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NVC International Holdings Limited
雷士國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2222)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2021:

- The Group's revenue amounted to RMB1,143,253,000, representing an increase of 3.8% as compared with Corresponding Period.
- The Group's gross profit amounted to RMB349,133,000, representing an increase of 17.8% as compared with Corresponding Period.
- The Group's profit before income tax amounted to RMB92,469,000, with the profit before income tax amounted to RMB111,694,000 in the Corresponding Period.
- Profit for the Period attributable to owners of the Company amounted to RMB62,018,000, with the profit for the Period attributable to owners of the Company amounted to RMB52,453,000 in the Corresponding Period.
- Basic earnings per share attributable to owners of the Company amounted to RMB1.47 cents (Corresponding Period: RMB1.24 cents).
- The Board has proposed not to declare an interim dividend (Corresponding Period: no interim dividend declared).

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		30 June	
		2021	2020
<i>NOTES</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Revenue	3	1,143,253	1,100,956
Cost of sales		<u>(794,120)</u>	<u>(804,477)</u>
Gross profit		349,133	296,479
Other income	5	25,948	144,787
Other gains and losses		7,689	(60,114)
Selling and distribution expenses		(152,005)	(118,093)
Administrative expenses		(108,528)	(98,010)
Impairment losses under expected credit loss model, net of reversal		(5,518)	12,602
Other expenses		(26,862)	(20,901)
Finance costs		(5,927)	(2,120)
Share of results of associates		<u>8,539</u>	<u>(42,936)</u>
Profit before tax		92,469	111,694
Income tax expense	6	<u>(19,406)</u>	<u>(38,237)</u>
Profit for the period	7	<u>73,063</u>	<u>73,457</u>
Profit for the period attributable to the owners of the Company		62,018	52,453
Profit for the period attributable to the non-controlling interest		<u>11,045</u>	<u>21,004</u>
		<u>73,063</u>	<u>73,457</u>
Earnings per share	8		
Basic (<i>RMB cents</i>)		<u>1.47</u>	<u>1.24</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit for the period	73,063	73,457
Other comprehensive expense		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Exchange difference arising on translation from functional currency to presentation currency	(6,529)	–
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(3,984)	10,012
Share of other comprehensive income of associates, net of related income tax	(461)	(11,775)
	(4,445)	(1,763)
Total comprehensive income for the period	62,089	71,694
Total comprehensive income for the period attributable to:		
Owners of the Company	50,158	51,201
Non-controlling interests	11,931	20,493
	62,089	71,694

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>NOTES</i>	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		323,775	320,735
Right-of-use assets		205,244	211,762
Investment properties		8,867	5,807
Goodwill		216,072	211,386
Other intangible assets		350,067	366,800
Interests in associates		598,818	588,470
Equity instruments of fair value through other comprehensive income		14,000	14,000
Deferred tax assets		10,166	11,069
Deposits		296,466	298,247
		2,023,475	2,028,276
Current assets			
Inventories		606,013	421,673
Trade and bills receivables	10	481,738	498,777
Other receivables, deposits an prepayments		93,582	95,957
Tax recoverable		267	1,658
Financial assets at fair value through profit and loss		98,482	25,251
Pledged bank deposits		487	75,671
Bank balance and cash		1,040,509	1,226,773
		2,321,078	2,345,760
Current liabilities			
Trade and bills payables	11	516,435	561,320
Other payables and accruals		210,958	252,551
Contract liabilities		11,970	47,028
Borrowings	12	133,487	30,043
Deferred income		2,298	1,009
Lease liabilities		16,256	17,628
Income tax liabilities		11,503	45,519
		902,907	955,098
Net Current Assets		1,418,171	1,390,662
Total Assets less Current Liabilities		3,441,646	3,418,938

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

		30 June	31 December
		2021	2020
	<i>NOTES</i>	RMB'000	<i>RMB'000</i>
		(unaudited)	(audited)
Non-current liabilities			
Borrowings	12	22	3,616
Deferred income		1,703	1,747
Lease liabilities		34,891	40,471
Deferred tax liabilities		<u>57,436</u>	<u>58,199</u>
		<u>94,052</u>	<u>104,033</u>
NET ASSETS		<u>3,347,594</u>	<u>3,314,905</u>
Capital and reserves			
Share capital	13	3	3
Reserves		<u>3,274,782</u>	<u>3,224,624</u>
Equity attributable to owners of the Company		3,274,785	3,224,627
Non-controlling interests		<u>72,809</u>	<u>90,278</u>
TOTAL EQUITY		<u>3,347,594</u>	<u>3,314,905</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements of NVC International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed 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.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 9, IAS 39	Interest Rate Benchmark Reform – Phase 2
IFRS 7, IFRS 4 and IFRS 16	

In addition, the Group has early applied the Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”.

Except as disclosed below, the application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 *Impacts on early application of Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”*

The Group has early applied the amendment in the current interim period. The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior periods.

2.2 *Potential impacts on application of the agenda decision of the Committee – Costs Necessary to Sell Inventories*

In June 2021, the IFRS Interpretations Committee (“Committee”), through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale. The Group’s existing accounting policy is to determine net realisable value taking into consideration incremental costs only. As at 30 June 2021, the Group is still in the process of assessing the potential impact and has yet to implement the change in accounting policy based on the Committee’s agenda decision. The impacts on such change, if any, will be disclosed in the Group’s future consolidated financial statements.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2021			
	International NVC brand <i>RMB'000</i>	Domestic non-NVC brand <i>RMB'000</i>	International non-NVC brand <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers	160,251	119,535	863,467	1,143,253
Geographical markets				
United States	547	–	588,184	588,731
Japan	–	–	157,374	157,374
The PRC	–	119,535	–	119,535
Netherlands	–	–	98,210	98,210
United Kingdom	81,571	–	381	81,952
Other countries	78,133	–	19,318	97,451
Total	160,251	119,535	863,467	1,143,253
Timing of revenue recognition				
A point in time	160,251	119,535	863,467	1,143,253

3. REVENUE (Continued)

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

	For the six months ended 30 June 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>	
Sales to external customers	<u>94,805</u>	<u>112,142</u>	<u>894,009</u>	<u>1,100,956</u>
Geographical markets				
United States	–	–	579,863	579,863
Japan	–	–	115,218	115,218
The PRC	–	112,142	–	112,142
Netherlands	–	–	68,181	68,181
United Kingdom	56,617	–	29,850	86,467
Other countries	<u>38,188</u>	<u>–</u>	<u>100,897</u>	<u>139,085</u>
Total	<u>94,805</u>	<u>112,142</u>	<u>894,009</u>	<u>1,100,956</u>
Timing of revenue recognition				
A point in time	<u>94,805</u>	<u>112,142</u>	<u>894,009</u>	<u>1,100,956</u>

4. 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 People’s Republic of China (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

The following is an analysis of the Group’s revenue and results by reportable segments:

For the six months ended 30 June 2021

	International NVC brand RMB’000	Domestic non-NVC brand RMB’000	International non-NVC brand RMB’000	Consolidated RMB’000
Segment revenue:				
Sales to external customers	<u>160,251</u>	<u>119,535</u>	<u>863,467</u>	<u>1,143,253</u>
Segment results	<u>57,790</u>	<u>24,543</u>	<u>266,800</u>	349,133
<i>Reconciliation</i>				
Other income				25,948
Other gains and losses				7,689
Unallocated expenses				(287,395)
Impairment losses under expected credit loss model, net of reversal				(5,518)
Finance costs				(5,927)
Share of results of associates				<u>8,539</u>
Profit before tax				<u>92,469</u>

4. OPERATING SEGMENTS (Continued)

For the six months ended 30 June 2020

	International NVC brand RMB'000	Domestic non-NVC brand RMB'000	International non-NVC brand RMB'000	Consolidated RMB'000
Segment revenue:				
Sales to external customers	<u>94,805</u>	<u>112,142</u>	<u>894,009</u>	<u>1,100,956</u>
Segment results	<u>23,743</u>	<u>22,299</u>	<u>250,437</u>	296,479
<i>Reconciliation</i>				
Other income				144,787
Other gains and losses				(60,114)
Unallocated expenses				(237,004)
Impairment losses under expected credit loss model, net of reversal				12,602
Finance costs				(2,120)
Share of results of associates				<u>(42,936)</u>
Profit before tax from continuing operations				<u>111,694</u>

Segment results represents the profit earned by each segment without allocation of other income, other gains or losses, impairment losses under expected credit loss model, net of reversal, unallocated expenses, finance costs and share of results of associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

5. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Government grants and other subsidies	9,962	15,168
Bank interest income	5,697	4,740
Consultancy service income	3,234	3,521
Trademark licencing fee income	4,143	1,430
Rental income – lease payments that are fixed	868	430
Waiver of special dividend from an associate (<i>Note</i>)	–	118,355
Others	2,044	1,143
	<u>25,948</u>	<u>144,787</u>

Note: 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 entered into in June 2020 in relation to the disposal of 100% equity interest in Huizhou NVC Lighting Technology Co. Ltd., Blue Light (HK) Trading Co., Limited and Zhuhai Yaohui Technology Co. Ltd. and their subsidiaries.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	12,559	22,013
PRC Enterprise Income Tax	11,548	21,114
Other countries	2,110	1,892
	<u>26,217</u>	<u>45,019</u>
Over-provision in prior years:		
PRC Enterprise Income Tax	(6,951)	(8,670)
Deferred tax	140	1,888
Total	<u><u>19,406</u></u>	<u><u>38,237</u></u>

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 condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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 periods.

Shanghai Arcata Electronics Co., Ltd. (“Arcata”), ETi Solid State Lighting (Zhuhai) Limited (“Zhuhai SSL”) and Zhejiang Jiangshan Sunny Electron Co., Ltd. (“Sunny”) was recognised as high-tech enterprise by the PRC tax authority and entitled a preferential tax rate of 15% during the six months ended 30 June 2021 (2020: Zhuhai SSL and Sunny).

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

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Amortisation of other intangible assets (included in cost of sales)	12,510	15,575
Depreciation		
– Property, plant and equipment	22,156	21,376
– Investment properties	148	–
– Right-of-use-assets	11,998	9,683
Total amortisation and depreciation	46,812	46,634
Employee benefit expenses (including directors’ and chief executive’s remuneration):		
– Wages and salaries	175,454	131,616
– Pension scheme contributions	13,310	8,653
– Other welfare expenses	2,636	2,637
Total staff costs	191,400	142,906
Cost of inventories recognised as expense	792,796	789,811
Research and development costs (included in “other expenses”)	26,862	20,901
Write-down of inventories	1,324	14,666
Impairment loss under expected credit loss model recognised (reversed) in respect of		
– Trade receivables	1,694	(12,062)
– Other receivables	3,824	–

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>62,018</u>	<u>52,453</u>
	2021	2020
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>4,227,281</u>	<u>4,227,281</u>

No diluted earnings per share for both periods were presented as there were no potential ordinary shares in issue for both periods.

9. DIVIDEND

No dividends were paid, declared or proposed during the current and prior interim periods. The directors of the Company determined that no dividend will be paid in respect of the interim period.

10. TRADE AND BILLS RECEIVABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade receivables	483,579	499,924
Less: allowance for credit losses	<u>(9,141)</u>	<u>(7,447)</u>
	474,438	492,477
Bills receivables	<u>7,300</u>	<u>6,300</u>
	<u>481,738</u>	<u>498,777</u>

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within 3 months	365,436	412,086
4 to 6 months	80,983	50,638
7 to 12 months	17,307	25,578
1 to 2 years	10,380	3,399
Over 2 years	<u>332</u>	<u>776</u>
	<u>474,438</u>	<u>492,477</u>

The Group allows an average credit period of 30 to 90 days to its trade customers.

As at 30 June 2021, total bills received amounting to RMB7,300,000 (31 December 2020: RMB6,300,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than six months.

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

During the current interim period, the Group recognised impairment loss of RMB1,694,000 (six months ended 30 June 2020: Reversal of impairment loss of RMB12,602,000) under expected credit loss model.

11. TRADE PAYABLES

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

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Within 3 months	440,165	543,511
4 to 6 months	57,838	14,722
7 to 12 months	13,431	1,177
1 to 2 years	3,580	500
Over 2 years	1,421	1,410
	516,435	561,320

12. BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB103,463,000 (six months ended 30 June 2020: nil). The loans carry interest at fixed rates range from 0.99% to 4.00% and are repayable within 2 years. The proceeds were used to finance the daily operation.

13. SHARE CAPITAL

	Number of	Amount
	shares	RMB
	'000	'000
Ordinary share of US\$0.0000001 each		
Authorised:		
At 1 January 2020 (audited), 30 June 2020 (unaudited), 1 January 2021 (audited) and 30 June 2021 (unaudited)	500,000,000	341,385
Issued and fully paid:		
At 1 January 2020 (audited), 30 June 2020 (unaudited), 1 January 2021 (audited) and 30 June 2021 (unaudited)	4,227,281	3,074

14. CAPITAL COMMITMENTS

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Contracted, but not provided for:		
Acquisition of property, plant and equipment	39,947	13,514
Acquisition of interest in an investment	500	500
Acquisition of interests in associates	15,000	15,000
Acquisition of interests in subsidiaries	322	322
	<u>55,769</u>	<u>29,336</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Performance Review

Following the impact of novel coronavirus (“COVID-19”) pandemic in 2020, the global economy begins to recover in 2021. With the massive easing of monetary policy and effective anti-epidemic policies in major countries, their economies are starting to resume to pre-epidemic levels. The global economy is expected to soar by 6% in 2021 according to the latest World Economic Outlook published by the International Monetary Fund.

Despite the global economy continues to recover and international market demand is gradually picking up, the epidemic has caused a contraction in the supply of raw materials in some countries, resulting in sharp price increase in some commodities. Facing soaring prices and extreme tight supply in raw materials in the first half of the year, the business environment for all industries still face significant challenges in 2021.

Capitalizing on the global economic recovery, the Group has successfully recorded stable sales growth in the international lighting business with its good brand reputation and strong sales channels. The Group paid attention to the market trend, launched series of new lighting products to meet the needs of customers, and strengthened the Group’s sales foundation. In addition to the international lighting business, the Group is preparing for the expansion of its non-lighting business in global market in 2021. With the brand mission of “Empowering Your LifeScape • 讓生活如你所願”, we aim to create a safe and healthy smart home and commercial office environment. In the face of soaring raw material prices, the management team purchased a large quantity of raw materials at the critical time with its keen market acumen. It successfully limited the impact of the increase of the external commodity price and has achieved stable growth in the Group’s overall sales revenue and gross profit during the Period under Review. The Group achieved sales revenue of RMB1,143,253,000 during the Period under Review, representing an increase of 3.8% as compared with Corresponding Period; and gross profit of RMB349,133,000, representing an increase of 17.8% as compared with Corresponding Period.

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 leveraging its extensive marketing experience and superior globe-based operation team. Facing the upgrade of domestic consumption structure and emerge of new marketing models, the Group has actively expanded its non-lighting business in accordance with the market situation. From daily necessities such as digital, furniture, kitchen appliances, health and fitness, etc., to commercial aspects such as security, hardware, electronic engineering, construction and decoration, the Group aims to develop such channels as fully covered by the distributors and end users, building a solid foundation for the Group to expand global footprint.

Greater China

The first half of 2021 was an important developing stage for the Greater China business when the Group completed the formulation of strategic planning, deployment of marketing network and establishment of management team. The Group has launched a number of products under “NVC” brands holding the household smart home ecology as the core idea, including smart gateway, home security, lighting and ambience, home environment, smart interaction, smart central control and quality digital etc.. In terms of product development, “NVC Digital” developed new artificial intelligence products based on safety, comfort and health as major directions. It aims to provide customers with smarter, more friendly, higher quality and more comfortable household wireless smart products. In terms of development of service providers, “NVC Digital” will follow the strategy of combination of direct sales and distribution, and combination of online and offline platforms to fully kick off the channel expansion plan. The Group is committed to developing professional technology balconies and bathrooms products, and has established the “NVC Construction Decoration” brand. With intelligent sets, interconnectivity and ecological services concepts, it enhances our brand’s intrinsic value. The Group has completed the research and of a number of balcony-related products such as balcony laundry cabinets, intelligent balcony cabinets, intelligent clothes dryers and intelligent shoe cabinets. In addition, in terms of marketing, “NVC Digital” held a conference for product launch in 2021, and effectively established distributor sales channels in many provinces across the country. The business invitation of “NVC Construction Decoration” has been successfully carried out. The Group achieves the all-round coverage from business front-end to back-end support and prepares great potential for the sprint of performance in 2021.

North American and Japanese Markets

During the Period under Review, the North American market remained the Group's core area for development. The Group refined its operation by differentiating retail and commercial channels. The North American retail market experienced a significant downturn in the first half of the year and retail sales in both online and offline channels slow down. The Group makes use of its long-standing and stable strategic relationships with major customers and through frequent communication with our customers, the Group maintained to realize an overall sales as nearly flat as the Corresponding Period. Sales performances in the commercial channel began to recover slowly in the first half of 2021 and the demand for small to medium-sized lighting projects became more active. The Group has successfully secured several lighting projects for restaurant chains, which accumulates the momentum for future sales. Despite a number of disadvantages such as rising raw material prices and a tense shipping logistic, the Group was able to maintain its stable cost and gross profit through a number of measures such as pre-purchasing of raw materials and early scheduling of shipments. The Group started to invest more resources in epidemic-related and horticulture light products last year, creating several new brands and establishing its product lines. The Group offers products that combine UVC sterilisation and lighting functions, effectively solving the problem of human-machine co-existence during sterilisation work. The new products are selling in both physical stores and online in the U.S. and received positive feedbacks from commercial and retail channels. The Group invested more resources in promotion of horticulture lights and secured an indoor planting project in California, expanding its sales coverage in North America. The Group's new product development was not affected by the pandemic, with over 20 new products launched in the first half of the year. We also participated in bids for three major product lines, being outdoor decorative luminaries, mirror lights and decorative ceiling lights, with a number of our products emerging from the fierce competition.

In the first half year of 2021, Japan continued to suffer from the COVID-19 pandemic and some areas came into a state of emergency. Some stores in the affected areas have shortened their opening hours or even closed down, which limited economic activities of consumers. The impact of the pandemic has also reduced the purchasing power of consumers. The average actual monthly consumption expenditure of households of two or more persons in Japan recorded a continuous decline, and the size of the Japanese retail market has not yet been able to resume to the level of 2019. The Group's sales in Japan grew in the first half of 2021 despite these negative factors. The Group's Japanese team was committed to developing new sales channels and successfully made the ceiling lights marketed in the local home furnishing shops. In addition, sale performance was boosted by new products, namely the two-colour bluetooth ceiling lights and the new generation of ceiling lights, launched in the first half of the year. In view of the change in offline consumption habits of Japanese citizens, the Group began to promote e-commerce channel in Japan and some of its lighting products were sold on Amazon Japan, which is expected to bring in considerable sales to the Group. Moreover, the Group set up a factory in Shizuoka Prefecture, Japan in the first half of the year to process finished products, which is expected to improve the inventory management efficiency and gross profit of the Japanese business.

Other Overseas Markets

After the lockdown in UK in 2020, its economic activities start to resume in 2021. The Group focuses on demand creation, product mix, and optimized pricing structures in UK wholesale channel. With strengthening of the UK management team, the Group has recorded a decent improvement in the sale performance in the first half of 2021. The Group also focused on major construction projects in UK. With the protracted discussion, the Group has received orders from Nine Elms which secured the sale performance in 2021. Also, by virtue of the acquisition of Sweden distributor in 2020, the Group established a strong sale channel in Northern Europe region, which enhanced overall gross margin performance. This synergy boosted the sale performance and gross profit in oversea market in 2021. Despite the Group faces new challenges of raw material and shipping inflation, the UK management team takes proactive measures which secure sufficient stock level to satisfy its customer demand. In addition, the Group has terminated the OEM sale channel in March 2021 with poor performance in profitability. Accordingly, the Group can put more emphasis on UK and Northern Europe wholesale business, which will further enhance the sale and gross profit performance.

The recent waves of pandemic have pushed the Southeast Asia governments to implement repeated restrictions and lockdowns which led to the delay of arrivals and deliveries of goods in these regions, disruptions to our distribution therein, project delays and even complete shut-down in some construction sites. The Group's management team in Southeast Asia are constantly adapting our strategy towards maintaining our market reach and assisting our local partners towards project fulfilment. The sale performance of Southeast Asia region only recorded a slight decline compared with the first half of 2020. At the same time, the Group took several new initiatives to explore new distribution channels in Southeast Asia countries. We focused on preparation of launching non-lighting products, especially our SlientAire and "CleanAire • 空淨" series, in the first half of 2021 to our targeted markets to grasp the opportunity against the COVID-19.

With the successful development of the COVID-19 vaccines in the first half of 2021, the market has gradually recovered. Although the vaccine has not yet fully covered the Middle East and North Africa regions, some of the suspended and delayed projects have been restarted, bringing increasing orders to the Group. The Group's business in the Middle East and North Africa recorded growth over the Corresponding Period. The Group made use of its existing customer channels to actively promote new products and enhance the competitiveness of its products and gross profit margin. At the same time, we developed more new customers through a combination of online and offline methods.

Brand Enhancement and New Product Research and Development

With “Empowering Your LifeScape • 讓生活如你所願” as the core idea of brand development, the Group emphasises on a user-centric brand development strategy to bring user safe, healthy and environmentally friendly products and solutions. The Group strives to enhance brand recognition and brand reputation. It aims to improve brand value and build quality brand assets. The Group drew the attention of different customer groups through different marketing channels in the first half of 2021. It captured segmented markets and maximise our brand exposure. At the same time, through participation in the Asian top brand awards and international design awards, the Group enhanced its exposure and enabled more consumers to get to know its brand and products, thus enhancing brand reputation. In the first half of 2021, the Group won various prominent international awards, namely the “China’s Top Brand 2021 (2021年中國名優品牌)” award, the German Red Dot Award: Product Design 2021 and the German iF Industrie Forum Design, which demonstrate the excellent product design as well as research and development capability of the Group and further enhance the brand awareness and expand the brand influence.

The Group’s management has put forward the core development strategy of “Technology-driven and User First” to promote the research and development of lighting and non-lighting products. The Group attaches great importance to the research and development of innovative technologies. In the first half of 2021, the Group successfully developed a number of non-lighting technologies, including air disinfectors, water-air disinfection technologies and commercial fresh air disinfectors. The Group’s design department pays attention to market trends and insights into consumers’ needs. They carry out product research and development with the professional spirit of “ingenuity and innovation”. The new products are designed to enhance the user experience by placing emphasis on the changes in the user environment and identifying the actual and potential needs of users. The Group has successfully launched a number of new products in the first half of the year by utilizing relevant technology and product design.

Future Prospects

The Group will continue to monitor the development trend of the pandemic around the world and the economic recovery of countries where its major customers are located. In the second half of the year, while ensuring the sales of lighting business, it will vigorously promote the development of non-lighting business. The strong sales channels of the Group, together with the promotion of new products, will help to further improve the Group's sales performance in the second half of the year. The Group will also put more efforts on controlling the cost of sales, and a number of measures will be taken actively to reduce the impact caused by the rise in raw material prices and freight charges. The Group will proactively improve its brand image to enhance its brand awareness in international markets and promote its mission of "Empowering Your LifeScape • 讓生活如你所願".

Greater China

Greater China makes its debut in 2021. Through four major segments, namely promotion activities, terminal activities, online and offline marketing and channel construction, the Group has enhanced its brand awareness, and promoted our brand promotion and sales platform, so as to expand business. "NVC Digital" will focus on large-scale project sales and retail markets for both wireless and wired smart products. With continuous focus on consumer needs in the post-pandemic period, the Group takes safety, comfort and health as the three major directions of AIoT products. The Group will continue to improve quality of the products and solutions projects. Meantime, the Group will speed up the launch of new products to enhance product experiences for retail customers. Integrating AI and 5G into its products, the Group provides customers with smarter, more friendly, higher quality and more comfortable household smart products.

"NVC Construction Decoration" will take professionalism, technology, green, health and intelligence as the five core elements to continuously improve interior space solutions and product varieties. First, the Group will integrate more intelligent supporting products into the interior space solution to achieve interconnectivity and enhance technological and intelligent experiences in the balcony and bathroom. Secondly, based on the consumption trend of seeking for healthy lifestyle in the post-pandemic period, the Group will focus on promoting intelligent household products with disinfection and sterilisation functions. The Group will also further penetrate into the Greater Bay Area market through existing channels and new sales channels, and gradually expand to the Yangtze River Delta and other markets for NVC smart products.

North American and Japanese Markets

The Group continued to face challenges from increase of raw material prices and shipping logistic fee in the second half of 2021, which affected the gross profit performance of the North American business. The Group plans to transfer its production line from Zhuhai to Vietnam so as to mitigate the impact of increase in the prices of raw materials. At the same time, “Made in Vietnam” will help reduce the influence of U.S. import tariffs and enhance the Group’s cost advantage, thus strengthening the profitability of the Group. To tackle the predicament of rising freight rates and delayed shipment schedules during the pandemic, the Group will take a proactive approach by locking up containers and negotiating delivery schedules with freight forwarders to safeguard the delivery of subsequent orders. Also, the Group intends to relocate some of its production lines to America in order to further reduce freights and ensure future profit growth. The North American team is working on brand promotion and brand awareness, in addition to further improving the existing product lines, optimising product upgrades, and expanding the product lines with additional inclusion of light fixtures luminaire products. The existing lighting brands continue to work more on product refinement in the commercial channels in North America through optimizing agents. The Group will introduce a construction manufacturers incentive programme in the second half of the year to boost sales of North American lighting products. The Group will introduce new horticulture light products in the second half of the year and promote them in demonstration projects to boost sales of horticulture lights in the U.S. and Canada. At the same time, knowing the market needs, we will strengthen our product research on horticulture lights and propose product plans to meet market demands for horticulture lights and to enhance customers’ shopping experience. The Group will also promote the marketing of its non-lighting business. It will develop different sales channels for the “CleanAire • 空淨” and “AquaSolvo • 水淨” brands to penetrate into certain niche markets. The Group will promote in various demonstration shops to prepare for the sales of non-lighting business in the second half of the year.

For the Japanese market, the pandemic is starting to be controlled and the retail sector is expected to grow steadily. With the second half of the year being the peak season, the Group’s Japanese team will have promotional campaigns in hypermarkets to strengthen the promotion of new products, including the second generation of ceiling lights, donut ceiling lights and chandeliers. It aims to increase the share of sales of high value-added products. The Group intends to introduce the brand “AquaSolvo • 水淨” in the Japanese market in the second half of the year by launching a number of germicidal products. It also plans to expand the sales channel in convenience stores to boost sales in the Japanese market.

Other Overseas Markets

The Group will continue to execute progressive improvement in gross margin in the UK lighting business in the second half of 2021. We will focus on the promotion of high value-added products, which improve the profit margin of the Group. Also, the Group will put more resources in promoting DERNIER & HAMLYN (“D&H”), a century-old high luxury lighting manufacturer in the UK. The Group believes that the success of D&H will strength the NVC brand and improve the brand reputation in the oversea market. After the lockdown measure, the consumer behavior transitioned to a more “online” model. The management plans to grasp this opportunity to promote and establish online sale channels to promote the D&H and NVC lighting products in UK and Northern Europe.

The Group will continue to set up long-term Southeast Asia regional partners to exclusively promote NVC lighting products and ensure our brand presence in the marketplace. The Group will aggressively work towards introducing our major product lines of NVC non-lighting brands, including “NVC Digital”, “NVC Decoration”, and D&H, so as to capture the dynamics of the market for our sales to be better prepared in the future.

The Group is also actively developing channels in the distribution markets of non-lighting products in the Middle East and North Africa. In the countries where the Group has already operated, it keeps tapping into the depth of channels, enhances the coverage and influence of its products and brands, and continuously optimises its product portfolio to meet market needs, so as to increase its business momentum in multiple dimensions. In 2021, the Group plans to open new business in North Africa, mainly in Egypt and Algeria, establish an overseas office in Saudi Arabia, and combine online and offline brand promotion activities to develop its distributor network and core customer base. The Group will develop different types of customers and promote the construction of distribution network in a diversified manner. Through the operation of large-scale regional benchmark projects, the Group will enhance its brand’s professional image and regional influence.

Brand Building, Product Development and Internal Management

The Group successfully gained widespread recognition through various brand promotion campaigns in the first half of 2021. In the second half of the year, the Group will use D&H as the first pioneering brand of NVC International to expand the overseas high-end lighting field. Leveraging on D&H's century-old brand history, we will build the century-old brand image of NVC International. Meanwhile, the Group will increase its efforts to promote non-lighting brands such as “AquaSolvo • 水淨”, “CleanAire • 空淨” and SlientAire. We will make use of our excellent product design capability and our ability to build intelligent product ecosystems to precisely meet consumers' needs and improve customer experience.

In the second half of 2021, the Group will continue to emphasise the research and development of products under the “CleanAire • 空淨” and “AquaSolvo • 水淨” brands by utilising the second generation of air and water purification and disinfection technologies. The Group aims 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 supplier layout, raw material price control will be a key concern for the Group in the second half of 2021. With the increased variable factors of bulk commodities, it will be more difficult to control procurement prices in the second half of the year. The Group's management team will further optimise its procurement strategy to follow macro policies and control costs by locking up materials at low prices, delaying price increases and centralising procurement. It will also establish a strategic partnership with core suppliers to build a mutually beneficial cooperation model in the long term. In respect of internal management, the Group will continue to promote the optimisation of decentralised approval process to enhance management effectiveness comprehensively. In addition, the Group will continue to promote the construction of digital and real-time platform throughout the Group. In 2021, the Group is devoted to promoting the ERP system transformation of its subsidiaries, so as to realise globally cross-regional cooperation and resource sharing among main businesses, thereby improving the overall operating efficiency of the Group. Meanwhile, the Group will improve its ERP function with addition of different functions to be newly added, which will help to further enhance governance effectiveness.

FINANCIAL REVIEW

Sales Revenue

Sales revenue represents the invoiced value of goods sold, after allowances for returns and trade discounts. During the Period under Review, the sales revenue of the Group amounted to RMB1,143,253,000, representing an increase of 3.8% as compared with Corresponding Period.

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

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

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

	Six months ended 30 June		
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	Growth rate
Sales revenue from the PRC			
Non-NVC brands	<u>119,535</u>	<u>112,142</u>	<u>6.6%</u>
Sales revenue from international markets			
NVC brand	<u>160,251</u>	<u>94,805</u>	<u>69.0%</u>
Non-NVC brands	<u>863,467</u>	<u>894,009</u>	<u>(3.4%)</u>
Subtotal	<u>1,023,718</u>	<u>988,814</u>	<u>3.5%</u>
Total	<u><u>1,143,253</u></u>	<u><u>1,100,956</u></u>	<u><u>3.8%</u></u>

During the Period under Review, sales revenue from the PRC increased by 6.6%, due to the increase in the demand in the traditional lamp product market. During the Period under Review, international sales increased by 3.5%, mainly due to the facts of the strong demand of NVC lighting products in UK market and the expansion of the NVC lighting products in Northern Europe market. The sale growth is offset by weak market demand in oversea market, which leads to decrease in the sale for non-NVC products by 3.4% comparing with Corresponding Period.

Cost of Sales

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

	Six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>Percentage in revenue (%)</i>	<i>RMB'000</i>	<i>Percentage in revenue (%)</i>
Raw materials (including outsourced manufacturing costs)	668,745	58.5%	685,938	62.3%
Labor costs	75,258	6.6%	66,405	6.0%
Indirect costs	50,117	4.4%	52,134	4.7%
Total cost of sales	794,120	69.5%	804,477	73.1%

During the Period under Review, the cost of sales as a percentage in revenue decreased from 73.1% to 69.5%, while the gross profit margin increased from 26.9% to 30.5%, mainly due to the Group has transferred its production line to Vietnam to mitigate the impact of U.S. import tariffs. Also, the Group has purchased a large quantity of raw materials in advance to stabilise the production cost.

Gross Profit and Gross Profit Margin

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

During the Period under Review, gross profit of sales of the Group was RMB349,133,000, representing an increase of 17.8% as compared with the Corresponding Period, and gross profit margin of sales increased from 26.9% to 30.5%. The gross profit and gross profit margin by segments are shown as follows:

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

	Six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>(%)</i>	<i>RMB'000</i>	<i>(%)</i>
Gross profit from the PRC sales:				
Non-NVC brands	<u>24,543</u>	<u>20.5%</u>	<u>22,299</u>	<u>19.9%</u>
Gross profit from international sales:				
NVC brand	<u>57,790</u>	<u>36.1%</u>	<u>23,743</u>	<u>25.0%</u>
Non-NVC brands	<u>266,800</u>	<u>30.9%</u>	<u>250,437</u>	<u>28.0%</u>
Subtotal	<u>324,590</u>	<u>31.7%</u>	<u>274,180</u>	<u>27.7%</u>
Total	<u><u>349,133</u></u>	<u><u>30.5%</u></u>	<u><u>296,479</u></u>	<u><u>26.9%</u></u>

In the complex international economic and social environment, the overall gross profit margin of international sales of the Group during the Period under Review increased as compared with the Corresponding Period, mainly due to: firstly, the Group gradually transferred the best-selling product lines to Vietnam factories where more preferential trade policies are provided, and strengthened procurement and technology to reduce costs, which improved the overall gross profit margin; secondly, the Group expanded its exposure in Northern Europe market, where it generated more gross profit to the Group; and lastly, it accelerated the development and promotion of new products, and provided customisation products and services to increase the added value and gross profit margin of new products, which contributed to the gradual increase in the proportion of new products with high gross profit margin, leading to an effective increase in the overall gross profit margin.

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 5 to the condensed consolidated financial statement). We received various types of government grants in the form of tax subsidies, incentives for research and development activities and expansion of production capacity of energy-saving lamp. During the Period under Review, other income of the Group decreased significantly to RMB25,948,000 as compared with the Corresponding Period, which was mainly due to the waiver of special dividend from an associate during the Corresponding Period.

Other Gains and Losses

This item represents the Group's net foreign exchange gains, gain or 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 Period under Review.

Selling and Distribution Costs

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

During the Period under Review, our selling and distribution costs were RMB152,005,000, basically the same as compared with Corresponding Period. Our selling and distribution costs as a percentage in revenue increased from 10.7% to 13.3%, which is mainly resulted from the increase in shipping cost compared with Corresponding Period.

Administrative Expenses

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

During the Period under Review, our administrative expenses were RMB108,528,000, representing a increase of 10.7% as compared with the administrative expenses of the Corresponding Period, which was mainly due to increase in staff cost resulted from the operation in Vietnam. Also, the Group has incurred operating cost for the expansion of non-lighting business in Greater China Region. Our administrative expenses as a percentage in revenue increased from 8.9% to 9.5%.

Finance Costs

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

Share of Results of Associates

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

Income Tax

During the Period under Review, the Group's income tax decreased significantly to RMB19,406,000 as compared with the Corresponding Period. It was mainly due to the effect of decrease in the withholding income tax on earnings distributed by an associate of the Company in the PRC to the Company during the Period under Review.

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

Due to the factors mentioned above, our net profit for the period (including profit attributable to non-controlling interests) was RMB73,063,000 during the Period under Review.

Profit for the Period Attributable to Owners of the Company

Due to the factors mentioned above, profit for the period attributable to owners of the Company was RMB62,018,000 during the Period under Review.

Profit for the Period Attributable to Non-controlling Interests

During the Period under Review, profit for the period attributable to non-controlling interests was RMB11,045,000.

Liquidity

Sufficiency of net current assets and working capital

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
CURRENT ASSETS		
Inventories	606,013	421,673
Trade and bills receivables	481,738	498,777
Other receivables, deposits and prepayments	93,582	95,957
Tax recoverable	267	1,658
Financial assets at fair value through profit or loss	98,482	25,251
Pledged bank deposits	487	75,671
Bank balances and cash	1,040,509	1,226,773
Subtotal current assets	2,321,078	2,345,760
CURRENT LIABILITIES		
Trade and bills payables	516,435	561,320
Other payables and accruals	210,958	252,551
Contract liabilities	11,970	47,028
Borrowings	133,487	30,043
Deferred income	2,298	1,009
Lease liabilities	16,256	17,628
Tax liabilities	11,503	45,519
Subtotal current liabilities	902,907	955,098
NET CURRENT ASSETS	1,418,171	1,390,662

As at 30 June 2021 and 31 December 2020, the total net current assets of the Group amounted to RMB1,418,171,000 and RMB1,390,662,000, respectively, and the current ratio was 2.57 and 2.46, respectively. In light of our current liquidity position, the unutilised banking facilities available to the Group and our projected cash inflows generated from operations, the Directors believe that we have sufficient working capital for our present requirements and for the next 12 months.

Capital Management

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
Interest-bearing loans and borrowings	<u>133,509</u>	<u>33,659</u>
Total debt	133,509	33,659
Less: cash and cash equivalents and short-term deposits	<u>(1,040,509)</u>	<u>(1,226,773)</u>
Net debt	<u><u>N/A</u></u>	<u><u>N/A</u></u>
Total equity attributable to owners of the Company	<u><u>3,272,918</u></u>	<u><u>3,224,627</u></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 and cash generated from disposal of subsidiaries. Our capital expenditure is primarily related to expenditure on property, plant and equipment, right-of-use assets and other intangible assets. During the Period under Review, the Group's capital expenditure amounted to RMB30,101,000, mainly attributable to the increase in cost of leasehold improvements, machinery equipment and development costs.

Off-balance Sheet Arrangement

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

Capital Commitments

As of 30 June 2021, the capital commitments in respect of purchase of property, plant and equipment, acquisition of interest in investments and investments in associates was RMB55,769,000 (31 December 2020: RMB29,336,000).

OUTBREAK OF COVID-19

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

MERGERS, ACQUISITIONS, INVESTMENTS AND DISPOSALS

In January 2021, UK NVC, a wholly-owned subsidiary of the Company, acquired 20% equity of Elekzon Pty Limited, a distributor in Australia, at a consideration of USD350,000, to enhance control over distribution channels in Australia.

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

MARKET RISKS

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

Foreign Currency Risk

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

Commodity Price Risk

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

Liquidity Risk

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

Credit Risk

Our major credit risk arises from exposure to a substantial number of trade and bills receivables, deposits and other receivables from debtors. We have policies in place to ensure that the sales of products are made to customers with an appropriate credit limit, and we have strict control over credit limits of trade receivables. Our cash and short-term deposits are mainly deposited with registered banks in Mainland China and Hong Kong. We also have policies that limit our credit risk exposure to any financial institutions. The carrying amounts of trade and bills receivables, deposits and other receivables, cash and cash equivalents and short-term deposits included in the condensed consolidated statement of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have no other financial assets which carry significant exposure to credit risk. In 2020, we entered into certain one-year credit 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 continue such credit insurance arrangements.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

EMPLOYEES

As at 30 June 2021, the Group had approximately 3,496 employees in total (31 December 2020: 3,331). 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 and discretionary incentive.

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

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

CORPORATE GOVERNANCE

The Directors are of the opinion that, during the Period under Review, the Company had fully complied with the principles and code provisions set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") in compliance with the Listing Rules with written terms of reference. The primary duties of the Audit Committee include maintaining relationship with the auditor of the Group, reviewing financial information of the Group, supervising the financial reporting system, risk management and internal control system of the Group, and the duties of corporate governance designated by the Board. As of the date of this announcement, the Audit Committee consists of three Independent Non-executive Directors as members, namely, Mr. LEE Kong Wai, Conway, Mr. WANG Xuexian and Mr. JIA Hongbo, respectively. Mr. LEE Kong Wai, Conway is the chairman of the Audit Committee. The Audit Committee has reviewed and discussed the interim results for the Period under Review.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the “Remuneration Committee”) in compliance with the Listing Rules with written terms of reference. The primary duties of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all Directors and senior management, and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. As of the date of this announcement, 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 (the “Nomination Committee”) in compliance with the CG 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. As of the date of this announcement, 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. As of the date of this announcement, 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.

CHANGES OF DIRECTORS AND CHANGES IN THEIR INFORMATION

From 1 January 2021 and up to the date of this announcement, the changes of Directors and changes in their information are as follows:

Mr. WANG Donglei

- On 29 January 2021, Mr. WANG Donglei (“Mr. Wang”), the Company’s chairman and Executive Director, has been included in the List of Dishonest Persons published by the Beijing No.2 Intermediate People’s Court, as a result of an ongoing debt dispute. For details, please refer to the Company’s announcement dated 19 March 2021.
- Mr. Wang received an Advance Notice of Administrative Penalties (Chu Fa Zi [2021] No. 2) issued by the Anhui Regulatory Bureau of the China Securities Regulatory Commission on 7 April 2021, in relation to his role as a director and the de facto controller of ETIC. For details, please refer to the Company’s announcement dated 9 April 2021.
- On 11 May 2021, Mr. Wang resigned as director of ETIC.
- Mr. Wang has been appointed as the Chief Technology Officer of the Company with effect from 19 July 2021.

Mr. WANG Dongming

- Mr. WANG Dongming was re-designated from a Non-executive Director to an Executive Director and was appointed as a member of the Strategy and Planning Committee on 1 May 2021.
- Mr. WANG Dongming retired as an Executive Director with effect from the conclusion of the Company’s annual general meeting held on 11 June 2021 (the “AGM”). Due to his retirement, he also ceased to be a member of the Strategy and Planning Committee at the conclusion of the AGM.

Ms. CAO Qin

- Ms. CAO Qin has been appointed as an Executive Director with effect from 19 July 2021. For details, please refer to the Company's announcement dated 19 July 2021.

Mr. JIA Hongbo

- Mr. JIA Hongbo has been appointed as chief executive officer of Horizon Asset Management Co., Ltd. * (匯安基金管理有限責任公司) since March 2021.

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

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

The Group's interim results for the six months ended 30 June 2021 will be included in the Company's interim 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 interim results have been reviewed by the Audit Committee and approved by the Board.

The Group's interim results for the Period under Review have also been reviewed by Deloitte Touche Tohmatsu, the external auditor of the Company in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

APPRECIATION

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

DEFINITIONS

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

“Board”	the board of Directors.
“China” or “PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to “China” and the “PRC” do not apply to Taiwan, the Macau Special Administrative Region and Hong Kong.
“CG 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 are listed on the main board of the Stock Exchange.
“Corresponding Period”	the six months ended 30 June 2020.
“Director(s)”	the director(s) of the Company.

“ETIC”	Elec-Tech International Co., Ltd.* (安徽德豪潤達電氣股份有限公司)(formerly known as Elec-Tech International Co., Ltd.* (廣東德豪潤達電氣股份有限公司)), a PRC incorporated company whose shares are currently listed on the Shenzhen Stock Exchange. It is a substantial shareholder of the Company.
“Group”	the Company and its subsidiaries.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC.
“LED”	light-emitting diode.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.
“ODM”	original design manufacturing, a type of manufacturing under which the manufacturer is responsible for the design and production of the products and the products are marketed and sold under the customer’s brand name.
“OEM”	original equipment manufacturer, a type of manufacturing that the purchaser provides equipment and technology, the manufacturer is responsible for production, providing manpower and venue, and the purchaser is responsible for sale.
“Period under Review”	the six months ended 30 June 2021.
“RMB”	Renminbi, the lawful currency of the PRC.
“Share(s)”	Ordinary share(s) of US\$0.0000001 each in the share capital of the Company.

“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction.
“US\$”	United States dollars, the lawful currency of U.S..
“UK NVC”	NVC Lighting Limited, a private company incorporated in England and Wales on 31 May 2007, and direct wholly-owned subsidiary of the Company as of the date of this announcement.
“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, 20 August 2021

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

Executive Directors:

WANG Donglei
 CHAN Kim Yung, Eva
 XIAO Yu
 CAO Qin

Non-executive Directors:

WANG Keven Dun
 YE Yong

Independent Non-executive Directors:

LEE Kong Wai, Conway
 WANG Xuexian
 JIA Hongbo