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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)

**ANNUAL RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED 31 DECEMBER 2020**

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2020:

- The Group's revenue amounted to RMB2,349,573,000, representing an increase of 5.7% as compared with that from continuing operations in the Corresponding Period.
- The Group's gross profit amounted to RMB672,518,000, representing an increase of 26.1% as compared with that from continuing operations in the Corresponding Period.
- The Group's loss for the year amounted to RMB20,002,000, with the loss from continuing operations amounted to RMB87,263,000 in the Corresponding Period.
- Loss attributable to owners of the Company amounted to RMB51,748,000, with the loss attributable to owners of the Company from continuing operations amounted to RMB101,524,000 in the Corresponding Period.
- Basic loss per share attributable to owners of the Company amounted to RMB1.22 cents (basic loss per share from continuing operations in the Corresponding Period: RMB2.40 cents).
- The Board of the Company has proposed not to declare final dividend (2019: no final dividend declared).

The Board announces the annual results of the Group for the Reporting Period. The annual results have been reviewed by the audit committee of the Company (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2020	2019
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
CONTINUING OPERATIONS			
REVENUE	2	2,349,573	2,222,610
Cost of sales		(1,677,055)	(1,689,249)
GROSS PROFIT		672,518	533,361
Other income	4	206,614	39,976
Other gains and losses	5	(60,438)	(166,911)
Selling and distribution expenses		(223,661)	(248,586)
Administrative expenses		(273,985)	(279,651)
Impairment losses under expected credit loss model, net of reversal		4,579	(570,544)
Other expenses	6	(76,018)	(51,273)
Finance costs	7	(8,010)	(5,157)
Share of results of associates		(254,054)	(17,957)
Gain on disposal of a subsidiary		–	761,273
LOSS BEFORE TAX		(12,455)	(5,469)
Income tax expense	8	(7,547)	(81,794)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(20,002)	(87,263)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations		–	3,790,435
(LOSS) PROFIT FOR THE YEAR		(20,002)	3,703,172

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

	Year ended 31 December	
	2020	2019
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Loss) profit attributable to owners of the Company		
– from continuing operations	(51,748)	(101,524)
– from discontinued operations	–	3,776,506
(Loss) profit for the year attributable to owners of the Company	(51,748)	3,674,982
Profit attributable to non-controlling interests		
– from continuing operations	31,746	14,261
– from discontinued operations	–	13,929
Profit for the year attributable to non-controlling interests	31,746	28,190
	(20,002)	3,703,172
(LOSS) EARNINGS PER SHARE	9	
From continuing and discontinued operations		
Basic (<i>RMB cents</i>)	(1.22)	86.93
From continuing operations		
Basic (<i>RMB cents</i>)	(1.22)	(2.40)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
(LOSS) PROFIT FOR THE YEAR	(20,002)	3,703,172
OTHER COMPREHENSIVE (EXPENSE) INCOME		
Items that will not be reclassified subsequently to profit or loss:		
– Exchange differences arising on translation from functional currency to presentation currency	(48,690)	(35,346)
– Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income	(14,000)	11,996
– Share of other comprehensive income of associates, net of related income tax	–	(6)
	(62,690)	(23,356)
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences arising on translation of foreign operations	(31,590)	(65,037)
– Share of other comprehensive income of associates, net of related income tax	53,450	4,037
– Reclassification of cumulative translation reserve upon disposal of foreign operations	–	(4,699)
	21,860	(65,699)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR	(40,830)	(89,055)
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR	(60,832)	3,614,117
Total comprehensive (expense) income attributable to:		
– Owners of the Company	(95,102)	3,585,738
– Non-controlling interests	34,270	28,379
	(60,832)	3,614,117

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December	
		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		320,735	320,233
Right-of-use assets		211,762	226,472
Investment properties		5,807	–
Goodwill		211,386	213,968
Other intangible assets		366,800	389,425
Interests in associates		588,470	803,118
Equity instruments at fair value through other comprehensive income		14,000	28,000
Deferred tax assets		11,069	23,873
Deposits		298,247	283,363
		2,028,276	2,288,452
CURRENT ASSETS			
Inventories	11	421,673	385,418
Trade and bills receivables	12	498,777	606,590
Other receivables, deposits and prepayments		95,957	504,740
Tax recoverable		1,658	1,733
Financial assets at fair value through profit or loss		25,251	39,506
Pledged bank deposits		75,671	56,300
Bank balances and cash		1,226,773	1,551,520
		2,345,760	3,145,807
CURRENT LIABILITIES			
Trade and bills payables	13	561,320	530,918
Other payables and accruals		252,551	774,217
Contract liabilities		47,028	32,059
Borrowings	14	30,043	21,917
Deferred income		1,009	1,009
Lease liabilities		17,628	6,674
Tax liabilities		45,519	558,450
		955,098	1,925,244
NET CURRENT ASSETS		1,390,662	1,220,563
TOTAL ASSETS LESS CURRENT LIABILITIES		3,418,938	3,509,015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		31 December	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Borrowings	14	3,616	–
Deferred income		1,747	1,837
Lease liabilities		40,471	43,017
Deferred tax liabilities		58,199	70,060
		104,033	114,914
NET ASSETS			
		3,314,905	3,394,101
CAPITAL AND RESERVES			
Share capital		3	3
Reserves		3,224,624	3,319,726
Equity attributable to owners of the Company		3,224,627	3,319,729
Non-controlling interests		90,278	74,372
TOTAL EQUITY		3,314,905	3,394,101

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1.1 GENERAL INFORMATION

NVC International Holdings Limited (the “Company”) is a public limited company incorporated in the territory of the British Virgin Islands (the “BVI”) as a limited liability company on 2 March 2006 and was redomiciled to the Cayman Islands on 30 March 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the manufacture and sale of lamps, luminaries, lighting electronic products and related products.

The consolidated financial statements are presented in Renminbi (“RMB”), which is different from the Company’s functional currency of United States dollars (“US\$”). The directors of the Company adopted RMB as presentation currency for the convenience of the financial statements users.

1.2 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS Standards”)

Amendments to IFRS Standards that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRS Standards for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions*.

Except as described below, the application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRS Standards in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

1.2 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS Standards”) (Continued)

Amendments to IFRS Standards that are mandatorily effective for the current year (Continued)

1.2.1 Impacts on application of Amendments to IAS 1 and IAS 8 Definition of Material

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

1.2.2 Impacts on application of Amendments to IFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments had no impact on the consolidated financial statements in the current year as similar conclusion would have been reached without applying the optional concentration test.

1.2 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS Standards”) (Continued)

Amendments to IFRS Standards that are mandatorily effective for the current year (Continued)

1.2.3 Impacts on early application of Amendment to IFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- 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;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020. The Group has benefited from three to six months waiver of lease payments on several leases in the PRC and Hong Kong. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of RMB1,077,000, which has been recognised as variable lease payments in profit or loss for the current year.

1.2 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS Standards”) (Continued)

New and amendments to IFRS Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimate ¹
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to IFRS Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRS Standards will have no material impact on the consolidated financial statements in the foreseeable future.

1.2 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS Standards”) (Continued)

New and amendments to IFRS Standards in issue but not yet effective (Continued)

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in IFRS 3 Business Combinations so that it refers to the *Conceptual Framework for Financial Reporting* issued by International Accounting Standards Board in March 2018 (the “Conceptual Framework”) instead of the International Accounting Standards Committee’s *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010);
- add a requirement that, for transactions and other events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

1.2 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS Standards”) (Continued)

New and amendments to IFRS Standards in issue but not yet effective (Continued)

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (Continued)

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

Based on the Group’s outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group’s liabilities.

Amendments to IFRS Standards Annual Improvements to IFRSs 2018 – 2020

The annual improvements make amendments to the following standards.

IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

2. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2020			
	International	Domestic	International	Total
	NVC	non-NVC	non-NVC	
	brand	brand	brand	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Continuing operations				
Sales to external customers	258,702	238,784	1,852,087	2,349,573
Geographical markets				
United States	2,837	–	1,265,593	1,268,430
Japan	–	–	267,511	267,511
The PRC	–	238,784	–	238,784
United Kingdom	145,211	–	47,568	192,779
Other countries	110,654	–	271,415	382,069
Total	258,702	238,784	1,852,087	2,349,573
Timing of revenue recognition				
A point in time	258,702	238,784	1,852,087	2,349,573

2. REVENUE (Continued)

(i) Disaggregation of revenue from contracts with customers (Continued)

Segments	For the year ended 31 December 2019			
	International	Domestic	International	Total
	NVC	non-NVC	non-NVC	
	brand	brand	brand	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Continuing operations				
Sales to external customers	196,329	307,143	1,719,138	2,222,610
Geographical markets				
United States	1,405	–	867,631	869,036
The PRC	–	307,143	–	307,143
Japan	–	–	207,445	207,445
United Kingdom	140,818	–	46,939	187,757
Other countries	54,106	–	597,123	651,229
Total	196,329	307,143	1,719,138	2,222,610
Timing of revenue recognition				
A point in time	196,329	307,143	1,719,138	2,222,610

(ii) Performance obligations for contracts with customers

The Group sells lighting products to the retailers over the world.

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the specific location (delivery). Following the delivery, the customers has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 90 days upon delivery.

2. REVENUE (Continued)

(ii) Performance obligations for contracts with customers (Continued)

Under the Group's standard contract terms, customers have a right to exchange for defective products within 30 days. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised. The Group's right to recover the product when customers exercise their right is recognised as a right to returned goods and a corresponding adjustment to cost of sales.

Sales-related warranties associated with lighting products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with its previous accounting treatment.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All goods provided by the Group are for contracts with original expected duration of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

3. OPERATING SEGMENTS

Information reported to the executive directors of the Company, being the Chief Operating Decision Maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable segments under IFRS 8 are as follows:

- International NVC brand – sales of NVC branded lighting products outside the PRC
- Domestic non-NVC brand – domestic sales of non-NVC branded lighting products in the PRC
- International non-NVC brand – sales of non-NVC branded lighting products outside the PRC

During the year ended 31 December 2019, Huizhou NVC Lighting Technology Co. Ltd., Blue Light (HK) Trading Co., Limited and Zhuhai Yaohui Technology Co. Ltd. (the "Target Companies") and their subsidiaries (collectively referred to as the "Discontinued Operations") were disposed and its operation in domestic sales of NVC branded lighted products is presented as discontinued operations.

3. OPERATING SEGMENTS (Continued)

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments:

For the year ended 31 December 2020

	International NVC brand <i>RMB'000</i>	Domestic non-NVC brand <i>RMB'000</i>	International non-NVC brand <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Continuing operations				
Segment revenue:				
Sales to external customers	<u>258,702</u>	<u>238,784</u>	<u>1,852,087</u>	<u>2,349,573</u>
Segment results	<u>73,271</u>	<u>53,398</u>	<u>545,849</u>	672,518
<i>Reconciliation</i>				
Other income				206,614
Other gains or losses				(60,438)
Unallocated expenses				(573,664)
Impairment losses under expected credit loss model, net of reversal				4,579
Finance costs				(8,010)
Share of results of associates				<u>(254,054)</u>
Loss before tax from continuing operations				<u><u>(12,455)</u></u>

3. OPERATING SEGMENTS (Continued)

For the year ended 31 December 2019 (restated)

	International NVC brand <i>RMB'000</i>	Domestic non-NVC brand <i>RMB'000</i>	International non-NVC brand <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Continuing operations				
Segment revenue:				
Sales to external customers	<u>196,329</u>	<u>307,143</u>	<u>1,719,138</u>	<u>2,222,610</u>
Segment results	<u>50,336</u>	<u>61,374</u>	<u>421,651</u>	533,361
<i>Reconciliation</i>				
Other income				39,976
Other gains or losses				(166,911)
Unallocated expenses				(579,510)
Impairment losses under expected credit loss model, net of reversal				(570,544)
Finance costs				(5,157)
Share of results of associates				(17,957)
Gain on disposal of subsidiaries				<u>761,273</u>
Loss before tax from continuing operations				<u><u>(5,469)</u></u>

4. OTHER INCOME

	<i>Notes</i>	Year ended 31 December	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
Continuing operations			
Waiver of special dividend from an associate	(a)	118,355	–
Government grants and other subsidies	(b)	56,763	18,941
Bank interest income		6,000	5,414
Other interest income		1,549	699
Surcharges from suppliers	(c)	3,258	10,474
Rental income – lease payments that are fixed		550	1,687
Consultancy service income		7,188	–
Trademark licensing fee		4,834	–
Samples recharged to customers		5,694	–
Others		2,423	2,761
		<u>206,614</u>	<u>39,976</u>

Notes:

- (a) The amount represented the legal assignment of the special dividend declared by an associate to the Group from the major shareholder of the associate to the Group in accordance with the share purchase agreement dated 10 August 2019 and a supplementary agreement signed in June 2020 in relation to the disposal of 100% equity interest in the Target Companies.
- (b) During the year ended 31 December 2020, government grants in respect of Covid-19-related subsidies and other subsidies were received by various subsidiaries of the Group. The government grants were unconditional and therefore recognised in the consolidated statement of profit or loss in the current year. Other government grants have been received by the Group's PRC subsidiaries as tax subsidies and incentives for research and development activities and the expansion of production capacity of energy-saving lamps. Government grants associated with assets are recognised as deferred income in the consolidated statement of financial position.
- (c) Various one-off surcharges from suppliers have been received by the Group's subsidiaries for late delivery and logistic expenses.

5. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Continuing operations		
Net foreign exchange gains	1,121	31,648
Loss from fair value changes of held-for-trade investment	(14,255)	(4,684)
Impairment loss recognised in respect of:		
– Goodwill	(2,582)	(173,216)
– Property, plant and equipment	–	(12,435)
Fair value change of contingent consideration receivables	(46,066)	–
Gain on disposal of equity instrument at FVTOCI	–	4,648
Gain (loss) on disposal of property, plant and equipment	1,491	(9,548)
Others	(147)	(3,324)
	<u>(60,438)</u>	<u>(166,911)</u>

6. OTHER EXPENSES

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Continuing operations		
Provision for losses on financial guarantee contracts in respect of:		
– Guarantee Agreement 1	–	3,230
– Guarantee Agreement 2	–	2,949
– Guarantee Agreement 3	–	968
Research and development costs	76,018	44,126
	<u>76,018</u>	<u>51,273</u>

7. FINANCE COSTS

	<u>Year ended 31 December</u>	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Continuing operations		
Interest on vendor financing	4,598	–
Interest on lease liabilities	2,777	3,057
Interest on borrowings	635	2,100
	<u>8,010</u>	<u>5,157</u>

8. INCOME TAX EXPENSE

	<u>Year ended 31 December</u>	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Continuing and discontinued operations		
Current tax:		
Hong Kong	14,355	160,048
PRC Enterprise Income Tax	51,615	28,172
Other countries	800	–
	<u>66,770</u>	<u>188,220</u>
(Over)underprovision in prior years:		
Hong Kong	(793)	(11,547)
PRC Enterprise Income Tax (<i>Note</i>)	(59,866)	(6,168)
Other countries	493	–
	<u>(60,166)</u>	<u>(17,715)</u>
Deferred tax	943	(88,711)
	7,547	81,794
Current and deferred tax of discontinued operations	–	573,324
Total	<u>7,547</u>	<u>655,118</u>

8. INCOME TAX EXPENSE (Continued)

Note: In light of the aforesaid disposal of Chongqing NVC, together with the disposal of the Discontinued Operations, the Company derived a gain of RMB3,988,697,000, being the fair value of the consideration received less the carrying amount of the Target Companies' net assets and attributable goodwill, during the year ended 31 December 2019. A PRC income tax provision have been accrued in the Company accounts as at 31 December 2019. The Company reported the Discontinued Operations to the PRC tax authorities, and discharged the relevant PRC taxes during the year ended 31 December 2020. The over provision of PRC income tax, being the difference of tax provision and actual tax paid in the PRC, is reflected in the year ended 31 December 2020.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Chongqing NVC Lighting Co., Ltd. ("Chongqing NVC") and NVC Lighting (China) Co., Ltd. (the "Subsidiary") were recognised as western development enterprises by the local tax authority and are entitled to the preferential tax rate of 15% until 2020 according to a local tax policy on western development issued in 2011. The two subsidiaries were disposed of by the Group during the year ended 31 December 2019.

ETi Solid State Lighting (Zhuhai) Limited ("Zhuhai SSL") and Zhejiang Jiangshan Sunny Electron Co., Ltd. ("Sunny") were recognised as high-tech enterprise by the PRC tax authority and entitled a preferential tax rate of 15% during the year ended 31 December 2020. (2019: Shanghai Arcata Electronics Co., Ltd., Zhuhai SSL and Sunny).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. (LOSS) EARNINGS PER SHARE

From continuing operations

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
(Loss) profit for the year attributable to owners of the Company for the purpose of basic earnings per share	(51,748)	3,674,982
<i>Less:</i>		
Profit for the year from discontinued operations	—	(3,776,506)
Loss for the purpose of basic loss per share from continuing operations	<u>(51,748)</u>	<u>(101,524)</u>
	Number of shares	
	2020 <i>'000</i>	2019 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>4,227,281</u>	<u>4,227,288</u>

From continuing and discontinued operations

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
(Loss) profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>(51,748)</u>	<u>3,674,982</u>

The denominators used are the same as those detailed above for basic earnings per share from continuing operations.

9. (LOSS) EARNINGS PER SHARE (Continued)

From discontinued operations

For the year ended 31 December 2019, basic earnings per share for the discontinued operation is RMB89.33 cents per share (2020: N/A), based on the profits for the year from the discontinued operations of RMB3,776,506,000 (2020: N/A) and the denominators used are the same as those detailed above for basic earnings per share from continuing operations.

No diluted (loss) earnings per share for both 2020 and 2019 were presented as there were no potential ordinary shares in issue for both 2020 and 2019.

10. DIVIDENDS

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2019 special dividends – HK\$90 cents (2020: N/A) per share	–	3,368,205

No dividend was proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: RMB3,368,205,000).

11. INVENTORIES

	31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables	191,058	87,495
Work in progress	29,362	29,750
Finished goods	201,253	268,173
	<u>421,673</u>	<u>385,418</u>

12. TRADE AND BILLS RECEIVABLES

	31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	499,924	608,742
Less: Allowance for credit losses	(7,447)	(17,029)
	492,477	591,713
Bills receivables	6,300	14,877
	498,777	606,590

As at 1 January 2019, trade receivables from contracts with customer amounted to RMB1,286,000,000.

Included in the Group's trade receivables are amounts due from related parties of RMB18,205,000 (2019: RMB83,622,000) which are repayable on similar credit terms to those offered to the major customers of the Group.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the transaction date.

	31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	412,086	428,519
4 to 6 months	50,638	118,196
7 to 12 months	25,578	20,337
1 to 2 years	3,399	23,213
Over 2 years	776	1,448
	492,477	591,713

13. TRADE AND BILLS PAYABLES

	31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bill payables due to third parties	506,909	455,401
Trade and bill payables due to related parties	54,411	75,517
	<u>561,320</u>	<u>530,918</u>
Trade and bill payables due to related parties		
– Subsidiaries of the entity with significant influence over the Company	32,273	44,542
– Associates	21,805	30,642
– Entity with significant influence over the Company	333	333
	<u>54,411</u>	<u>75,517</u>

The followings is an aged analysis of trade payables presented based on the transaction date.

	31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	543,511	502,524
4 to 6 months	14,722	17,999
7 to 12 months	1,177	7,721
1 to 2 years	500	844
Over 2 years	1,410	1,830
	<u>561,320</u>	<u>530,918</u>

The average credit period on purchase of goods is 30 to 180 days (2019: 30 to 180 days).

Bills payables are normally settled within 6 months.

14. BORROWINGS

	31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Secured bank loans	29,458	21,110
Unsecured bank loans	4,201	807
	33,659	21,917
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
The carrying amounts of above borrowings that are repayable within one year and contain a repayment on demand clause (shown under current liabilities)	30,043	21,917
The carrying amount of above borrowings are repayable within a period of more than one year but not exceeding two years	3,616	–
	33,659	21,917

Borrowings comprise:

	Maturity date	Contractual interest rate	Carrying amount	
			2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Secured bank loans (<i>Note</i>)	on demand	Base*+1.90%p.a.	29,458	21,110
Unsecured bank loans	on demand	4.00% per month	585	807
Unsecured bank loans	04/05/2022	1% p.a.	3,616	–
			33,659	21,917

Note: The secured bank loans represented facilities secured by the pledge of certain trade and bills receivables, pledged bank deposits, certain right-of-use assets in relation to land use rights and buildings. The loan is repayable upon the collection of the factored trade receivables.

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

15. PLEDGE OF ASSETS

The Group's borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Property, plant and equipment	41,840	120,002
Right-of-use assets	17,408	17,852
Trade and bills receivables	29,458	21,110
Pledged time deposits	75,671	56,300
	<u>164,377</u>	<u>215,264</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND PERFORMANCE REVIEW

In 2020, the global economy experienced unprecedented turbulence due to the novel coronavirus (“COVID-19”) pandemic. The spread of the pandemic caused a significant contraction in international trade and investment, limited the flow of people and goods, and impacted the global supply chain, which dragged the world economy into the deepest recession since World War II. The global economy is expected to shrink by 3.5% in 2020 according to latest World Economic Outlook published by the International Monetary Fund.

In order to stimulate the global economic recovery, all governments have actively promoted vaccine research and adopted multiple measures including monetary easing policy and large-scale fiscal stimulus package, the optimistic expectations for global economic recovery are heating up accordingly. Developed countries such as the U.S., Japan and Europe gradually resumed to work and production after the relaxation of lockdown and control measures in the third quarter, and the world economy began to rebound from the bottom. However, the negative impact of the pandemic had not been fully eliminated, the global economic recovery would be a long way to go.

After the completion of the disposal of a majority equity of lighting business of NVC in the PRC in late 2019, the Group formally started a new chapter for strategic adjustment and business transformation, focused to creating environmental, safe and healthy smart home and commercial office environment, promoted the Group’s extension services for industrialised, chain-based and one-stop solutions. When the global spread of the pandemic and the world economy continuously impacted in 2020, the Group overcame a series of challenges such as the substantial tightening international trade and the general rise in the prices of domestic bulk raw materials. The management of the Group adopted keen controls over the situation and captured business opportunities in the post-pandemic era with all members’ concerted effort. The Group achieved a decent growth in overall sales and gross profit performance against the trend. During the Reporting Period, the Group recorded revenue of RMB2,349,573,000, representing an increase of 5.7% as compared with the Corresponding Period, and recorded gross profit of RMB672,518,000, representing an increase of 26.1% as compared with the Corresponding Period. In addition, while maintaining the steady growth of the existing business, the Group has carried out a series of rebranding and strategic transformation activities, such as building business platforms in the Greater China region to operate the non-lighting business of NVC brand, acquiring the high-quality assets of DERNIER & HAMLYN (“D&H”), a century-old high luxury lighting manufacturer in the UK, and completing the preliminary preparations for the factory in Thailand. These created momentum for sustainable growth of the Group in the future.

Selling and Distribution

The Group has established sales networks and channels in major countries and regions including the PRC, North America, Europe, Australia, East Asia, the Middle East and Southeast Asia with experienced global marketing and operation team. Facing the upgrade of domestic consumption structure and new marketing formats, the Group has launched ten NVC brands in the Greater China region in accordance with the market situation. These brands in the Greater China region cover daily necessities such as digital, furniture, kitchen appliances, health and fitness, etc., and commercial aspects such as security, hardware, electronic engineering, construction and decoration. It covers the distributors and end users channels and builds up a solid foundation for the Group to expand global footprint.

Greater China

The Group focused on the five cores based on the demand of consumers for the life, health and environmental protection under the pandemic, including safety, health, intelligence, home living and environmental protection during the post-pandemic period. The Group considered it as a start of our voyage in the Greater China region and started brand layout first with “NVC Digital”, “NVC Construction Decoration” and “NVC Electric” in 2020. During the Reporting Period, the “NVC Digital” brand held a conference for new product launch and investment promotion and successfully signed contracts with distributors to achieve mass production and establish channels for several products. The “NVC Construction Decoration” brand focuses on two major areas, being smart balcony and bathroom, and completed product development and proposal determination for the design of several balcony and bathroom space during the Reporting Period. In addition, the e-commerce platforms and network sales channels have been set-up and achieved the full process from business front-end to back-end support. The Group is expecting a strong revenue growth in 2021.

North American and Japanese Markets

During the Reporting Period, the novel coronavirus and political turmoil hindered the recovery of the U.S. economy. However, the pandemic has also spawned the potential and demand for the market of indoor and vertical planting, plant lighting has become one of the fastest-growing areas of lighting application in 2020. In addition, the demand for household DIY lighting luminaire products in the North American market has increased because of the lockdown measure. The growth in demand for healthy lighting products such as grow lights and ultraviolet germicidal lamps has boosted the Group’s export sales into next level.

During the Reporting Period, North America was the Group's major sales market, and refined operation in established retail and commercial channels. Suffered from the pandemic, the retail and commercial channel sales became polarised during the Reporting Period. In retail channels, the sales team in North American guaranteed supply of 20-30 new products every quarter to capture the market share by introducing innovative product, also utilising internal and external resources to develop more than 90 new products which hit a record high. The Group also launched ultraviolet germicidal lamps, high cost-effective ceiling lamps and high bay lamps to response to the pandemic. With introduction of innovative ceiling lamp products to customers' decorative lamp shelves for the first time, the Group brought decent incremental income and overall retail sales reached a record high. While the sales of commercial channels suffered a setback under the impact of the pandemic, the Group adjusted its sales strategy accordingly and allocated more resources to develop customised engineering projects in order to accumulate momentum for a new round of sales campaign after the pandemic has eased.

In addition, the Group continued to promote the cost reduction plan, namely "Hive Project", in different perspectives during the Reporting Period. It achieved efficiency improvement and cost reduction in multiple dimensions including research and development, production and supply chain modules. Through technological innovation and process improvement, the actual productivity of ceiling lamps, downlights and cabinet lights in our best-selling product lines was comprehensively improved. Element management was implemented at factories to streamline the production process, which brought great improvement in production and management efficiency. Given the unfavorable situation of continuous increase in the prices of bulk raw materials in the market, the Group accurately grasped the market conditions, implemented centralised procurement when material costs were low and rationally conducted inventory planning, to ensure that the gross profit margin of major products was maintained at a stable level. In addition, during the Reporting Period, since the Vietnamese factory was formally put into operation, the country of origin and economy of scale made an advantage which effectively mitigated the impact of additional tariffs imposed on Sino-US trade and enhanced the core competitiveness of major products.

In late 2020, after the third wave of pandemic around the world, the Japanese government declared a state of emergency again and locked down 11 local administrative regions where the pandemic still severely impacted the national economy and welfare. Since there was decline in sales of basic version of ceiling lamps and bulb lamps under the impact of the pandemic, the management of the Group accurately captured market conditions and timely launched new products such as ceiling lamp with Bluetooth speaker and ceiling lamp with ultra-thin light guide plate, and successfully introduced high quality and inexpensive new ceiling lamps. During the Reporting Period, these new products contributed more than US\$2 million of sales revenue and drove a double-digit growth in sales from the Japanese market. Due to the effect of new products, the overall shipment and market share of ceiling lamps in the Japanese market have also achieved satisfactory results. Leveraging the successful experience in home appliance hypermarket channels, the Japanese team also actively deployed household materials supermarkets with great potential, and used ceiling light with Bluetooth and ceiling light with ultra-thin guide plate to carry out the product marketing and channel building. In addition, during the Reporting Period, we focused on the implementation of cost reduction plans for basic version of ceiling lamps in the Japanese market. For the innovative high-end ceiling lamp series, we provided upgraded accessories, such as speakers, to customers, which improved the profit margin of products and satisfied the needs of consumers in different classes.

Other Overseas Markets

During the Reporting Period, the UK was also unable to get out of the vortex of the pandemic, coupled with the impact of the various lockdown measures taken by the UK government against the pandemic and Brexit by the end of the year, there were great uncertainties in economic recovery in the UK. Facing the tough trading environment, the management of the UK company decisively adjusted its operating strategy by focusing on the wholesale channels with stable customer orders and gross profit margin. This helped recover the deficit in the first half of the year through a series of measures including acquisition of the control of a distributor in Sweden and purchase of the high-quality assets of a local century-old high luxury lighting manufacturer. In addition, during the Reporting Period, with stable inventory level and the original inventory procurement plan, the management achieved the cost advantage by centralised procurement. This helped the UK company to obtain the sales orders once the lockdown would have been lifted. Thus, despite the severe impact of the pandemic, the Group has made significant progress in our strategic and organisational development.

Despite strong growth for Southeast Asia markets over past 10 years, the economies suffered heavily due to spread of pandemic during the Reporting Period. Also, those economies suffered financial deficit due to low international energy demand and drop in oil price. During the Reporting Period, the Group actively adopted various measures to alleviate the impact of the pandemic. In Southeast Asia, the Group adjusted the sales strategy by focusing on small and medium-sized engineering projects with shorter delivery time, higher gross profit margin and faster response. The Group seized market opportunities to promote sterilisation and disinfection products and successfully secured considerable orders in Singapore, Vietnam and Philippines. In the Middle East, the Group actively supported local distributors to assist local governments in fighting against the pandemic by donating a large number of lamps to Qatar mobile cabin hospital, which further enhanced our brand reputation. In respect of engineering projects, the Group encouraged Qatar distributors to enter into the government procurement list, and assisted Qatar distributors in completing the delivery of large infrastructures such as the World Cup stadiums and supporting projects, and national hospital. However, affected by measures such as border closure and import control, most of engineering projects in Southeast Asia and the Middle East are still stagnating, and the expected sales targets still have not been fulfilled.

Brand Building and New Product Research and Development

The Group started to launch a new brand strategy in 2020. The new brand mission of “Empowering Your LifeScape • 讓生活如你所願” was put forward to connect the corporate vision and brand mission with the construction of human daily life and conduct business operation from a perspective with more humanistic value, so as to promote the transformation of the Group to a global-focused provider of green and healthy technology product solutions.

During the Reporting Period, the Group held a “Four New” press conference of epoch-making significance to release the enterprise development strategy for the next 3-5 years and discuss on product research and development focusing on the theme of “New Direction, New Strategy, New Product and New Form”. At the conference, the management of the Group put forward the core development strategy of “technology-driven, user first” covering “user demand exploration and creation”, “user demand-oriented research and development and product design” and “user experience upgrading”. The core of this development strategy is to improve technology research and development ability, conduct research and development and product design according to user needs, establish a technology-driven “iron triangle” research laboratory matrix, enhance the core scientific and technological competitiveness of our brands, and use the dual-channel combination of new business and new technology to drive fair competition under the new market form. Based on this strategy, the Group has introduced an advance and market-oriented “business unit buyer” mechanism, which means that before product promotion, we will gather internal creativity and collect opinions from different business units in an in-depth manner to implement advance communication in a bid to achieve precise positioning of product research and development and focusing on promotion strategy. Several new technological products pre-launched under the “CleanAire • 空淨” brand of NVC for the first time during the Reporting Period have received very positive feedback, which has made important contribution to the Group’s extension of product field and scope, accumulation of new customer groups, and broadening of brand boundary.

Future Prospects

The pandemic has rebounded in major economies and the number of victims has reached a record high since last winter. Some countries have to tighten control measures again, therefore there are still uncertainties in the global economic recovery. However, through the practice and exploration of pandemic prevention in 2020, all countries have accumulated experiences in coordinating economic growth and pandemic prevention and control, which basically prevented economic from recession into depression. Overall, the world economy is expected to recover in 2021, but the process will be slow and fragile. In the future, the Group will continue to pay attention to the development of the international pandemic situation and the economic recovery of the countries where our major customers are located. While maintaining the steady growth of our existing businesses, with our advisable product research and development direction and strong core technical team, the Group will make every effort to extend the technology-driven massive health sector that is related to national economy and people’s livelihood in the post-pandemic era, to gain a better business prospect and future from a broader perspective and in a larger scale, so as to achieve the sustainable development of the Group.

Greater China: In the future, the Group will seize the opportunity of recovery of market demand in the post-pandemic period in the Greater China. With our brand advantage, the Group will focus on promoting non-lighting household products through comprehensive offline channels and online e-commerce platform. The AIoT Artificial Intelligence Division will initiate sales campaigns in product development and retail channel for both wireless and wired smart products respectively. In terms of product development, “NVC Digital” will take safety, comfort and health as the three major directions of artificial intelligence products. It aims to provide customers with smarter, more friendly, more quality and more comfortable household wireless smart products. In terms of development of service provider, “NVC Digital” will focus on wholesale and retail sale channels via online and offline sale platform. The NVC Construction Decoration Division will treat professionalism, technology, green, health and intelligence as the five core elements to continuously improve interior space solutions and product development. First, we will integrate more intelligent supporting products into the interior space solution to enhance technological and intelligent experiences in the balcony and bathroom. Secondly, knowing the trend of healthy lifestyle in the post-pandemic period, we will focus on promoting intelligent products with disinfection and sterilisation functions. In addition, in the future, we will also build market awareness through brand release conference, new product release and investment promotion conference, series of national investment promotion conference of NVC Construction Decoration business, custom home furnishing exhibitions and other marketing campaigns in the Greater China.

North American and Japanese Markets: In 2021, the Group’s management team will closely monitor and adjust its strategy in North American market based on local pandemic development. In the existing lighting business segment, the Group will devote to increase revenue and reduce expenditure by driving sustainable sales growth with new products. Also, the Group will focus on the “Hive Project” by implementing multi-dimensional cost reduction programme. The Group will continue to strengthen new products promotion and technological innovation for grow lights and ultraviolet germicidal lamps for which the Group has market-leading technologies, aiming to expand market shares. At the same time, engineering projects will still be a strong catalyst to growth in 2021. The Group will continue to allocate more resources to develop products for customised engineering projects. It will also increase the success rate of the proposed projects by improving organisational structure. It is anticipated that some of the projects will be completed in 2021. In addition, the Group will place emphasis on the cost reduction plan from different dimensions including research and development, production and supply chain. It includes upgrading production process, promoting automation process in main production lines and standardising procurement of raw materials. In order to prevent increasing shipping cost and delay in delivery under the pandemic, the Group will take the initiative to reserve shipping space and containers through proper prepayment. It can guarantee for the stable shipment of subsequent orders after negotiation with agents on delivery dates.

Due to the continuous impact of the COVID-19 pandemic, it is expected that the B2C market scale in the Japanese lighting industry will decline in 2021 as compared to 2020. The Group will focus on expanding the home appliance hypermarkets channels for LED bulbs. It will introduce new LED bulbs at home appliance hypermarkets in May, which is expected to generate considerable revenue. In addition, the Group anticipated to launch more than 40 new products in the Japanese market in 2021, including ceiling lights with Bluetooth speakers and ceiling lights with light guide plates, etc. It strives to seek sales breakthrough in existing channels through continuing product upgrade. Also, the overall sales of new high value-added ceiling lights for the B2B channel to distributors are expected to increase steadily from 2020. Apart from the existing lighting business, the Group will also build a new massive health business segment in the North American and Japanese markets in the future. It focuses on the Group's own brand projects under “CleanAire • 空淨” and “AquaSolvo • 水淨”. The Group will introduce series of air purification and water purification products with sterilisation technologies such as ultraviolet light, plasma, negative ions and water sterilisation. We will prioritise the exploitation of identified target areas to tap into certain market segments by relying on the power of brand promotion, and then carry out omni-channel promotion.

Other Overseas Markets: In the UK market, the Group has completed acquisition of a Swedish distributor and the high-quality assets from a local century-old high luxury lighting manufacturer in the UK. It is expected that the acquisition of the Danish distributor will also be completed in 2021, which will help to effectively broaden the product mix and channel boundary of the Group, thus stimulating revenue growth for the Group. In the future, the Group will focus on newly acquired channels and engineering projects with high gross profit margins, and will adopt strict expense control to cope with the impact of rising costs. At the same time, the Group will cooperate with our brand marketing department to carry out reconstruction and marketing activities for D&H brand to ensure the achievement of the overall profit target for 2021.

Most countries will adopt different levels of lockdown or isolation measures depending on the development of the pandemic. As such, it is predictable that e-commerce and online trading activities will continue to be active in the future. With the general increase of renovation and reconstruction projects in the post-pandemic era, contractors providing a full set of lighting solutions will become the mainstream of the market. In Southeast Asia, the Group will focus on major market segments in the future, attract more engineering contractors with small and medium-sized projects, and establish a solid strategic partnership to speed up brand promotion and online trading activities. In the future, the Group will also continue to explore sale channels in the Middle East and promote new high value-added products. We will follow the “One Belt One Road” strategy to focus on marketing in the United Arab Emirates, Saudi Arabia, Egypt and Algeria.

In respect of non-lighting business, the Group will seize the opportunities of higher living quality and healthier lifestyle in the post-pandemic era. We will promote air and water purification products with sterilisation and disinfection technologies through existing well-established distributor channels and continue to expand our product lines to an omni-channel layout.

Brand Building, Product Development and Internal Management: In 2021, despite the ongoing spread of the pandemic, the Group will introduce the new brand mission of “Empowering Your LifeScape • 讓生活如你所願”. We will adhere to the principle of empowering LifeScape to build a brand matrix that integrates history and modernity, classics and innovation. In addition to introduction of NVC non-lighting business in the Greater China region, the Group will continue overseas high-end lighting product series business through the acquisition of D&H, a century-old high luxury lighting manufacturer in the UK, so as to promote high quality living standard in the new era market. In addition, emphasising on “environment, life and health”, the Group has launched high-tech brands of massive health category in the post-pandemic period, namely “CleanAire • 空淨” and “AquaSolvo • 水淨”. Thanks to strong scientific research and technology capacity, the Group will develop industry-leading negative ion technology and apply the technology to the products. We will upgrade the sterilisation functions and appearance of products to cater for different consumer classes.

Facing new goals and journeys, the Group's Brand Marketing Department will simplify working system and continuously optimise the work process to maximise brand value. Meanwhile, the Group will continue to promote digitalised marketing and create a social media platform in WeChat, YouTube, LinkedIn, Instagram and Facebook. It will build up a good communication with users around the world in order to strength brand connotation and enhance brand reputation. In respect of product research, and development, the Group will continue to innovate product technology based on customer needs, vertically explore the fields of environment, life and health, and horizontally extend to the products involving the three elements of human survival, being light, air and water, with an aim to continuously bring customers an ideal lifestyle while providing high quality services to customers, thereby fulfilling our mission of "Empowering Your LifeScape • 讓生活 如你所願".

In respect of the suppliers distribution channels, the Group will continue to implement and expand the strategic model of supplier cooperation and promote international procurement. This establishes a more stable global strategic supplier system and further reduces the cost of centralised procurement cost. In respect of cost control, the Group will constantly enhance analysis and projection over the raw materials market and make precious decision accordingly, so as to improve the profitability of products by locking up material cost. In respect of internal management, the Group will continue to promote the optimisation and upgrading of organisational structure, and enhance management effectiveness by prompting segregation of duties and enhancing promotion mechanism and internal training. In addition, the Group will continue to promote the construction of digital and real-time platform among the Group. On top of completion of ERP system switching for the first batch of 11 subsidiaries in 2020, the Group will continue to implement ERP for 2 overseas subsidiaries and the companies in the Greater China, so as to realise globally cross-regional cooperation and resource sharing among main businesses, thereby improving the overall operating 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 Reporting Period, the sales revenue of the Group amounted to RMB2,349,573,000, representing an increase of 5.7% as compared with the sales revenue from continuing operations 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.

	Year ended 31 December		
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	Growth rate
Continuing Operations			
Sales revenue from the PRC market			
Non-NVC brands	<u>238,784</u>	<u>307,143</u>	<u>(22.3%)</u>
<i>Subtotal</i>	<u>238,784</u>	<u>307,143</u>	<u>(22.3%)</u>
Sales revenue from international markets			
NVC brands	<u>258,702</u>	<u>196,329</u>	<u>31.8%</u>
Non-NVC brands	<u>1,852,087</u>	<u>1,719,138</u>	<u>7.7%</u>
<i>Subtotal</i>	<u>2,110,789</u>	<u>1,915,467</u>	<u>10.2%</u>
Total	<u><u>2,349,573</u></u>	<u><u>2,222,610</u></u>	<u><u>5.7%</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 luminaire products under non-NVC brands in the domestic market. During the Reporting Period, sales revenue from the PRC decreased by 22.3%, 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 pandemic in the first quarter. However, international sales increased by 10.2%, mainly because the North American and Japanese markets effectively promoted the growth of the Group's overall performance by pre-ordering by major customers, accelerating the sales of new products and actively carrying out the research and development and promotion of grow lights and germicidal lamps in the post-pandemic period.

Cost of Sales

Cost of sales mainly consists of the cost of raw materials, outsourced manufacturing costs, 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:

	Year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	<i>Percentage in revenue (%)</i>	<i>RMB'000</i>	<i>Percentage in revenue (%)</i>
Continuing operations				
Raw materials (including outsourced manufacturing costs)	1,464,557	62.4%	1,400,042	63.0%
Labor costs	141,631	6.0%	136,150	6.1%
Indirect costs	70,867	3.0%	153,057	6.9%
Total	<u>1,677,055</u>	<u>71.4%</u>	<u>1,689,249</u>	<u>76.0%</u>

During the Reporting Period, the cost of sales as a percentage in revenue decreased from 76.0% to 71.4%, while the gross profit margin increased from 24.0% to 28.6%, 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 during the Reporting Period. It continuously implemented cost reduction plans in multiple dimensions including research and development, production and supply chain, which result to a steady 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 Reporting Period, gross profit was RMB672,518,000, representing an increase of 26.1% as compared with the gross profit of sales from the continuing operations of the Corresponding Period, and gross profit margin of sales increased from 24.0% to 28.6%. 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:

	Year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	<i>(%)</i>	<i>RMB'000</i>	<i>(%)</i>
Continuing Operations				
Gross profit from PRC sales:				
Non-NVC brands	<u>53,398</u>	<u>22.4%</u>	<u>61,374</u>	<u>20.0%</u>
<i>Subtotal</i>	<u>53,398</u>	<u>22.4%</u>	<u>61,374</u>	<u>20.0%</u>
Gross profit from international sales:				
NVC brands	<u>73,271</u>	<u>28.3%</u>	<u>50,336</u>	<u>25.6%</u>
Non-NVC brands	<u>545,849</u>	<u>29.5%</u>	<u>421,651</u>	<u>24.5%</u>
<i>Subtotal</i>	<u>619,120</u>	<u>29.3%</u>	<u>471,987</u>	<u>24.6%</u>
Total	<u><u>672,518</u></u>	<u><u>28.6%</u></u>	<u><u>533,361</u></u>	<u><u>24.0%</u></u>

Despite of complex global economic and social environment, the gross profit margin of each segment of the Group increased as compared with the Corresponding Period. It was mainly due to the Group continuously implemented cost reduction and efficiency enhanced production in multiple dimensions including research and development, production and supply chain. Meanwhile it transferred some of the best-selling product lines to Vietnam factories with cost advantages and more preferential trade policies. This improved the overall gross profit margin. On the other hand, the Group continuously accelerated the development and promotion of new products such as grow lights and germicidal lamps which had rapidly growth in market demand in the post-pandemic period. Therefore, the new products with high gross profit margin effectively brought an increase in the overall gross profit margin of the Group.

Other Income

Our other income mainly consist of waiver of special dividend from an associate, government grants and other subsidies, bank and other interest income, surcharges from suppliers, rental income, consultancy service income, trademark licensing fee, samples recharged to customers and others (the breakdown of other income is provided in Note 4 to the consolidated financial statement in 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. During the Reporting Period, other income of the Group increased significantly to RMB206,614,000 as compared with the other income from the continuing operations of the Corresponding Period, which was mainly due to the waiver of special dividend from an associate and the increase of government grants received during the Reporting Period.

Other Gains and Losses

This item represents the Group's net foreign exchange gains, loss from fair value changes of held-for-trade investment, impairment loss of goodwill and property, plant and equipment, fair value change of contingent consideration receivables, gain or loss on disposal of property, plant and equipment and others during the Reporting Period.

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 Reporting Period, the selling and distribution costs were RMB223,661,000, representing a decrease of 10.0% as compared with the selling and distribution costs from continuing operations of the Corresponding Period. The selling and distribution costs as a percentage in revenue decreased from 11.2% to 9.5% as well mainly due to decrease in advertising and promotion expenses and commission because of the impact of COVID-19 pandemic.

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, impairment of trade and other receivables and other miscellaneous expenses. These taxes mainly include land use tax and stamp duty in connection with our administrative functions.

During the Reporting Period, the administrative expenses were RMB273,985,000, representing a slightly decrease of 2.0% as compared with the administrative expenses from continuing operations of the Corresponding Period, our administrative expenses as a percentage in revenue decreased from 12.6% to 11.7%, which was mainly due to the fact that the Group strengthened internal operation management and tightened expenses as a result of cut down our expenditures during pandemic in the Reporting Period.

Finance Costs

Finance costs represent the expenses of interest on bank loans, interest on lease liabilities and interest on vendor financing.

Share of Results of Associates

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

Income Tax

During the Reporting Period, the Group's income tax decreased significantly to RMB7,547,000 as compared with the income tax from continuing operations of the Corresponding Period. It is mainly due to the effect of the withholding income tax arising from the distribution of earnings by the Company's former subsidiaries in the PRC to the Company in the Corresponding Period. These subsidiaries were disposed of during the Corresponding Period.

Loss for the Year (including Profit Attributable to Non-controlling Interests)

Due to the factors mentioned above, our loss for the year (including profit attributable to non-controlling interests) was RMB20,002,000 during the Reporting Period.

Loss Attributable to Owners of the Company for the Year

Due to the factors mentioned above, loss attributable to owners of the Company was RMB51,748,000 during the Reporting Period.

Profit for the Year Attributable to Non-controlling Interests

During the Reporting Period, profit for the year attributable to non-controlling interests was RMB31,746,000.

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 Reporting Period.

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
CURRENT ASSETS		
Inventories	421,673	385,418
Trade and bills receivables	498,777	606,590
Other receivables, deposits and prepayments	95,957	504,740
Tax recoverable	1,658	1,733
Financial assets at fair value through profit or loss	25,251	39,506
Pledged bank deposits	75,671	56,300
Bank balances and cash	1,226,773	1,551,520
Subtotal current assets	2,345,760	3,145,807
CURRENT LIABILITIES		
Trade and bills payables	561,320	530,918
Other payables and accruals	252,551	774,217
Contract liabilities	47,028	32,059
Borrowings	30,043	21,917
Deferred income	1,009	1,009
Lease liabilities	17,628	6,674
Tax liabilities	45,519	558,450
Subtotal current liabilities	955,098	1,925,244
NET CURRENT ASSETS	1,390,662	1,220,563

As at 31 December 2020 and 31 December 2019, the total net current assets of the Group amounted to RMB1,390,662,000 and RMB1,220,563,000 respectively, and the current ratio was 2.46 and 1.63 respectively. In light of our current liquidity position and our projected cash inflows generated from operations, the Directors believe that the Group has 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 Reporting Period.

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings	<u>33,659</u>	<u>21,917</u>
Total debt	33,659	21,917
Less: cash and cash equivalents and short-term deposits	<u>(1,226,773)</u>	<u>(1,551,520)</u>
Net debt	<u>N/A</u>	<u>N/A</u>
Total equity attributable to owners of the Company	<u>3,224,627</u>	<u>3,319,729</u>
Gearing ratio	N/A	N/A

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 Company). 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. Our capital expenditure is primarily related to expenditure on property, plant and equipment and other intangible assets. During the Reporting Period, the Group's capital expenditure amounted to RMB67,760,000, mainly attributable to the increase in cost of leasehold improvements, machinery equipment, furniture and fixtures, computer equipment and customer relationships.

Off-balance Sheet Arrangement

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

Capital Commitments

As at 31 December 2020, the capital commitments in respect of purchase of property, plant and equipment, acquisition of interest in investments, acquire interests in associates and acquire interests in a subsidiary were RMB29,336,000 (31 December 2019: RMB91,975,000).

OUTBREAK OF COVID-19

In 2020, despite the worldwide outbreak of the COVID-19 pandemic, the Group actively took measures to overcome the adverse impact of the pandemic through keen control over the situation and capture of business opportunities in the post-pandemic era, leading to an increase in the overall sales performance as compared with the Corresponding Period. As the pandemic has not yet been completely eliminated, there will still be full of challenges and uncertainties in international market in 2021. The Directors will continue to evaluate the impact of the pandemic on the operation and financial performance of the Group and closely monitor the risks and uncertainties faced by the Group in connection with the pandemic. In addition, the Group will adhere to prudent financial management in channel expansion, brand promotion and cost control, and it is expected that the Group is still able to maintain sufficient cash reserves.

CONTINUING CONNECTED TRANSACTIONS

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

MERGERS, ACQUISITIONS, INVESTMENTS AND DISPOSALS

In May 2020, UK NVC, a wholly-owned subsidiary of the Company, acquired 60% equity of NVC Lighting AB, a distributor of UK NVC in Sweden, at a consideration of RMB24,000, to enhance control over distribution channels and improve the overall gross profit margin of the Group.

In June 2020, UK NVC, a wholly-owned subsidiary of the Company, acquired the high-quality assets of Dernier & Hamlyn Limited, a century-old high luxury lighting manufacturer in the UK, at a consideration of GBP120,000 (excluding related taxes and fees), to expand the high-end lighting products business of the Group in the UK.

In September 2020, the Group planned to invest US\$5,000,000 to establish a wholly-owned subsidiary, Chongqing Yixun Smart Home Co., Ltd. (重慶怡迅智慧家居有限公司) (“Chongqing Yixun”), which is mainly engaged in the development, production and sales of smart control systems, building materials and household goods. As at the date of this announcement, the registered capital of Chongqing Yixun has not been paid up.

In October 2020, the Group planned to invest RMB1,000,000 to establish a wholly-owned subsidiary, NVC Construction & Decoration (Zhuhai) Home Co., Ltd. (雷士建裝(珠海)家居有限公司) (“NVC C&D”), which is mainly engaged in the development, production and sales of furniture and construction materials. As at the date of this announcement, the registered capital of NVC C&D has not been paid up.

Save as disclosed in the above, the Group made no material acquisition, merger or sale of subsidiaries and associates during the Reporting Period.

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 an operating unit 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 Reporting Period, the Group had entered into several forward exchange contracts in place to hedge the foreign exchange exposure and did not experience any material difficulties or negative impacts on our operations or liquidity as a result of fluctuations on 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, Hong Kong and Singapore. We also have policies that limit our credit risk exposure to any financial institutions. The carrying amounts of trade and bills receivables, deposit-pledges and other receivables, cash and cash equivalents and short-term deposits included in the 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 2020, we entered into a number of one-year insurance contracts with China Export & Credit Insurance Corporation, which covered 70% or 90% uncollectible receivables from international sales during the period from 1 July 2020 to 30 November 2021 with a maximum compensation amount of US\$43,780,000 (equivalent to approximately RMB285,660,000). 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.

FINAL DIVIDEND

The Board has proposed not to declare final dividend for the year ended 31 December 2020.

ANNUAL GENERAL MEETING

The annual general meeting (the “Annual General Meeting”) of the Company is scheduled to be held on Friday, 11 June 2021. A notice convening the Annual General Meeting will be published and dispatched to the shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 7 June 2021 to Friday, 11 June 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 4 June 2021.

EMPLOYEES

As at 31 December 2020, the Group had approximately 3,331 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 Reporting Period, 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 Reporting Period, the Company had complied with the principles and code provisions set out in the Code, except for the following code provisions.

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, 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 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.

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 the Directors, and all the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code during the Reporting Period.

AUDIT COMMITTEE

The Company established an 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 Reporting Period, 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 annual results for the Reporting Period.

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 Reporting Period, Mr. WEI Hongxiong retired as an Independent Nonexecutive 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 (“**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 Reporting Period, 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 had been completed. As such, the functions of the Independent Investigations Committee have already been completed, and the Independent Investigations Committee was formally dissolved on 25 August 2020. Please refer to the announcements of the Company dated 17 July 2015, 17 September 2015 and 25 August 2020 for details.

CHANGES OF DIRECTORS AND CHANGE IN THEIR INFORMATION

From 1 January 2020 to the date of this announcement, the appointment, re-designation and retirement of Directors and changes in their roles at the Board committees, as well as changes in their information are as follows:

- Mr. LEE Kong Wai, Conway ceased to act as an independent non-executive director of Tibet Water Resources Ltd. and China Rundong Auto Group Limited (the shares of both companies are listed on the main board of the Stock Exchange, stock code: 1115 and 1365 respectively) with effect from 29 February 2020 and 18 December 2020 respectively.
- Each of Mr. WANG Donglei, Mr. WANG Dongming and Mr. WANG Keven Dun was re-designated from an Executive Director to a Non-executive Director 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 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-elected as a Non-executive Director of the Company with effect from 12 June 2020.
- Mr. XIAO Yu was re-elected as an Executive Director of the Company with effect from 12 June 2020.
- Mr. WANG Donglei was re-designated from a Non-executive Director to an Executive Director with effect from 17 July 2020.
- Mr. JIA Hongbo was appointed as an Independent Non-executive Director and was appointed as a member of the Audit Committee and the Nomination Committee with effect from 17 July 2020.
- Mr. JIA Hongbo was appointed as the Joint General Manager and General Manager of First Seafront Fund Management Co., Ltd. (前海開源基金管理有限公司) with effect from July and September 2020, respectively.
- 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 the 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 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Group's audited annual results for the Reporting Period will be included in the Company's annual report which will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.nvc-international.com and will be dispatched to the Company's shareholders in due course.

REVIEW OF ACCOUNTS

The Group's annual results for the Reporting Period has been reviewed by the Audit Committee and approved by the Board.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

INDEPENDENT AUDITOR’S REPORT

The Group's auditor has issued an unmodified opinion with an Other Matter section in the independent auditor's report in connection with the audit of the consolidated financial statements of the Group for the year ended 31 December 2020. The extract of the independent auditor's report in relation to the Other Matter section is set out below:

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor, who expressed a qualified opinion associated with (a) impairment of other receivables and uncertainties relating to financial guarantee contracts and (b) provision for loss on financial guarantee contract, on those statements on 23 April 2020.

APPRECIATION

The Board would like to take this opportunity to express its appreciation to the management team and staff of the Group for their contribution during the Reporting Period 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 of the Company.
“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 Hong Kong.
“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 year ended 31 December 2019.
“Director(s)”	the director(s) of the Company.
“GBP”	Great Britain Sterling Pound, the lawful currency of the United Kingdom.
“Group”	the Company and its subsidiaries.
“Guarantee Agreement 1”	A guarantee agreement entered into between a PRC bank and NVC China in 2013 in which NVC China provided guarantees to the PRC bank for its loan facilities granted to its borrowers of RMB35,497,000.
“Guarantee Agreement 2”	A guarantee agreement entered into between a PRC finance company and NVC China in 2014 in which NVC China provided guarantees to the PRC finance company for its loan facilities granted to its borrowers of RMB34,000,000.
“Guarantee Agreement 3”	A guarantee agreement entered into between a PRC bank and NVC China in 2014 in which NVC China provided guarantees to the PRC bank for its loan facilities granted to its borrower of RMB62,000,000.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China.

“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.
“NVC China”	NVC Lighting (China) Co., Ltd.
“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.
“Reporting Period”	the year ended 31 December 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.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction.
“US\$”	United States dollars, the lawful currency of the United States.

“UK NVC” NVC Lighting Limited (formerly known as NVC (Manufacturing) 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).

* *denotes English translation of the name of a Chinese company or entity and is provided for identification purposes only*

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

Hong Kong, 31 March 2021

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