563</b>                          |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                 |              | <b>3,585,617</b>                            | <b>3,509,015</b>                          |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*(Continued)*

|                                                    | <b>30 June</b>        | 31 December    |
|----------------------------------------------------|-----------------------|----------------|
|                                                    | <b>2020</b>           | 2019           |
|                                                    | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
|                                                    | <b>(Unaudited)</b>    | (Audited)      |
| <b>NON-CURRENT LIABILITIES</b>                     |                       |                |
| Lease liabilities                                  | <b>45,225</b>         | 43,017         |
| Government grants                                  | <b>1,792</b>          | 1,837          |
| Deferred tax liabilities                           | <b>72,805</b>         | 70,060         |
|                                                    | <hr/>                 | <hr/>          |
| <b>Total non-current liabilities</b>               | <b>119,822</b>        | 114,914        |
|                                                    | <hr/>                 | <hr/>          |
| <b>Net assets</b>                                  | <b>3,465,795</b>      | 3,394,101      |
|                                                    | <hr/> <hr/>           | <hr/> <hr/>    |
| <b>EQUITY</b>                                      |                       |                |
| <b>Equity attributable to owners of the parent</b> |                       |                |
| Share capital                                      | <b>3</b>              | 3              |
| Reserves                                           | <b>3,370,927</b>      | 3,319,726      |
|                                                    | <hr/>                 | <hr/>          |
|                                                    | <b>3,370,930</b>      | 3,319,729      |
|                                                    | <hr/>                 | <hr/>          |
| <b>Non-controlling interests</b>                   | <b>94,865</b>         | 74,372         |
|                                                    | <hr/>                 | <hr/>          |
| <b>Total equity</b>                                | <b>3,465,795</b>      | 3,394,101      |
|                                                    | <hr/> <hr/>           | <hr/> <hr/>    |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1.1 BASIS OF PREPARATION

These interim condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 (the “Period under Review”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard 34 (“IAS 34”), “Interim Financial Reporting” issued by the International Accounting Standards Board. These interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (’000) except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these interim condensed consolidated financial statements are the same as those used in the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the new or revised International Financial Reporting Standards (“IFRSs”) (which also include International Accounting Standards (“IASs”) and Interpretations) for the first time during the Period under Review. Details of any changes in accounting policies are set out in Note 1.2 below.

In preparing these interim condensed consolidated financial statements in compliance with IAS 34, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to annual consolidated financial statements for the year ended 31 December 2019.

These interim condensed consolidated financial statements do not include all information and disclosures required in the Group’s annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

## 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Adoption of new or revised standards and interpretations during the Period under Review that are relevant to the Group is as follows:

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 16: COVID-19-Related Rent Concessions (early adopted)
- Conceptual Framework for Financial Reporting (Revised)

The new or amended IFRSs that are effective from 1 January 2020 did not have any significant impact on the Group’s accounting policies. Except for the amendments to IFRS 16, the Group has not applied any new or revised standard and interpretation that is not yet effective for the Period under Review.

## **1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES** *(Continued)*

### **Amendments to IFRS 3: Definition of a Business**

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a “substantive process”.

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of “outputs” and a “business” to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

### **Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform**

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

### **Amendments to IAS 1 and IAS 8: Definition of Material**

The amendments clarify the definition and explanation of “material”, aligning the definition across all IFRSs and the Conceptual Framework, and incorporating supporting requirements in IAS 1 into the definition.

### **Amendments to IFRS 16: COVID-19-Related Rent Concessions**

Amendments to IFRS 16 provide a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the Period under Review, a monthly lease payment for a lease of the Group’s building has been reduced by the lessor as a result of the COVID-19 pandemic and there are no other changes to the terms of the lease. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for the rent concession granted by the lessor as a result of the COVID-19 pandemic during the Period under Review. Accordingly, a reduction in the lease payment arising from the rent concession of RMB9,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the Period under Review.

## **1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES** *(Continued)*

### **Conceptual Framework for Financial Reporting (Revised)**

The revised Framework is not a Standard nor an Accounting Guideline. It does not override any Standard, any requirement in a Standard or Accounting Guideline. The revised Framework includes: new chapters on measurement and reporting financial performance; new guidance on derecognition of assets and liabilities; updated definitions of asset and liability; and clarifications in the roles of stewardship, prudence and measurement uncertainty in financial reporting.

## **2. REVENUE AND SEGMENT INFORMATION**

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

For management purposes, the Group is organised into business units based on their products and markets and has three (six months ended 30 June 2019: four) reportable operating segments as follows:

- (a) Domestic NVC brand (discontinued during the year ended 31 December 2019 (Note 7) and the relevant information for the six months ended 30 June 2019 are re-presented accordingly)
- (b) Domestic non-NVC brand
- (c) International NVC brand
- (d) International non-NVC brand

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on a measure of gross profit.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Since total assets, liabilities and capital expenditures for each reportable segment are not regularly provided to the chief operating decision maker, the directors are of the opinion that the disclosure of such amounts is not necessary.

## 2. REVENUE AND SEGMENT INFORMATION (Continued)

|                                                                      | Revenue                  |                | Results                  |                |
|----------------------------------------------------------------------|--------------------------|----------------|--------------------------|----------------|
|                                                                      | Six months ended 30 June |                | Six months ended 30 June |                |
|                                                                      | 2020                     | 2019           | 2020                     | 2019           |
|                                                                      | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i>           | <i>RMB'000</i> |
|                                                                      | (Unaudited)              | (Unaudited)    | (Unaudited)              | (Unaudited)    |
|                                                                      |                          | (Re-presented) |                          | (Re-presented) |
| <b>Continuing operations</b>                                         |                          |                |                          |                |
| International NVC brand                                              | 94,805                   | 86,472         | 23,743                   | 25,987         |
| Domestic non-NVC brand                                               | 112,142                  | 171,001        | 22,299                   | 46,689         |
| International non-NVC brand                                          | 894,009                  | 813,614        | 250,437                  | 197,569        |
| <b>Total</b>                                                         | <b>1,100,956</b>         | 1,071,087      | <b>296,479</b>           | 270,245        |
| <b>Discontinued operations</b>                                       |                          |                |                          |                |
| Domestic NVC brand                                                   | —                        | 1,625,835      | —                        | 631,409        |
| <b>Consolidated</b>                                                  | <b>1,100,956</b>         | 2,696,922      | <b>296,479</b>           | 901,654        |
| <b>Reconciliation</b>                                                |                          |                |                          |                |
| Interest income                                                      |                          |                | 4,740                    | 23,428         |
| Waiver of other payables from an associate                           |                          |                | 118,355                  | —              |
| Fair value change of contingent consideration receivable             |                          |                | (4,130)                  | —              |
| Unallocated income and gains                                         |                          |                | 21,692                   | 54,021         |
| Corporate and other unallocated expenses <sup>#</sup>                |                          |                | (280,386)                | (662,874)      |
| Finance costs                                                        |                          |                | (2,120)                  | (14,655)       |
| Impairment of other receivables                                      |                          |                | —                        | (559,144)      |
| Share of results of associates                                       |                          |                | (42,936)                 | (1,946)        |
| Share of results of a joint venture                                  |                          |                | —                        | (18,097)       |
| Gain on disposal of a subsidiary                                     |                          |                | —                        | 761,273        |
| Profit before income tax from continuing and discontinued operations |                          |                | <b>111,694</b>           | <b>483,660</b> |

<sup>#</sup> Corporate and other unallocated expenses consist of unallocated depreciation, amortisation and staff costs, freight expenses, impairment loss of trade receivables and exchange losses.

During the Period under Review, depreciation and amortisation recorded in the interim condensed consolidated statement of profit or loss from continuing and discontinued operations amounted to RMB53,757,000 (six months ended 30 June 2019: RMB86,180,000).

## 2. REVENUE AND SEGMENT INFORMATION *(Continued)*

### Timing of revenue recognition:

For the Period under Review and the six months ended 30 June 2019, the Group's revenue is recognised at a point in time save for the engineering service income for the six months ended 30 June 2019 of RMB20,595,000 in domestic NVC brand segment which was recognised over time.

## 3. OTHER INCOME AND GAINS

|                                            | Six months ended 30 June |                               |
|--------------------------------------------|--------------------------|-------------------------------|
|                                            | 2020                     | 2019                          |
|                                            | <i>RMB'000</i>           | <i>RMB'000</i>                |
|                                            | (Unaudited)              | (Unaudited)<br>(Re-presented) |
| <b>Continuing operations</b>               |                          |                               |
| <b>Other income</b>                        |                          |                               |
| Bank and other interest income             | 4,740                    | 3,466                         |
| Gain on disposal of long term investments  | –                        | 4,565                         |
| Government grants <i>(Note)</i>            | 15,168                   | 7,652                         |
| Rental income                              | 430                      | 1,286                         |
| Trademark licence fee income               | 1,430                    | –                             |
| Consultancy income                         | 3,521                    | –                             |
| Waiver of other payables from an associate | 118,355                  | –                             |
| Others, net                                | 1,081                    | 2,949                         |
|                                            | <b>144,725</b>           | <b>19,918</b>                 |
| <b>Gains</b>                               |                          |                               |
| Exchange gains, net                        | –                        | 4,862                         |
| Others                                     | 62                       | –                             |
|                                            | <b>62</b>                | <b>4,862</b>                  |
|                                            | <b>144,787</b>           | <b>24,780</b>                 |

### 3. OTHER INCOME AND GAINS *(Continued)*

*Note:* Included in government grant is RMB5,716,000 obtained relating to supporting the payroll of the Group's employees in connection with the recent pandemic. The Group has elected to present this government grant separately, rather than reducing the related expense. The Group had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this program.

### 4. FINANCE COSTS

|                               | <b>Six months ended 30 June</b> |                       |
|-------------------------------|---------------------------------|-----------------------|
|                               | <b>2020</b>                     | <b>2019</b>           |
|                               | <b><i>RMB'000</i></b>           | <b><i>RMB'000</i></b> |
|                               | <b>(Unaudited)</b>              | <b>(Unaudited)</b>    |
|                               |                                 | <b>(Re-presented)</b> |
| <b>Continuing operations</b>  |                                 |                       |
| Interest on bank loans        | <b>310</b>                      | 2,149                 |
| Interest on lease liabilities | <b>1,810</b>                    | 1,557                 |
|                               | <b>2,120</b>                    | 3,706                 |

## 5. INCOME TAX

The Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which most of the group entities are domiciled and operate. Taxes on the corporate income have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

|                                         | <b>Six months ended 30 June</b> |                    |
|-----------------------------------------|---------------------------------|--------------------|
|                                         | <b>2020</b>                     | <b>2019</b>        |
|                                         | <b>RMB'000</b>                  | <b>RMB'000</b>     |
|                                         | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| Current – the PRC                       |                                 |                    |
| – Charge for the period                 | <b>22,013</b>                   | 99,032             |
| – (Over)/under provision in prior years | <b>(8,670)</b>                  | 5,286              |
| Current – Hong Kong                     |                                 |                    |
| – Charge for the period                 | <b>21,114</b>                   | 38,101             |
| Current – elsewhere                     |                                 |                    |
| – Charge for the period                 | <b>1,892</b>                    | –                  |
|                                         | <b>36,349</b>                   | 142,419            |
| Deferred                                | <b>1,888</b>                    | (51,975)           |
| Income tax for the period               | <b>38,237</b>                   | 90,444             |
| Represented by:                         |                                 |                    |
| – Continuing operations                 | <b>38,237</b>                   | 2,629              |
| – Discontinued operations               | –                               | 87,815             |
|                                         | <b>38,237</b>                   | 90,444             |

The Company's subsidiaries located in the PRC are subject to enterprise income tax at the statutory tax rate of 25%. According to the preferential tax policies in the PRC, no subsidiaries (six months ended 30 June 2019: one) were recognised as western development enterprises by the local tax authorities and were entitled to the preferential tax rate of 15%, while three of our subsidiaries (six months ended 30 June 2019: three) were recognised as high-tech enterprises by the PRC tax authorities and were entitled to the preferential tax rate of 15%.

## 6. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

### Continuing and discontinued operations

The calculations of basic and diluted earnings per share are based on:

|                                                                                                                         | <b>Six months ended 30 June</b> |                  |
|-------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------|
|                                                                                                                         | <b>2020</b>                     | 2019             |
|                                                                                                                         | <b><i>RMB'000</i></b>           | <i>RMB'000</i>   |
|                                                                                                                         | <b>(Unaudited)</b>              | (Unaudited)      |
|                                                                                                                         |                                 | (Re-presented)   |
| <u>Earnings</u>                                                                                                         |                                 |                  |
| Profit attributable to owners of the parent                                                                             | <b>52,453</b>                   | 374,281          |
| <i>Less:</i>                                                                                                            |                                 |                  |
| Profit for the period from discontinued operations                                                                      | <u>—</u>                        | <u>(139,236)</u> |
| Earnings for the purpose of basic and diluted earnings per share from continuing operations                             | <u><b>52,453</b></u>            | <u>235,045</u>   |
|                                                                                                                         | <b>'000 Shares</b>              | '000 Shares      |
|                                                                                                                         | <b>(Unaudited)</b>              | (Unaudited)      |
| <u>Number of shares</u>                                                                                                 |                                 |                  |
| Weighted average number of ordinary in issue during the period used in basic and diluted earnings per share calculation | <u><b>4,227,281</b></u>         | <u>4,229,250</u> |

There were no potential dilutive ordinary shares during the Period under Review and the six months ended 30 June 2019.

### Discontinued operations

Basic and diluted earnings per share for the discontinued operations for the six months ended 30 June 2019 is RMB3.29 cents, based on the profit for the period from the discontinued operations of RMB139,236,000 and the denominator detailed above for the both basic and diluted earnings per share for that period.

## 7. DISCONTINUED OPERATIONS

On 10 August 2019, the Group entered into a sale and purchase agreement (the “SPA”) to dispose of 100% equity interest in Huizhou NVC Lighting Technology Company Limited\* (惠州雷士光電科技有限公司), Blue Light (HK) Trading Co., Limited (香港蔚藍芯光貿易有限公司) and Zhuhai Yaohui Technology Co. Ltd.\* (珠海耀輝科技有限公司) (the “Target Companies”) and their subsidiaries (collectively referred to as the “Target Group”). The disposal (the “Disposal”) was effected to enhance the business optimization strategy. The Disposal was completed on 12 December 2019 (the “Closing”), the date on which the control of the Target Group passed to the acquirer. The revenue and results of the Target Group were as follows:

|                                                    | <b>Six months ended 30 June</b> |                       |
|----------------------------------------------------|---------------------------------|-----------------------|
|                                                    | <b>2020</b>                     | <b>2019</b>           |
|                                                    | <b><i>RMB'000</i></b>           | <b><i>RMB'000</i></b> |
|                                                    | <b>(Unaudited)</b>              | <b>(Unaudited)</b>    |
|                                                    |                                 | <b>(Re-presented)</b> |
| Revenue                                            | –                               | 1,625,835             |
| Expenses, net                                      | –                               | (1,389,897)           |
| Profit before income tax                           | –                               | 235,938               |
| Income tax                                         | –                               | (87,815)              |
| Profit for the period from discontinued operations | –                               | 148,123               |

\* Denotes English translation of the name of a Chinese company or entity, or vice versa, and is provided for identification purpose only

## 8. DIVIDEND

The directors do not recommend the payment of any dividend for the six months ended 30 June 2019 and 2020.

**9. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

|                        | <b>30 June</b>        | <b>31 December</b>    |
|------------------------|-----------------------|-----------------------|
|                        | <b>2020</b>           | <b>2019</b>           |
|                        | <b><i>RMB'000</i></b> | <b><i>RMB'000</i></b> |
|                        | <b>(Unaudited)</b>    | <b>(Audited)</b>      |
| Trade receivables      | <b>492,996</b>        | 608,742               |
| Impairment             | <b>(4,749)</b>        | (17,029)              |
|                        | <hr/>                 | <hr/>                 |
| Trade receivables, net | <b>488,247</b>        | 591,713               |
| Bills receivables      | <b>11,842</b>         | 14,877                |
|                        | <hr/>                 | <hr/>                 |
|                        | <b>500,089</b>        | 606,590               |
|                        | <hr/> <hr/>           | <hr/> <hr/>           |

An ageing analysis of trade receivables as at the end of the Period under Review, based on the transaction date and net of impairment provision, is as follows:

|                 | <b>30 June</b>        | <b>31 December</b>    |
|-----------------|-----------------------|-----------------------|
|                 | <b>2020</b>           | <b>2019</b>           |
|                 | <b><i>RMB'000</i></b> | <b><i>RMB'000</i></b> |
|                 | <b>(Unaudited)</b>    | <b>(Audited)</b>      |
| Within 3 months | <b>350,901</b>        | 428,519               |
| 4 to 6 months   | <b>95,158</b>         | 118,196               |
| 7 to 12 months  | <b>27,471</b>         | 20,337                |
| 1 to 2 years    | <b>12,397</b>         | 23,213                |
| Over 2 years    | <b>2,320</b>          | 1,448                 |
|                 | <hr/>                 | <hr/>                 |
|                 | <b>488,247</b>        | 591,713               |
|                 | <hr/> <hr/>           | <hr/> <hr/>           |

**9. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES** *(Continued)*

Trade receivables of the Group represented proceeds receivable mainly from sale of goods. The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit periods generally range from 30 to 180 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balance.

As at 30 June 2020, included in the Group's trade receivables are amounts due from related parties of RMB18,762,000 (31 December 2019: RMB83,622,000) which are repayable on similar credit terms to those offered to the major customers of the Group.

As at 30 June 2020, certain trade receivables of UK NVC with carrying amounts of RMB14,752,000 (31 December 2019: RMB21,110,000) were pledged to secure the bank borrowings of UK NVC as further set out in Note 11.

The maturity of the bills receivables of the Group as at 31 December 2019 and 30 June 2020 is within 6 months. As at 30 June 2020, bills receivables of RMB1,238,000 (31 December 2019: RMB2,020,000) are due from related parties.

As at 31 December 2019, the Group recognised the impairment provision of RMB555,181,000 (the "Impaired Amount") on its amount due from a former subsidiary of the Company (the "Subsidiary"), which had been disposed of during the six months ended 30 June 2019 (Note 13), after the related disposal taking into account the remote recoverability of such amount, which has been charged in the profit or loss for the six months ended 30 June 2019. During the Period under Review, the Impaired Amount was written off as uncollectible.

# **10. TRADE AND BILLS PAYABLES**

|                                             | <b>30 June</b>        | 31 December           |
|---------------------------------------------|-----------------------|-----------------------|
|                                             | <b>2020</b>           | 2019                  |
|                                             | <b><i>RMB'000</i></b> | <b><i>RMB'000</i></b> |
|                                             | <b>(Unaudited)</b>    | (Audited)             |
| Trade and bills payables to third parties   | <b>402,592</b>        | 455,401               |
| Trade and bills payables to related parties | <b>48,912</b>         | 75,517                |
|                                             | <b>451,504</b>        | 530,918               |

An ageing analysis of trade and bills payables as at the end of the Period under Review, based on the transaction date, is as follows:

|                 | <b>30 June</b>        | 31 December           |
|-----------------|-----------------------|-----------------------|
|                 | <b>2020</b>           | 2019                  |
|                 | <b><i>RMB'000</i></b> | <b><i>RMB'000</i></b> |
|                 | <b>(Unaudited)</b>    | (Audited)             |
| Within 3 months | <b>405,038</b>        | 502,524               |
| 4 to 6 months   | <b>32,701</b>         | 17,999                |
| 7 to 12 months  | <b>4,774</b>          | 7,721                 |
| 1 to 2 years    | <b>7,198</b>          | 844                   |
| Over 2 years    | <b>1,793</b>          | 1,830                 |
|                 | <b>451,504</b>        | 530,918               |

## 11. INTEREST-BEARING LOANS AND BORROWINGS

|                                  | 30 June 2020<br>(Unaudited)         |           |               | 31 December 2019<br>(Audited)       |           |               |
|----------------------------------|-------------------------------------|-----------|---------------|-------------------------------------|-----------|---------------|
|                                  | Contractual<br>interest rate<br>(%) | Maturity  | RMB'000       | Contractual<br>interest rate<br>(%) | Maturity  | RMB'000       |
| <b>Current</b>                   |                                     |           |               |                                     |           |               |
| Bank loan – secured <sup>1</sup> | Base*+1.90%                         | On demand | 14,752        | Base*+1.90%                         | On demand | 21,110        |
| Bank loan – unsecured            | 4.00%                               |           |               | 4.00%                               |           |               |
|                                  | per month                           | On demand | 733           | per month                           | On demand | 807           |
| Total                            |                                     |           | <u>15,485</u> |                                     |           | <u>21,917</u> |

<sup>1</sup> The secured bank loan represented facilities secured by the pledge of certain trade receivables (Note 9) and certain buildings. The loan is repayable upon the collection of the factored trade receivables.

\* “Base” refers to the Bank of England base rate.

## 12. PLEDGE OF ASSETS

As at 30 June 2020, save for those disclosed elsewhere in these interim condensed consolidated financial statements, the following assets of the Group were pledged, as applicable:

- (1) As at 30 June 2020, right-of-use assets related to leasehold land with aggregate carrying amounts of RMB17,630,000 (31 December 2019: RMB17,852,000) and certain buildings included in property, plant and equipment with aggregate carrying amounts of RMB148,093,000 (31 December 2019: RMB120,002,000) were pledged for the Group's and an associate's bank loan facilities.
- (2) As at 30 June 2020, certain trade receivables with carrying amounts of RMB14,752,000 (31 December 2019: RMB21,110,000) were pledged to secure the bank borrowings.
- (3) Pursuant to several letters of guarantee, deposits with carrying amounts of RMB100,089,000 (31 December 2019: RMB56,300,000) were pledged for issuing letters of guarantee.

### 13. DISPOSAL OF THE SUBSIDIARY

During the six months ended 30 June 2019, the Group disposed of its entire interest in the Subsidiary to an independent third party at a consideration of RMB100,000. The net liabilities of the Subsidiary at the date of disposal were as follows:

|                                                | <b><i>RMB'000</i></b> |
|------------------------------------------------|-----------------------|
|                                                | <b>(Unaudited)</b>    |
| Net liabilities of the Subsidiary disposed of: |                       |
| Tax recoverable                                | 45                    |
| Other receivables                              | 5,039                 |
| Cash and cash equivalents                      | 99                    |
| Trade payables                                 | (1,565)               |
| Other payables                                 | <u>(764,791)</u>      |
|                                                | (761,173)             |
| Gain on disposal of the Subsidiary             | <u>761,273</u>        |
| Total consideration                            | <u>100</u>            |
| Satisfied by:                                  |                       |
| Cash                                           | <u>100</u>            |
| Net cash outflow arising on disposal:          |                       |
| Cash consideration                             | 100                   |
| Cash and cash equivalents disposed of          | (99)                  |
| Other receivables                              | <u>(100)</u>          |
|                                                | <u><u>(99)</u></u>    |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market and Performance Review

In the first half of 2020, the world economy experienced the darkest moment ever. The continued spread of the novel coronavirus (“COVID-19”) pandemic has dragged the global economy into a deep recession. Under the influence of the pandemic, demands for international trade and international direct investment has shrunk sharply, with various links in the global supply chain obstructed as a result of the lack of personnel and retardation of logistics caused by strict blockade and restrictive measures. The global economy and trade declined significantly due to the combined effects of stagnant supply and sluggish demand. The International Monetary Fund (IMF) predicts that global economic growth rate in 2020 will be -4.9%, while global trade is forecasted by the World Trade Organization to drop by 13% to 32%.

Despite the severe impact of the COVID-19 pandemic, the fundamentals of the global lighting industry structure have not undergone substantial changes. China has always been the world’s major lighting product manufacturer and exporter, while the U.S. and Europe have always been the largest consumer markets of lighting products. The U.S., Japan and Western Europe countries have been deeply engaged in technological research and development for many years, having accumulated brand strength and channel advantages and occupied the commanding heights of the industry. During the Period under Review, the North American market achieved growth against downtrend in spite of complex backdrop of the pandemic and Sino-US trade frictions through the advance reserve of major customer orders, the opening of online sales channels, and the acceleration of supply of new products. In emerging markets such as Southeast Asia and Middle East regions, the accelerated spread of the COVID-19 pandemic, coupled with unfavorable factors such as the plunge in oil price, foreign exchange and import controls, has adversely affected the Group’s export sales. In the face of such a complex international environment, the Group, with its good brand reputation and customer loyalty, still adhered to the concept of customer-oriented products and services. During the pandemic, the Group’s research, production and marketing departments worked together and captured the latest product needs of customers under the pandemic in a timely manner to provide targeted new product development and promotion services. The Group maintained close communication with customers and provided them with instant feedback on the resumption of domestic production and order backlogs, which would help enhance customers’ confidence, effectively prevent customer diversion, and ensure sustainable and stable delivery of products to the maximum extent. In terms of internal management, the Group implemented a parallel management strategy of pandemic prevention and control and maintaining operational stability. During the pandemic, it initiated flexible working mechanism and implemented various pandemic prevention measures, and actively promoted the resumption of work and production, optimised organisational structure and controlled operating expenses when the domestic pandemic was eased. Under the severe circumstances, the Group achieved sales revenue of RMB1,100,956,000 during the Period under Review, representing an increase of 2.8% as compared with the sales revenue from the continuing operations of the Corresponding Period; gross profit of RMB296,479,000, representing an increase of 9.7% as compared with the gross profit from continuing operations of the Corresponding Period.

## **Selling and Distribution**

Since the disposal of a majority equity interest in the PRC lighting business of NVC completed in 2019, the Group has shifted the focus of its business fully from China to the international market in the first half of the year. During the Period under Review, international sales revenue accounted for approximately 90% of the Group's total sales revenue. With rich marketing experience and an excellent global operation team, the Group has now established sales networks and channels in major countries and regions including Europe, Australia, North America, East Asia, the Middle East and Southeast Asia, while continuing to explore new channel models and develop new distribution customers.

### ***North America market***

During the Period under Review, the North America market remained the key market for the Group's development. Meanwhile, the Group distinguished between retail channels and commercial channels for refined operation. Since the pandemic began to spread to the U.S. in March 2020, some retail customers and distributors have shortened their business hours and even temporarily suspended operations. Leveraging on the long-term and stable strategic partnership with major customers, the Group has maintained continuous and effective communication with customers and adopted various measures to mitigate the impact of the pandemic on its business. In terms of retail channels, the Group has achieved multiple growth in online sales of retail customers by reserving orders in advance and actively assisting customers in online sales. In addition to cultivating the existing product lines, the Group has accelerated the development and promotion of new products. The number of new products launched during the Period under Review reached a new historical height. Furthermore, the Group also cooperated with customers to create an online quotation center channel dedicated to serving contractors and construction manufacturers, which effectively supplemented sales and profits, making retail channels in North America the main source of sales and profits of the Group during the Period under Review. Commercial channels in North American focus on the proprietary brand. During the Period under Review, the Group made the best of advantages of manufacturing in the Vietnamese factory to adjust selling prices of certain important product lines in a timely manner for securing more customer orders subject to warranted profitability indices. At the same time, the Group initiated clearance sales of some products that were not well sold for collecting funds as soon as possible. Sales of this channel overfulfilled the budget target despite a decline year-on-year as affected by the pandemic.

### ***Japanese and other developed markets***

Since the COVID-19 pandemic is still raging, the Japanese government incorporated the novel coronavirus pneumonia into the Act on Special Measures for New Influenza Preparedness and Response (《新流感対策特別措施法》) in March 2020. Later, the government issued the “Declaration of a State of Emergency” in April, which imposed restrictions on the movement of people and the opening of public places in certain prefectures. In the Japanese market, the Group mainly focused on consumer-oriented B2C retail channels, while gradually expanding its distributor-oriented B2B channels. Due to the impact of the Japanese government’s “Declaration of a State of Emergency”, many hypermarket customers closed down their stores and shortened business hours, resulting in lower sales than expected in the Japanese market, although an increase as compared with the Corresponding Period. Currently, a portion of best-selling series of bulb lamp and ceiling lamp have been introduced to major home appliance hypermarkets in Japan, with the shipment gap be recovered quickly as the pandemic is expected to abate in the second half of the year. The UK began to suffer from the epidemic at the end of the first quarter. Due to the closure of most business premises and staff suspension, orders began to decrease in the second quarter with overall sales fell slightly compared with the Corresponding period of last year. During the Period under Review, the Group mainly followed up key engineering projects and developed new distributors in the Australian market. At present, it has successfully developed another engineering distributor and tried to cooperate in the development of a new engineering business model to lay a foundation for future engineering project reserves.

### ***Southeast Asia and Middle East market***

The pandemic broke out in Southeast Asia and Middle East countries in early March 2020 and developed rapidly. As at the date of the announcement, the Middle East accounted for four of the top ten countries with the highest infection rate globally. Under the influence of the pandemic, the implementation of foreign exchange and import controls adopted by some countries, coupled with the rare plunge in oil price in the Middle East, has exacerbated the local economic contraction, leading to a significant decline in the sales during the Period under Review. The Group has taken various measures to reduce the impact of the pandemic on its business. In the Southeast Asia market, the Group’s business team actively assisted local distributors in marketing and promotional activities to stimulate sales in areas where the pandemic was eased, while fully assisting new agent distributors in the overall deployment of NVC products. During the Period under Review, new distributors in Vietnam have begun to prepare display racks and store sweeping activities for NVC products. It is expected that NVC products will be displayed in 100 retail stores in the second half of the year, and the number of retail stores in the Indonesian market is expected to increase to 3,000 during the Corresponding period. In terms of engineering channels, the Group continued to grant authorization to engineering distributors and made plans for unconventional channels, among which, key engineering projects in Indonesia, Cambodia and Sri Lanka are expected to bring larger amount of orders for the Group after the pandemic eases. In the Middle East region, our business team focused on analyzing and optimizing the process of engineering projects, with more detailed and comprehensive follow-up and services for projects that have not been suspended. During the Period under Review, the Group completed the delivery of products for

preliminary supporting facilities for the Qatar FIFA World Cup. Meantime, the Group assisted its distributors to continually win orders for the public area lighting in some of the world cup sub stadiums, and cooperated with Saudi distributors to win street lights and engineering projects of office buildings of the Ministry of Education. In addition, the Middle East business team was actively exploring new regional distributors and engineering projects, so far it has obtained the first orders of new distributors in Jordan. Engineering projects in Egypt and Algeria were also progressing smoothly, with delivery of products expected to commence in the second half of the year.

### **Product Research and Development and Brand Promotion**

After more than 20 years of development and precipitation, the Group has made considerable progress in commercial lighting, office lighting, outdoor lighting and other segmented fields of application, and has accumulated a good reputation among users and brands. The Group has been adhering to the craftsman spirit of professionalism and dedication in product innovation and development and brand building. During the Period under Review, the Group quickly adjusted product strategies to meet market and user needs by establishing a close communication mechanism for research, production and sales. During the Period under Review, in the North American market, the development of new products was accelerated that more than 60 series of new products were introduced, including more than 180 extended new products. At the same time, UV germicidal lamps were rapidly developed for the special needs of the epidemic, which were widely praised by users once they were launched to market. In the Japanese market, innovative high-end products were launched including ultra-thin light guide plate ceiling lamp and full-luminous series of bluetooth speaker ceiling lamps, the successful marketing of which has satisfied consumers' perfect experience of products combining with technology. In emerging markets, the Group also launched more than 20 series of new products covering commercial lighting, office lighting, industrial lighting and outdoor lighting omni-channels, and focused on promoting engineering customised and standardized products according to the characteristics of regional customers. In terms of smart research and development, during the Period under Review, the 5G IoT application project (based on smart light pole demonstration) in Zhuhai has been approved and is currently in the process of initiation, development and design. Other smart application demonstrative projects are also progressing in an orderly manner.

### **Future Prospects**

Looking forward to the second half of the year, it is expected that the major economies such as Europe and the U.S. will gradually resume work and production, the loose fiscal and monetary policies of various countries in the early stage will gradually take effect. With gradual pick up in business production and household consumption, the global economic decline may become narrowed. The IMF predicted in the World Economic Outlook published in June that global economic activity is expected to bottom out in the second quarter of 2020 and then begin to rebound. That, however, is subject to subsequent trends of the pandemic, the extent of economic contraction in each country, as well as the severity and duration of the pandemic impact. There are still uncertainties about the recovery of world economic environment from the recession.

The Group will continue to watch the trend of pandemic around the world and the economic recovery of countries where its major customers are located. In the second half of the year, it will focus on closing the gap and stabilising development as its main goals. Subject to prevention and control in place and personnel safety ensured, the Group will actively assist overseas subsidiaries and key overseas distributors to resume work and production, meanwhile guarantee the development and supply of new products of the Group, maintain relationships with major customers, and follow up major engineering projects, to stabilise its market share. To achieve the sustainable and healthy development of the Group, the construction of its digitization and informatization and optimal allocation of resources will be constantly propelled.

### ***North America market***

As for retail channels in North America, as a strategic supplier of the world's leading building material retailers, the Group will continue to maintain its characteristics and advantages of pioneering innovation and quick responding, to ensure the recommendation and supply of quarterly new products. While cultivating the existing best-selling product lines, the Group will coordinate the development of new products with existing products, and continue its efforts on the easy installation of products, so as to enhance the marginal contribution of products. With strong momentum of online sales during the pandemic period, our U.S. business team will assist key customers to develop online business through effective resource input and personnel support, coordinating the development of online business with offline business to expand the Group's revenue and sources of profit. As for commercial channels in North America, the Group will continue to promote selling of proprietary brand products and enhancing of brand awareness. With official commissioning of the Vietnamese factory, the Group will gradually shift more product lines to Vietnam for production riding on relevant preferential policies for manufacturing in Vietnam, so as to strive for a quick recovery of the shipment gap with more competitive prices in the second half of the year. Meanwhile, the phase II self-built building of the Vietnamese factory will be completed by the end of 2021, thus export demands of the North American and Southeast Asian markets will be fully met then, with the economies of scale effect and cost advantages gradually appearing, and a further improvement in the core competitiveness of the products.

### ***Japanese and other developed markets***

As for the Toshiba business in Japan, with the easing of epidemic in the second half of the year, the Group plans to expand channels of home building materials stores and convenience stores on the basis of well-kept existing home appliance hypermarkets channel business. Meanwhile, in the second half of the year, it is planned to introduce the ceiling lamps into the B2B channels towards distributors to improve the overall business in the Japanese market. In order to better operate and manage the domestic business of NVC and Toshiba brands, the Group has established NVC International's greater China region and set up smart household, smart commerce and customized high-end balcony business operation platforms for omni-channel brand promotion. In the future, the Group will join hands with 30 Japanese commercial smart integrators and 15 provincial distributors to have a basic presence in high-end real estate lighting, hotel lighting and industrial products. It devotes to increase the market visibility and influence of the Toshiba brand gradually by focusing on market penetration and brand precipitation. As for NVC's customized high-end balcony business, the Group will focus on green technology by emphasising smart metal balconies, which incorporate functional and smart supporting products to bring an amazing experience of smart technology while providing consumers with overall space solutions. In the UK and Northern Europe markets, the Group will complete the acquisition of two major wholesale distributors in Northern Europe in the second half of the year, striving to enhance its control over key wholesale channels in Northern Europe while improving the quality of the Group's assets. In addition, the Group will also reserve strategic resources for future engineering projects by purchasing high-quality assets from well-known local crystal lamp suppliers.

### ***Southeast Asia and Middle East market***

To prepare for the 2022 Qatar FIFA World Cup and Expo 2021 Dubai, many countries in the Middle East are vigorously investing in commercial and livelihood projects. At present, nearly 10 five-star hotels, nearly 50 schools and hospitals are bidding for such projects. As the COVID-19 outbreak eases at the later stage, economic and living controls are gradually liberalized and the projects will be restarted one after another, which is expected to bring huge business opportunities to the Group. It is planned to hold two project recommendation meetings in the Middle East region in the second half of the year to secure more customers and project resources, subject to the epidemic control ensured. In the Southeast Asian market, the Group will focus on maintaining a good relationship with the existing key customers. It will keep an eye on the international situation, and ensure timely delivery of products under the orders on hand in the future. At the same time, the Group will actively cooperate with customers to carry out online training and online new product promotion activities, so that customers can experience zero-distance support. In specific regions, the Group will try new distributor-oriented B2C channels and online sales channels in order to acquire new sales drivers. In addition, the Group will keep abreast of the prevailing trends to explore the market and potential of sanitizing lights and other supporting disinfection products, seeking to develop new market segments and channels.

## **Product Development, Brand Building and Internal Management**

In the future, the Group will carry out product development and brand building around the goal of being a global leading smart system solution provider. The Group will further integrate and allocate middle and back-end resources to create customized and differentiated product and service systems. We will, in the face of numerous opportunities of digital mobile economy, make every effort to promote the development of smart lighting and non-lighting products, so as to create an overall smart home and commercial space covering lighting, sound, air, etc. In the field of NVC non-lighting products, the Group will have a gradual presence in and build ten major product lines of NVC non-lighting brands, including NVC Electric, NVC Digital, NVC Security, NVC Hardware, NVC Kitchen Appliances, NVC Cabinets, NVC Furniture, NVC Health, NVC Environmental Protection and NVC Construction Decoration. Through online and offline integration of retail, e-commerce and engineering channels, we will use brand advantages and channel resources to serve Chinese consumers with the concepts of technology, environmental protection, health and professionalism. The second half of the year is a critical moment for the Group's brand-new lighting products and non-lighting products to be launched all over the world. It is expected to develop new businesses and channels for our brands in domestic and foreign markets. In terms of internal management, the Group will continue to promote digital and information construction. In the second half of the year, it will introduce a smart human resource (“HR”) management system. This multi-dimensional real-time communication system based on business, process and data will assist in the transformation of HR functions to achieve digitization, refinement and process-based operation. In addition, the Group has successfully completed the switchover of the ERP system for two major subsidiaries in the first half of the year. In the future, it will spare no effort to promote the launch of the ERP system in other subsidiaries of the Elec-Tech System to achieve global cross-regional cooperation and resource sharing of major businesses, thus improving the overall operational efficiency of the Group.

## **FINANCIAL REVIEW**

### **Sales Revenue**

Sales revenue represents the invoiced value of goods sold, after allowances for returns and trade discounts. During the Period under Review, the sales revenue of the Group amounted to RMB1,100,956,000, representing an increase of 2.8% as compared with the sales revenue from the continuing operations of the Corresponding Period.

For business management need and the nature of business units based on the products and market, the Group classified the reportable operating segments as follows:

**Revenue by geographical locations, NVC brand sales and non-NVC brand sales**

The table below sets forth the sales revenue by geographical locations, NVC brand products and non-NVC brand products and the growth rate of each item. Our non-NVC brand products primarily consist of ODM products.

|                                                 | Six months ended 30 June |                                          |                    |
|-------------------------------------------------|--------------------------|------------------------------------------|--------------------|
|                                                 | 2020<br><i>RMB'000</i>   | 2019<br><i>RMB'000</i><br>(Re-presented) | Growth rate        |
| <b>Continuing Operations</b>                    |                          |                                          |                    |
| <b>Sales revenue from the PRC</b>               |                          |                                          |                    |
| Non-NVC brands                                  | <u>112,142</u>           | <u>171,001</u>                           | <u>(34.4%)</u>     |
| <b>Sales revenue from international markets</b> |                          |                                          |                    |
| NVC brand                                       | <u>94,805</u>            | <u>86,472</u>                            | <u>9.6%</u>        |
| Non-NVC brands                                  | <u>894,009</u>           | <u>813,614</u>                           | <u>9.9%</u>        |
| Subtotal                                        | <u>988,814</u>           | <u>900,086</u>                           | <u>9.9%</u>        |
| <b>Total</b>                                    | <u><u>1,100,956</u></u>  | <u><u>1,071,087</u></u>                  | <u><u>2.8%</u></u> |

After the completion of the disposal of a majority equity of lighting business of NVC in the PRC since 2019, the Group has primarily focused on the sales of lighting products under non-NVC brands in the domestic market. During the Period under Review, sales revenue from the PRC decreased by 34.4%, due to the decrease in the demand in the traditional lamp product market and the slow-down of production and sales affected by the domestic epidemic in the first quarter. During the Period under Review, international sales increased by 9.9%, mainly due to the fact that the North American market achieved growth against downtrend through the advance reserve of major customer orders, the opening of online sales channels, and the acceleration of the supply of new products in spite of the impact of the epidemic and the complex background of Sino-US trade frictions.

## Cost of Sales

Cost of sales mainly consists of the cost of raw materials, outsourced manufacturing costs, direct and indirect labor costs and indirect costs. Major raw materials of the Group include iron, aluminum and alloys, fluorescent powder, glass tubes, electronics components and LED packaged chips. Outsourced manufacturing costs primarily include the cost of purchased semi-finished products used in the production of our products and finished products produced by other manufacturers. Indirect costs primarily include water, electricity, depreciation and amortisation and others. The table below sets forth the composition of our cost of sales:

|                                                          | Six months ended 30 June         |                |                                  |              |
|----------------------------------------------------------|----------------------------------|----------------|----------------------------------|--------------|
|                                                          | 2020                             |                | 2019                             |              |
|                                                          | <i>Percentage<br/>in revenue</i> |                | <i>Percentage<br/>in revenue</i> |              |
| <i>RMB'000</i>                                           | <i>(%)</i>                       | <i>RMB'000</i> | <i>(%)</i>                       |              |
|                                                          |                                  | (Re-presented) |                                  |              |
| Raw materials (including outsourced manufacturing costs) | 685,938                          | 62.3%          | 692,712                          | 64.7%        |
| Labor costs                                              | 66,405                           | 6.0%           | 64,280                           | 6.0%         |
| Indirect costs                                           | 52,134                           | 4.7%           | 43,850                           | 4.1%         |
| <b>Total cost of sales</b>                               | <b>804,477</b>                   | <b>73.1%</b>   | <b>800,842</b>                   | <b>74.8%</b> |

During the Period under Review, the cost of sales as a percentage in revenue decreased from 74.8% to 73.1%, while the gross profit margin increased from 25.2% to 26.9%, mainly due to the Group's speeding up of the development of new products to increase the added value and marginal contribution of new products, which contributed to the gradual increase in the proportion of new products with high gross profit margin, leading to an increase in the overall gross profit margin.

## Gross Profit and Gross Profit Margin

Gross profit is calculated as the net value of sales revenue less cost of sales.

During the Period under Review, gross profit of sales of the Group was RMB296,479,000, representing an increase of 9.7% as compared with the gross profit of sales from the continuing operations of the Corresponding Period, and gross profit margin of sales increased from 25.2% to 26.9%. The gross profit and gross profit margin by segments are shown as follows:

The table below shows the gross profit and gross profit margin by geographical locations and NVC brand products and non-NVC brand products for the periods indicated:

|                                               | Six months ended 30 June |                     |                                  |                     |
|-----------------------------------------------|--------------------------|---------------------|----------------------------------|---------------------|
|                                               | 2020                     |                     | 2019                             |                     |
|                                               | <i>RMB'000</i>           | <i>(%)</i>          | <i>RMB'000</i><br>(Re-presented) | <i>(%)</i>          |
| <b>Continuing Operations</b>                  |                          |                     |                                  |                     |
| <b>Gross profit from the PRC sales:</b>       |                          |                     |                                  |                     |
| Non-NVC brands                                | <u>22,299</u>            | <u>19.9%</u>        | <u>46,689</u>                    | <u>27.3%</u>        |
| <b>Gross profit from international sales:</b> |                          |                     |                                  |                     |
| NVC brand                                     | <u>23,743</u>            | <u>25.0%</u>        | <u>25,987</u>                    | <u>30.1%</u>        |
| Non-NVC brands                                | <u>250,437</u>           | <u>28.0%</u>        | <u>197,569</u>                   | <u>24.3%</u>        |
| Subtotal                                      | <u>274,180</u>           | <u>27.7%</u>        | <u>223,556</u>                   | <u>24.8%</u>        |
| <b>Total</b>                                  | <u><u>296,479</u></u>    | <u><u>26.9%</u></u> | <u><u>270,245</u></u>            | <u><u>25.2%</u></u> |

In the complex international economic and social environment, the overall gross profit margin of international sales of the Group during the Period under Review increased as compared with the Corresponding Period, mainly due to: on the one hand, the Group gradually transferred the best-selling product lines to Vietnam factories where more preferential trade policies are provided, and strengthened procurement and technology to reduce costs, which improved the overall gross profit margin; on the other hand, it accelerated the development and promotion of new products, and provided customization products and services to increase the added value and gross profit margin of new products, which contributed to the gradual increase in the proportion of new products with high gross profit margin, leading to an effective increase in the overall gross profit margin. The decrease in the Group's gross profit margin of sales in China over the Corresponding Period was mainly due to the low capacity utilization rate affected by the domestic COVID-19 epidemic in the first quarter and the effects of the continued decline in production and selling prices resulted from the decline in market demand for traditional lamp product.

## **Other Income and Gains**

Our other income and gains mainly consist of rental income, consultancy income, waiver of other payables from an associate, government grants and interest income (the breakdown of other income and gains is provided in note 3 to the interim condensed consolidated financial statements on pages 11 to 12 of this announcement). We received various types of government grants in the form of tax subsidies, incentives for research and development activities, expansion of production capacity of energy-saving lamp and the support of the payroll of the Group's employees resulting from the COVID-19 pandemic. Government subsidies are provided by relevant authorities at their discretion, and may not be recurring in nature. During the Period under Review, other income and gains of the Group increased significantly to RMB144,787,000 as compared with the other income and gains from the continuing operations of the Corresponding Period, which was mainly due to the receipt of waiver of other payables from an associate and the increase of government grants received during the Period under Review.

## **Selling and Distribution Costs**

Our selling and distribution costs mainly consist of freight costs, advertising and promotion expenses, staff costs and other costs including office expenses, customs clearance expenses, travelling expenses, depreciation and amortisation, insurance fees and other miscellaneous costs.

During the Period under Review, our selling and distribution costs were RMB118,093,000, basically the same as compared with the selling and distribution costs from the continuing operations of the Corresponding Period. Our selling and distribution costs as a percentage in revenue decreased from 11.0% to 10.7%.

## **Administrative Expenses**

Our administrative expenses mainly consist of staff costs, amortisation and depreciation, research and development expenses, office expenses and other expenses including tax expenses, audit fees, other professional fees and other miscellaneous expenses. These taxes mainly include land use tax and stamp duty in connection with our administrative functions.

During the Period under Review, our administrative expenses were RMB118,911,000, representing a decrease of 4.0% as compared with the administrative expenses from the continuing operations of the Corresponding Period, which was mainly due to the fact that the Group strengthened internal operation management and tightened expenses during the severe time of the epidemic, which resulted in a decrease in professional fee and staff cost as compared with the Corresponding Period. Our administrative expenses as a percentage in revenue decreased from 11.6% to 10.8%.

## **Other Expenses**

Other expenses mainly consist of fair value change of contingent consideration receivable, fair value loss of held-for-trading financial assets, donation and other miscellaneous expenses. During the Period under Review, other expenses increased significantly to RMB60,114,000 as compared with the other expenses from the continuing operations of the Corresponding Period, mainly due to the effects from differences in reconciliation of foreign exchanges between subsidiaries within the Group.

## **Finance Costs**

Finance costs represent expenses of interest on bank loans and interest on lease liabilities.

## **Share of Results of Associates**

This item represents the Group's share of net profits or net losses in the associates during the Period under Review.

## **Gain on Disposal of a Subsidiary**

During the Corresponding Period, the Company disposed of its entire interest in a subsidiary of the Company to an independent third party at a consideration of RMB100,000 and recorded a gain of RMB761,273,000. The net liabilities of the subsidiary before disposed was RMB761,173,000.

## **Income Tax**

During the Period under Review, the Group's income tax increased significantly to RMB38,237,000 as compared with the income tax from the continuing operations of the Corresponding Period. It was mainly due to the effect of increase in the withholding income tax on earnings distributed by an associate of the Company in the PRC to the Company during the Period under Review.

## **Profit for the Period (including Profit Attributable to Non-controlling Interests)**

Due to the factors mentioned above, our net profit for the period (including profit attributable to non-controlling interests) was RMB73,457,000 during the Period under Review.

## **Exchange Differences on Translation of Foreign Operations and Share of Other Comprehensive Income of Associates**

During the Period under Review, our exchange differences on translation of foreign operations and share of other comprehensive income of associates primarily arose from the translation of the financial statements of the Company and its overseas subsidiaries and associates which are denominated in foreign currencies.

## **Profit for the Period Attributable to Owners of the Parent**

Due to the factors mentioned above, profit for the period attributable to owners of the parent was RMB52,453,000 during the Period under Review.

## **Profit for the Period Attributable to Non-controlling Interests**

During the Period under Review, profit for the period attributable to non-controlling interests was RMB21,004,000.

## **Liquidity**

### ***Sufficiency of net current assets and working capital***

The table below sets out our current assets, current liabilities and net current assets as at the end of the Period under Review.

|                                             | <b>30 June<br/>2020<br/>RMB'000</b> | <b>31 December<br/>2019<br/>RMB'000</b> |
|---------------------------------------------|-------------------------------------|-----------------------------------------|
| <b>CURRENT ASSETS</b>                       |                                     |                                         |
| Inventories                                 | <b>384,896</b>                      | 385,418                                 |
| Trade and bills receivables                 | <b>500,089</b>                      | 606,590                                 |
| Prepayments, deposits and other receivables | <b>127,779</b>                      | 479,812                                 |
| Income tax recoverable                      | <b>1,752</b>                        | 1,733                                   |
| Other current assets                        | <b>22,847</b>                       | 24,928                                  |
| Held-for-trading investments                | <b>29,120</b>                       | 39,506                                  |
| Short-term deposits                         | <b>100,089</b>                      | 56,300                                  |
| Cash and cash equivalents                   | <b>1,056,226</b>                    | 1,551,520                               |
| <b>Sub-total current assets</b>             | <b>2,222,798</b>                    | 3,145,807                               |
| <b>CURRENT LIABILITIES</b>                  |                                     |                                         |
| Trade and bills payables                    | <b>451,504</b>                      | 530,918                                 |
| Other payables and accruals                 | <b>231,250</b>                      | 806,276                                 |
| Interest-bearing loans and borrowings       | <b>15,485</b>                       | 21,917                                  |
| Lease liabilities                           | <b>9,139</b>                        | 6,674                                   |
| Government grants                           | <b>1,009</b>                        | 1,009                                   |
| Income tax payable                          | <b>93,171</b>                       | 558,450                                 |
| <b>Sub-total current liabilities</b>        | <b>801,558</b>                      | 1,925,244                               |
| <b>NET CURRENT ASSETS</b>                   | <b>1,421,240</b>                    | 1,220,563                               |

As at 30 June 2020 and 31 December 2019, the total net current assets of the Group amounted to RMB1,421,240,000 and RMB1,220,563,000, respectively, and the current ratio was 2.77 and 1.63, respectively. In light of our current liquidity position, the unutilised banking facilities available to the Group and our projected cash inflows generated from operations, the Directors believe that we have sufficient working capital for our present requirements and for the next 12 months.

## Capital Management

The table below sets out our gearing ratio as at the end of the Period under Review.

|                                                         | <b>30 June<br/>2020<br/>RMB'000</b> | <b>31 December<br/>2019<br/>RMB'000</b> |
|---------------------------------------------------------|-------------------------------------|-----------------------------------------|
| Interest-bearing loans and borrowings                   | <u>15,485</u>                       | <u>21,917</u>                           |
| Total debt                                              | <b>15,485</b>                       | 21,917                                  |
| Less: cash and cash equivalents and short-term deposits | <u>(1,156,315)</u>                  | <u>(1,607,820)</u>                      |
| Net debt                                                | <u><b>N/A</b></u>                   | <u><b>N/A</b></u>                       |
| Total equity attributable to owners of the parent       | <u><b>3,370,930</b></u>             | <u><b>3,319,729</b></u>                 |
| Gearing ratio                                           | <b>N/A</b>                          | <b>N/A</b>                              |

The primary goal of our capital management is to maintain the stability and growth of our financial position. We regularly review and manage our capital structure and make corresponding adjustments, after taking into consideration changes in economic conditions, our future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. We manage our capital by monitoring our gearing ratio (which is calculated as net debt divided by the total equity attributable to owners of the parent). Net debt is the balance of interest-bearing loans and borrowings less cash and cash equivalents and short-term deposits.

## Capital Expenditure

We funded our capital expenditure with cash generated from operations and bank loans and cash generated from disposal of subsidiaries. Our capital expenditure is primarily related to expenditure on property, plant and equipment, right-of-use assets and other intangible assets. During the Period under Review, the Group's capital expenditure amounted to RMB30,974,000, mainly attributable to the increase in cost of leasehold improvements, machinery equipment and development costs.

## **Off-balance Sheet Arrangement**

We did not have any outstanding derivative financial instruments or off-balance sheet guarantees for outstanding loans. We did not engage in trading activities involving non-exchange traded contracts.

## **Capital Commitments**

On 30 June 2020, the capital commitments in respect of purchase of property, plant and equipment, acquisition of interest in investments and investments in associates was RMB64,256,000 (31 December 2019: RMB91,975,000).

## **OUTBREAK OF COVID-19**

Due to the worldwide outbreak of the COVID-19 epidemic, the overall economic activities of the Group are expected to be affected by the continuing spread of the epidemic. The Group evaluated the impact of the COVID-19 epidemic on its financial condition and financial performance. However, given the variable nature of the disease, the Group has not yet been able to quantify the impact. The Group will continue to closely monitor the development of the COVID-19 epidemic and its impact, and will continue to conduct relevant assessment and proactively take appropriate measures.

There will be full of challenges and uncertainties in the second half of 2020. The Directors expect that the Group's overseas sales orders may be reduced due to quarantine and mandatory measures taken by the government if the epidemic cannot be effectively controlled within a short period of time. The Directors will continue to evaluate the impact of the epidemic on the operation and financial performance of the Group and closely monitor the risks and uncertainties faced by the Group regarding the epidemic. In addition, the Group will adhere to prudent financial management in channel expansion, brand promotion and cost control. In conclusion, despite the impact of the COVID-19 epidemic on the operation and financial condition of the Group, the Group is still able to maintain sufficient cash reserves.

## **CONTINUING CONNECTED TRANSACTIONS**

During the Period under Review, the continuing connected transactions of the Group did not exceed the annual caps previously disclosed in the relevant announcements of the Company.

## **MERGERS, ACQUISITIONS, INVESTMENTS AND DISPOSALS**

The Group made no material acquisition, merger or sale of major subsidiaries, associates and joint ventures during the Period under Review.

## **USE OF PROCEEDS FROM THE GLOBAL OFFERING**

We did not use the proceeds from the global offering in a manner different from those set out in the prospectus of the Company dated 7 May 2010.

## **MARKET RISKS**

We are exposed to various market risks in the ordinary course of business. Our risk management strategy aims to minimise the adverse effects of these risks to our financial results.

### **Foreign Currency Risk**

We are exposed to transactional currency risk. Such risk arises from sales or procurement by operating units in currencies other than its functional currency. As a result, we are exposed to fluctuations in the exchange rate between the functional currencies and foreign currencies. During the Period under Review, the Group had entered into several forward currency contracts in place to hedge the foreign exchange exposure, therefore did not experience any material difficulties or negative impacts on our operations or liquidity as a result of fluctuations in currency exchange rates.

### **Commodity Price Risk**

We are exposed to fluctuations in the prices of raw materials which are influenced by global changes as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect our financial performance. We did not enter into any commodity derivative instruments to hedge the potential commodity price changes.

### **Liquidity Risk**

We monitor our risk of having a shortage of funds by considering the maturity of our financial instruments, financial assets and liabilities and projected cash flows from operations. Our goal is to maintain a balance between continuity and flexibility of funding through the use of bank loans and other interest-bearing loans. Our Directors have reviewed our working capital and capital expenditure requirements and determined that we have no significant liquidity risk.

## **Credit Risk**

Our major credit risk arises from exposure to a substantial number of trade and bills receivables, deposits and other receivables from debtors. We have policies in place to ensure that the sales of products are made to customers with an appropriate credit limit, and we have strict control over credit limits of trade receivables. Our cash and short-term deposits are mainly deposited with registered banks in Mainland China and Hong Kong. We also have policies that limit our credit risk exposure to any financial institutions. The carrying amounts of trade and bills receivables, deposits and other receivables, cash and cash equivalents and short-term deposits included in the condensed consolidated statement of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have no other financial assets which carry significant exposure to credit risk. In 2019, we entered into a number of one-year insurance contracts with China Export & Credit Insurance Corporation, which under its coverage, covered 75% or 90% uncollectible receivables from international sales between the period from 1 July 2019 to 30 November 2020 with a maximum compensation amount of US\$48,000,000 (equivalent to approximately RMB334,858,000). We purchased such insurance in order to minimise our exposure to credit risk as we expand our business. We plan to renew such insurance contracts when they become due.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## **EMPLOYEES**

As at 30 June 2020, the Group had approximately 2,839 employees in total (31 December 2019: 2,709). The Group regularly reviews remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contributions, employee provident fund schemes, discretionary incentive and share option schemes.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the Period under Review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## **CORPORATE GOVERNANCE**

The Directors are of the opinion that, during the Period under Review, the Company had complied with the principles and codes provisions set out in the Code, except for the following code provision.

Code Provision A.5.1 requires that, inter alia, nomination committee established by a listed issuer should comprise a majority of independent non-executive directors. On 12 June 2020, Mr. WEI Hongxiong retired as an Independent Non-executive Director of the Company, he therefore ceased to act as, inter alia, a member of the nomination committee of the Board (the “Nomination Committee”). Consequently, the number of members of the Nomination Committee was reduced from three to two and thus failed to meet the composition requirement of the nomination committee under Code Provision A.5.1. Subsequently, Mr. JIA Hongbo was appointed as an Independent Non-executive Director of the Company and also appointed as, inter alia, a member of the Nomination Committee with effect from 17 July 2020. Since then, the Company has complied with the composition requirement of the nomination committee under Code Provision A.5.1.

Save as disclosed above, the Company had fully complied with the principles and code provisions as set out in the Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as its code of conduct regarding directors’ securities transactions. Specific enquiry has been made to all Directors, and all the Directors have confirmed that they had complied with all relevant requirements as set out in the Model Code during the Period under Review.

## **AUDIT COMMITTEE**

The Company established an audit committee (the “Audit Committee”) in compliance with the Listing Rules with written terms of reference. The primary duties of the Audit Committee include maintaining relationship with the auditor of the Group, reviewing financial information of the Group, supervising the financial reporting system, risk management and internal control system of the Group, and the duties of corporate governance designated by the Board. During the Period under Review, Mr. SU Ling retired as an Independent Non-executive Director on 12 June 2020, and therefore ceased to act as a member of the Audit Committee. Subsequently, Mr. JIA Hongbo was appointed as an Independent Non-executive Director on 17 July 2020 and, inter alia, as a member of the Audit Committee on the same day. Currently, the Audit Committee consists of three Independent Non-executive Directors as members, namely, Mr. LEE Kong Wai, Conway, Mr. WANG Xuexian and Mr. JIA Hongbo, respectively. Mr. LEE Kong Wai, Conway is the chairman of the Audit Committee. The Audit Committee has reviewed and discussed the interim results for the Period under Review.

## **REMUNERATION COMMITTEE**

The Company established a remuneration committee (the “Remuneration Committee”) in compliance with the Listing Rules with written terms of reference. The primary duties of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all Directors and senior management, and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. During the Period under Review, Mr. WEI Hongxiong retired as an Independent Non-executive Director on 12 June 2020 and therefore ceased to act as, inter alia, the chairman of the Remuneration Committee. Subsequently, Mr. LEE Kong Wai, Conway was re-designated from a member of Remuneration Committee to the chairman of the Remuneration Committee while Mr. WANG Xuexian was appointed as a member of Remuneration Committee on 17 July 2020. Currently, the Remuneration Committee consists of one Executive Director and two Independent Non-executive Directors as members, namely, Ms. CHAN Kim Yung, Eva, Mr. LEE Kong Wai, Conway and Mr. WANG Xuexian, respectively. Mr. LEE Kong Wai, Conway is the chairman of the Remuneration Committee.

## **NOMINATION COMMITTEE**

The Company established a Nomination Committee in compliance with the Code with written terms of reference. The primary duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors. During the Period under Review, Mr. WEI Hongxiong retired as an Independent Non-executive Director on 12 June 2020 and therefore ceased to act as, inter alia, a member of the Nomination Committee. Subsequently, Mr. JIA Hongbo was appointed as an Independent Non-executive Director on 17 July 2020 and, inter alia, as a member of the Nomination Committee on the same day. Currently, the Nomination Committee consists of one Executive Director and two Independent Non-executive Directors as members, namely, Mr. WANG Donglei, Mr. LEE Kong Wai, Conway and Mr. JIA Hongbo, respectively. Mr. WANG Donglei is the chairman of the Nomination Committee.

## **STRATEGY AND PLANNING COMMITTEE**

The Company established a strategy and planning committee (the “Strategy and Planning Committee”) under the Board with written terms of reference. The primary duty of the Strategy and Planning Committee is to propose and formulate the strategic development plan of the Company for the Board’s consideration. Currently, the Strategy and Planning Committee consists of three Executive Directors and one Independent Non-executive Director as members, namely, Mr. WANG Donglei, Ms. CHAN Kim Yung, Eva, Mr. XIAO Yu and Mr. WANG Xuexian, respectively. Mr. WANG Donglei is the chairman of the Strategy and Planning Committee.

## **DISSOLUTION OF INDEPENDENT INVESTIGATIONS COMMITTEE**

To advance the internal investigations into matters involving Mr. WU Changjiang, the former Executive Director and chief executive officer of the Company, the Company has established an independent investigations committee (the “Independent Investigations Committee”) under the Board. The Independent Investigations Committee has been authorised by the Board to exercise powers and perform relevant duties on behalf of the Board in relation to the conduct of the investigations into, among other things, the alleged wrongdoing of Mr. WU Changjiang. The Independent Investigations Committee has also been authorised to consider and make recommendations to the Board with respect to any potential proceedings arising from the internal investigations. In connection with the Company’s investigations of the alleged wrongdoing of Mr. WU Changjiang, the Independent Investigations Committee has instructed a third-party service provider to conduct a forensic review of related irregularities and an internal controls assessment of the Company and its key subsidiaries. The forensic review and internal controls assessment has been completed. Please refer to the announcements of the Company dated 17 July 2015 and 17 September 2015 for details. As such, the functions of the Independent Investigations Committee have already been completed. The Independent Investigations Committee was formally dissolved on 25 August 2020.

## **APPOINTMENT AND RESIGNATION OF DIRECTORS AND CHANGE IN DIRECTORS’ INFORMATION**

From 1 January 2020 to the date of this announcement, the appointment, re-designation and resignation of Directors and changes in the Directors’ information are as follows:

- Each of Mr. WANG Donglei, Mr. WANG Dongming and Mr. WANG Keven Dun was re-designated from an Executive Director of the Company to a Non-executive Director of the Company with effect from 20 May 2020.
- The directors’ fee receivable per annum by Mr. WANG Donglei, Ms. CHAN Kim Yung, Eva, Mr. XIAO Yu, Mr. WANG Dongming, Mr. WANG Keven Dun, Mr. YE Yong, Mr. WANG Xuexian, Mr. WEI Hongxiong and Mr. SU Ling was adjusted from HK\$500,000 to HK\$300,000 with effect from 20 May 2020.
- Mr. WEI Hongxiong and Mr. SU Ling retired as Independent Non-executive Directors of the Company with effect from 12 June 2020.
- Mr. WEI Hongxiong ceased to act as the chairman of the Remuneration Committee and a member of the Nomination Committee and the Independent Investigations Committee with effect from 12 June 2020.
- Mr. SU Ling ceased to act as a member of the Audit Committee with effect from 12 June 2020.
- Mr. WANG Donglei was re-designated from a Non-executive Director of the Company to an Executive Director of the Company with effect from 17 July 2020.

- Mr. JIA Hongbo was appointed as an Independent Non-executive Director of the Company and was appointed as a member of the Audit Committee and the Nomination Committee with effect from 17 July 2020.
- Mr. LEE Kong Wai, Conway was re-designated from a member of the Remuneration Committee to the chairman of the Remuneration Committee with effect from 17 July 2020.
- Mr. WANG Xuexian was appointed as a member of the Remuneration Committee with effect from 17 July 2020.
- Mr. LEE Kong Wai, Conway and Mr. WANG Xuexian ceased to act as members of Independent Investigations Committee upon the dissolution of the Independent Investigations Committee on 25 August 2020.

Save as disclosed above, there is no other information that should be disclosed under rule 13.51B(1) of the Listing Rules.

## **PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The Group's interim results for the six months ended 30 June 2020 will be included in the Company's interim report which will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.nvc-international.com](http://www.nvc-international.com) and will be dispatched to the Company's shareholders in due course.

## **REVIEW OF ACCOUNTS**

The Group's interim results have been reviewed by the Audit Committee and approved by the Board.

The Group's interim results for the Period under Review have also been reviewed by the external auditor of the Company.

## **APPRECIATION**

The Board would like to take this opportunity to express its appreciation to the management and employees of the Group for their contribution during the Period under Review and also to give its sincere gratitude to all the shareholders of the Company for their continued support.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings.

|                        |                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Board”                | the board of Directors.                                                                                                                                                                                                                                                                                                                                                                                                    |
| “China” or “PRC”       | the People’s Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to “China” and the “PRC” do not apply to Taiwan, the Macau Special Administrative Region and the Hong Kong Special Administrative Region.                                                                                              |
| “Code”                 | the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules.                                                                                                                                                                                                                                                                                                          |
| “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 the Company are listed on the main board of the Stock Exchange. |
| “Corresponding Period” | the six months ended 30 June 2019 (as the context may require).                                                                                                                                                                                                                                                                                                                                                            |
| “Director(s)”          | the director(s) of the Company.                                                                                                                                                                                                                                                                                                                                                                                            |
| “Group”                | the Company and its subsidiaries.                                                                                                                                                                                                                                                                                                                                                                                          |
| “HK\$”                 | Hong Kong dollars, the lawful currency of Hong Kong.                                                                                                                                                                                                                                                                                                                                                                       |

|                       |                                                                                                                                                                                                                          |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Hong Kong”           | the Hong Kong Special Administrative Region of the PRC.                                                                                                                                                                  |
| “LED”                 | light-emitting diode.                                                                                                                                                                                                    |
| “Listing Rules”       | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.                                                                                                                                |
| “Model Code”          | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.                                                                                                |
| “ODM”                 | original design manufacturing, a type of manufacturing under which the manufacturer is responsible for the design and production of the products and the products are marketed and sold under the customer’s brand name. |
| “Period under Review” | the six months ended 30 June 2020.                                                                                                                                                                                       |
| “RMB”                 | Renminbi, the lawful currency of the PRC.                                                                                                                                                                                |
| “Share(s)”            | Ordinary share(s) of US\$0.0000001 each in the share capital of the Company.                                                                                                                                             |
| “Stock Exchange”      | The Stock Exchange of Hong Kong Limited.                                                                                                                                                                                 |
| “U.S.”                | the United States of America, its territories, its possessions and all areas subject to its jurisdiction.                                                                                                                |
| “US\$”                | United States dollars, the lawful currency of U.S..                                                                                                                                                                      |

“UK NVC” NVC Lighting Limited, a private company incorporated in England and Wales on 31 May 2007, and our direct wholly-owned subsidiary.

“we”, “us” or “our” the Company or the Group (as the context may require).

By Order of the Board  
**NVC INTERNATIONAL HOLDINGS LIMITED**  
*Chairman*  
**WANG Donglei**

Hong Kong, 25 August 2020

As at the date of this announcement, the directors of the Company are:

*Executive Directors:*

WANG Donglei  
CHAN Kim Yung, Eva  
XIAO Yu

*Non-executive Directors:*

WANG Dongming  
WANG Keven Dun  
YE Yong

*Independent Non-executive Directors:*

LEE Kong Wai, Conway  
WANG Xuexian  
JIA Hongbo