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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 2022

HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2022:

- The Group's revenue amounted to RMB1,043,362,000, representing a decrease of 8.7% as compared with Corresponding Period.
- The Group's gross profit amounted to RMB243,956,000, representing a decrease of 30.1% as compared with Corresponding Period.
- The Group's profit before income tax amounted to RMB9,889,000, with the profit before income tax amounted to RMB92,469,000 in the Corresponding Period.
- Loss for the period attributable to owners of the Company amounted to RMB14,728,000, with the profit for the period attributable to owners of the Company amounted to RMB62,018,000 in the Corresponding Period.
- Basic loss per share attributable to owners of the Company amounted to RMB0.35 cents (basic earnings per share attributable to owners of the Company in the Corresponding Period: RMB1.47 cents).
- The Board has resolved 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	
		2022	2021
<i>NOTES</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Revenue	3	1,043,362	1,143,253
Cost of sales		<u>(799,406)</u>	<u>(794,120)</u>
Gross profit		243,956	349,133
Other income	5	22,318	25,948
Other gains and (losses)		(18,209)	7,689
Selling and distribution expenses		(132,857)	(152,005)
Administrative expenses		(107,684)	(108,528)
Impairment losses under expected credit loss model, net of reversal		(410)	(5,518)
Other expenses		(29,535)	(26,862)
Finance costs		(6,869)	(5,927)
Share of results of associates		<u>39,179</u>	<u>8,539</u>
Profit before tax		9,889	92,469
Income tax expense	6	<u>(9,710)</u>	<u>(19,406)</u>
Profit for the period	7	<u><u>179</u></u>	<u><u>73,063</u></u>
(Loss)profit for the period attributable to the owners of the Company		(14,728)	62,018
Profit for the period attributable to the non-controlling interest		<u>14,907</u>	<u>11,045</u>
		<u><u>179</u></u>	<u><u>73,063</u></u>
(Loss) earnings per share	8		
Basic (<i>RMB cents</i>)		<u><u>(0.35)</u></u>	<u><u>1.47</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

	Six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	179	73,063
Other comprehensive income (expense)		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Exchange difference arising on translation from functional currency to presentation currency	94,087	(6,529)
Fair value loss on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”)	(900)	–
	93,187	(6,529)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(38,743)	(3,984)
Share of other comprehensive income of associates, net of related income tax	(40,409)	(461)
	(79,152)	(4,445)
Total comprehensive income for the period	14,214	62,089
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(774)	50,158
Non-controlling interests	14,988	11,931
	14,214	62,089

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022	31 December 2021
	<i>NOTES</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Non-current assets			
Property, plant and equipment		348,444	345,591
Right-of-use assets		186,183	194,908
Investment properties		6,875	7,785
Goodwill		211,386	211,386
Other intangible assets		334,566	342,886
Interests in associates		818,263	597,470
Equity instruments at FVTOCI		13,888	14,788
Financial assets at fair value through profit or loss ("FVTPL")		–	527
Deferred tax assets		9,620	10,043
Deposits		294,710	296,987
		2,223,935	2,022,371
Current assets			
Inventories		604,361	624,038
Trade and bills receivables	10	358,314	500,403
Other receivables, deposits and prepayments		113,640	113,581
Tax recoverable		486	13,879
Financial assets at FVTPL		50,751	40,600
Pledged bank deposits		358,552	83,272
Bank balances and cash		567,516	948,268
		2,053,620	2,324,041
Current liabilities			
Trade and bills payables	11	368,301	609,820
Other payables and accruals		163,119	254,301
Contract liabilities		25,328	34,205
Borrowings	12	295,422	40,035
Deferred income		6,721	1,009
Lease liabilities		17,230	14,890
Income tax liabilities		18,434	15,937
		894,555	970,197
Net current assets		1,159,065	1,353,844
Total assets less current liabilities		3,383,000	3,376,215

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

		30 June	31 December
		2022	2021
	<i>NOTE</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(audited)
Non-current liabilities			
Deferred income		1,613	1,658
Lease liabilities		24,502	30,352
Deferred tax liabilities		58,169	59,703
		<u>84,284</u>	<u>91,713</u>
NET ASSETS		<u>3,298,716</u>	<u>3,284,502</u>
Capital and reserves			
Share capital	<i>13</i>	3	3
Reserves		<u>3,194,407</u>	<u>3,195,181</u>
Equity attributable to owners of the Company		3,194,410	3,195,184
Non-controlling interests		<u>104,306</u>	<u>89,318</u>
TOTAL EQUITY		<u>3,298,716</u>	<u>3,284,502</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 2022 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (“IASB”) as well as 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to International Financial Reporting Standards (“IFRS Standards”)

In the current interim period, the Group has applied the following amendments to IFRS Standards issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020

The application of the amendments to IFRS Standards 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 on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2022			
	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	147,839	45,645	849,878	1,043,362
Geographical markets				
United States	–	–	696,065	696,065
Japan	–	–	107,417	107,417
The PRC	–	45,645	–	45,645
Netherlands	–	–	34,993	34,993
United Kingdom	82,404	–	–	82,404
Other countries	65,435	–	11,403	76,838
Total	147,839	45,645	849,878	1,043,362
Timing of revenue recognition				
A point in time	147,839	45,645	849,878	1,043,362

3. REVENUE (Continued)

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

	For the six months ended 30 June 2021			
	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>160,251</u>	<u>119,535</u>	<u>863,467</u>	<u>1,143,253</u>
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	<u>78,133</u>	<u>–</u>	<u>19,318</u>	<u>97,451</u>
Total	<u>160,251</u>	<u>119,535</u>	<u>863,467</u>	<u>1,143,253</u>
Timing of revenue recognition				
A point in time	<u>160,251</u>	<u>119,535</u>	<u>863,467</u>	<u>1,143,253</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 2022

	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>147,839</u>	<u>45,645</u>	<u>849,878</u>	<u>1,043,362</u>
Segment results	<u>51,489</u>	<u>4,017</u>	<u>188,450</u>	243,956
<i>Reconciliation</i>				
Other income				22,318
Other gains and losses				(18,209)
Unallocated expenses				(270,076)
Impairment losses under expected credit loss model, net of reversal				(410)
Finance costs				(6,869)
Share of results of associates				<u>39,179</u>
Profit before tax				<u>9,889</u>

4. OPERATING SEGMENTS (Continued)

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>

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

	<u>Six months ended 30 June</u>	
	2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)
Government grants and other subsidies	4,756	9,962
Bank interest income	7,107	5,697
Consultancy service income	3,569	3,234
Trademark licence fee income	4,344	4,143
Rental income – lease payments that are fixed	753	868
Others	1,789	2,044
	<u>22,318</u>	<u>25,948</u>

6. INCOME TAX EXPENSE

	<u>Six months ended 30 June</u>	
	2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)
Current tax:		
Hong Kong Profits Tax	7,071	12,559
PRC Enterprise Income Tax	4,595	11,548
Other countries	1,523	2,110
	<u>13,189</u>	<u>26,217</u>
Over-provision in prior years:		
PRC Enterprise Income Tax	(2,016)	(6,951)
Other countries	(352)	–
	<u>(2,368)</u>	<u>(6,951)</u>
Deferred tax	(1,111)	140
Total	<u>9,710</u>	<u>19,406</u>

Hong Kong Profits Tax is calculated at 16.5% on 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.

6. INCOME TAX EXPENSE (Continued)

Shanghai Arcata Electronics Co., Ltd., ETi Solid State Lighting (Zhuhai) Limited and Zhejiang Jiangshan Sunny Electron Co., Ltd. was recognised as high-tech enterprise by the PRC tax authority and entitled a preferential tax rate of 15% for both periods.

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	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Amortisation of other intangible assets (included in cost of sales)	10,870	12,510
Depreciation		
– Property, plant and equipment	23,342	22,156
– Investment properties	150	148
– Right-of-use-assets	10,165	11,998
Total amortisation and depreciation	44,527	46,812
Employee benefit expenses (including directors’ and chief executive’s remuneration):		
Wages and salaries	142,816	175,454
Pension scheme contributions	13,872	13,310
Other welfare expenses	5,908	2,636
Total staff costs	162,596	191,400
Cost of inventories recognised as expense	795,692	792,796
Research and development costs (included in “other expenses”)	29,535	26,862
Write-down of inventories	3,714	1,324
Impairment loss under expected credit loss model recognised in respect of		
– Trade receivables	280	1,694
– Other receivables	130	3,824

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss) profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>(14,728)</u>	<u>62,018</u>
	2022	2021
	'000	'000
Weighted average number of ordinary shares for the purpose of (loss) basic earnings per share	<u>4,227,281</u>	<u>4,227,281</u>

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

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the current and prior interim periods, nor has any dividend been proposed since the end of the reporting period.

10. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade receivables	358,791	494,933
Less: allowance for credit losses	<u>(12,263)</u>	<u>(11,983)</u>
	346,528	482,950
Bills receivables	<u>11,786</u>	<u>17,453</u>
	<u>358,314</u>	<u>500,403</u>

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

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Within 3 months	290,442	425,312
4 to 6 months	48,663	53,480
7 to 12 months	6,362	1,571
1 to 2 years	207	1,748
Over 2 years	<u>854</u>	<u>839</u>
	<u>346,528</u>	<u>482,950</u>

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

As at 30 June 2022, total bills received amounting to RMB11,786,000 (31 December 2021: RMB17,453,000) 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.

Included in the bills receivables were bills receivables endorsed to suppliers with full recourse amounting to RMB1,270,000 (31 December 2021: RMB8,808,000). As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the bills receivables and the full carrying amount of the trade payables for endorsed bills receivables. These financial assets are carried at amortised cost in the Group's condensed consolidated statement of financial position.

10. TRADE AND BILLS RECEIVABLES (Continued)

Other than bills receivables, carrying amount of trade receivables amounted to RMB83,709,000 (31 December 2021: RMB163,300,000) have been pledged as security for the Group's borrowings.

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 2022 to calculate the impairment losses of trade and bills receivables under expected credit loss model are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

During the current interim period, the Group recognised impairment loss of RMB280,000 (six months ended 30 June 2021: RMB1,694,000) under expected credit loss model.

11. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade payables presented based on the transaction date and trade payables under supplier finance arrangement presented based on the bills issuance date.

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Within 3 months	317,093	547,231
4 to 6 months	35,552	52,082
7 to 12 months	2,676	1,272
1 to 2 years	11,887	7,415
Over 2 years	1,093	1,820
	368,301	609,820

12. BORROWINGS

During the current interim period, the Group obtained new secured bank loans amounting to RMB255,387,000 (six months ended 30 June 2021: RMB103,463,000). The loans, secured by pledged bank deposits with carrying amount of RMB312,500,000, carry interest at fixed rates range from 3.15% to 3.60% and are repayable within 1 year. The proceeds were used to finance daily operations.

13. SHARE CAPITAL

	Number of shares '000	Amount RMB
Ordinary share of US\$0.0000001 each		
Authorised:		
At 1 January 2021 (audited), 30 June 2021 (unaudited), 1 January 2022 (audited) and 30 June 2022 (unaudited)	500,000,000	341,385
Issued and fully paid:		
At 1 January 2021 (audited), 30 June 2021 (unaudited), 1 January 2022 (audited) and 30 June 2022 (unaudited)	4,227,281	3,074

14. CAPITAL AND OTHER COMMITMENTS

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Amounts contracted for but not provided in the condensed consolidated financial statements:		
Acquisition of property, plant and equipment	21,378	27,327
Acquisition of other intangible asset	1,278	–
Acquisition of interests in associates	–	15,000
	22,656	42,327

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Performance Review

In the first half of 2022, in the face of the global economic slowdown, coupled with the Russian-Ukrainian war, the prices of commodities and freight rates remained high, and the global economy shrunk rapidly with further increases in the inflation index. As a result, the market economy environment was constantly changing, and all the industries were facing major challenges in their operation. All major banks and financial institutions had lowered their GDP growth forecasts for various countries one after another, resulting in a sharp drop in their confidence in economic growth this year. The global economy is expected to rise by merely 3.6% in 2022 according to the latest World Economic Outlook published by the International Monetary Fund.

Faced with the tight supply chain, the Group adjusted its procurement strategy and signed strategic cooperation agreements with core suppliers to control costs and ensure a stable supply. The Group has successfully recorded stable sales performance in the international lighting business with its good brand reputation and strong sales channels. The Group has paid attention to the market trend, launched a 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 had been preparing for the expansion of its non-lighting business in the global market in the first half of 2022. With the brand mission of "Empowering Your LifeScape • 讓生活如你所願" and by focusing on our customers and their environment, we have been actively expanding products in the two elements of "air" and "water" and related fields to improve the life quality of consumers, to realise the vision of sustainable development and to build a smarter, more environmentally friendly and more technological living space. During the Period under Review, affected by a number of unfavorable factors such as the weak global economy, increased prices in raw materials and the lockdown measures in Shanghai, the Group achieved sales revenue of RMB1,043,362,000, representing a decrease of 8.7% as compared with the Corresponding Period; and gross profit of RMB243,956,000, representing a decrease of 30.1% as compared with the 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.

North American and Japanese Markets

During the Period under Review, the North American market remained the Group's core area for development. The Group streamlined its operation by differentiating retail and distribution channels. Affected by the serious inflation issues and the weak economy in the U.S., the retail market became despondent with sales declining. Large retailers lowered their sales forecasts while raising retail prices to ensure they could meet profit targets for the year. Despite the above unfavorable factors, by leveraging its long-standing and stable strategic relationships with major customers and through frequent communication with our customers, the Group managed to realise an overall retail sale as nearly flat as that of the Corresponding Period. In terms of distribution channels, the Group adjusted its sales team and strengthened inventory control in the first half of the year. However, under the complicated and volatile macro-economy, the sales prices in the market continued to increase, and the overall market sales were weak with a rapid and nearly double-digit decline, resulting in a decline in the Group's sales through distribution channels. Based on the sales performance of the above retail channels and distribution channels, the Group's sales in the North American market recorded a slight improvement.

The Group's presence in Japanese market mainly includes retail channels and engineering project channels. Due to the decline in retail sales of home appliances and the depreciation of the Japanese yen, the Group's retail channel sales recorded a significant decline compared to the Corresponding Period. The Group's gross profit performance in the Japanese market decreased due to the sharp increase in sea freight rates compared to the Corresponding Period. In order to improve the business in the Japanese market, the Japanese management team of the Group adjusted the sales structure of products and strengthened inventory control to minimise the logistics costs in Japan. In addition, the Japanese factory had started production in the second half year of 2021, which reduced transportation costs and improved the gross profit margin of the Japanese market.

UK and Nordic Markets

Despite facing inflation of production cost and shipping cost of global market, the management team of the Group made their efforts on maintaining stable financial performance of UK and Nordic markets. The Group focused on developing the brand reputation and driving lighting products demand in the UK and Nordic markets. Also, it drove the product mix to the more added value and higher margin channels. After acquisition of a Danish distributor in 2021, the Group had expanded its footprint to Danish market. It improved the overall revenue compared with first half of 2021. With integration and centralization of Nordic operations, the Group improved the profitability by cost synergy in Nordic market. Furthermore, the Group focused on promoting DERNIER & HAMLYN (“D&H”), a century-old high-quality luxury lighting manufacturer in the UK, and offering bespoke lighting products to customers. With the high margin bespoke products, it maintained stable gross profit margin for UK and Nordic market.

Greater China

The Group reorganised our Greater China business in the first half of 2022, with focusing on promotion the balcony business by building a management team and formulating strategic plans. We expanded the balcony segment through investment promotion activities, terminal activities and online and offline marketing and channels, and promoted the development of brand promotion and sales platforms to expand the Group’s business. With the help of mature sales channels and marketing and promotion methods, the Group successfully launched balcony series products. The Group provided customised smart balcony space solutions in response to users’ needs, which improved the Group’s sales performance.

Other Overseas Markets

The negative sentiments in the Southeast Asia regional retail market have reduced consumer spending during the Period under Review. This affected the Group’s overall performance in Southeast Asia regions. However, the management of the Group was constantly adapting strategy towards maintaining market reach and assisting local partners towards project fulfilment. Some Southeast Asia regions, such as Singapore and Pakistan, had recorded a decent improvement on revenue when compared with Corresponding Period due to resumption of construction work projects. The Group had channeled a huge amount of effort to develop and market both our new lighting and non-lighting products into the key markets. During the Period under Review, the Group has launched some non-lighting products to our targeted distributors and this improved the overall performance in Southeast Asia regions.

During first half of 2022, the Middle East and North Africa markets have gradually recovered and some of the suspended and delayed projects have been restarted, bringing increasing orders to the Group. The Group has secured orders in Egypt and 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 enhanced the competitiveness of its products and its 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

The Group promotes its brand with three elements, namely “water”, “light” and “air”. “Light” is the continuous driving force and core foundation of the Group's growth. In 2022, for the integration and upgrade of overseas lighting brands, while considering changes of environment and consumer needs, the Group strategically identified its characteristics and comprehensively upgraded from multiple fields and channels to create a richer and more three-dimensional brand image. This reflected brand value in all the comprehensive experiences given to consumers, making the corporate image more profound. In addition, in response to consumers' increased awareness of epidemic prevention, the Group made use of D&H, a century-old high-quality luxury lighting brand in the UK, to create a new Indoor Air Quality (“IAQ”) brand centered on the elements of “water” and “air”. In the first half of 2022, the Group won the German iF Industrie Forum Design award, which demonstrated the excellence of product design as well as the research and development capability of the Group. This further enhanced brand awareness and expanded the brand influence.

The Group's management has put forward the core development strategy of “Technology-driven and Users 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 2022, 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 paid attention to market trends and had an insights into consumers' needs. They carried 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

In the second half of the year, while ensuring the sales of lighting business, the Group will vigorously promote the development of non-lighting business. Through the efforts of the Group's R&D team, IAQ products, mainly “CleanAire • 空淨” and “AquaSolvo • 水淨”, have been successfully introduced. The Group will capitalise on the brand reputation of D&H, a century-old high-quality luxury lighting manufacturer in the UK, to launch IAQ products in overseas markets in the second half of the year. 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. In addition, the Group will continue to optimise the management structure and integrate the overseas business. Based on the business in the U.S. and the UK, it will continue to strengthen the business in the Middle East and Southeast Asia markets, while promoting the developed cost-effective products and intelligent products to different overseas markets. 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”.

North American and Japanese Markets

In the second half of 2022, the Group will strive to find the best configuration of dual warehouses in the United States in order to reduce operating costs; on the other hand, it will strengthen new product promotion and channel expansion in retail channels and distribution channels. The Group has made thorough planning and rectification of major product lines. The Group will continue to implement the policy of optimising product specifications and saving production costs. In addition, the Group understands the needs of the North American market and focuses on product upgrades to improve sales and gross profit performance in the North American market. The Group will introduce new products in the distribution channel, and will use the new platform in the retail market to refine the specifications and sales areas according to the specific needs of the local distribution channel, and step up the brand and channel marketing efforts. The Group will use the promotional activities on the websites and exhibitions to provide overall lighting solutions to the fields of housing and family, hotel, light business, retail and warehousing. All-round efforts will be made from the three aspects of brand, new products and channels to improve the overall performance of distribution channels. The Group will put more efforts in marketing promotion in the non-lighting business. Preliminary sales channels preparation and market promotion will be carried out for the IAQ brand to prepare for non-lighting business sales in the second half of the year.

For the Japanese market, with the second half of the year being the peak season, the Group's Japanese team will step up sales promotion in hypermarkets to increase the sales proportion of high value-added products such as ceiling lights and improve profit margins. The Group is also committed to promoting ceiling lights, expanding its market share and improving its gross profit margin.

UK and Nordic Markets

The management of the Group anticipates the sale performance will be improved in second half of the year due to traditional high season in UK and Nordic countries and more resources are put in developing new sale channels. The Group will continue improving the gross profit margin of UK and Nordic lighting business by introducing high value products to the wholesale market and focusing on lighting project development. The management of the Group will also improve the operation efficiency by enhancing the inventory management. This will improve the financial performance of the Group. Also, the Group will put more resources in developing new D&H products and promoting D&H products which will secure more sale orders. With the progress of D&H bespoke lighting product projects, the Group will further enhance its revenue and financial performance in UK and Nordic market.

Greater China

The Group will focus on promoting the balcony business in Greater China in the second half of 2022. The Group will focus on cooperating with existing distributors and stepping up efforts on promotion activities in order to accelerate the establishment of competitive advantages, secure more project orders and improve the sales performance of the Greater China business. At the same time, the Group will enhance the efficiency of the Greater China business through measures such as personnel optimization and cost control.

Other Overseas Markets

The Group will continue to maintain a long-term strategic key alliance with Southeast Asia regional partners to work with them exclusively to use brands for lighting projects for their projects which in turn will ensure the Group's brand position in the marketplace. The Group will also focus on promoting lighting products to high-end segment for project product portfolio, which will enhance the gross profit margin of the Group. Also, the Group will put more resources in developing sale channels for non-lighting products. The Group will make use of post-pandemic situation to promote the non-lighting products and improve the overall operating performance in Southeast Asia regional.

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. The Group will primarily 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 2022. In the second half of the year, the Group will use D&H as the first pioneering brand of the Group to expand the overseas high-end lighting field. Leveraging D&H's century-old brand history, it will build the century-old brand image. Meanwhile, the Group will increase promotion of non-lighting brands such as "AquaSolvo • 水淨", "CleanAire • 空淨" and SlientAire. We shall accurately satisfy consumer demands and enhance customer experience by taking advantage of excellent product design capability and the capability of building intelligent product ecosystem.

In response to the increasing public awareness of environmental protection, the market has begun to focus on the development of green energy and carbon neutrality. The Group actively improves the efficiency of photoelectric utilization and strives to achieve the goal of carbon neutrality. In addition, the Group propels the application of solar lighting in order to continuously expand the application of clean energy in lighting systems and to endorse green and low-carbon policies.

In respect of the supplier chain, raw material price control will be a key concern for the Group in the second half of 2022. The Group will strengthen control on material prices, inventory control and team personnel optimisation. It will control material costs by linking bulk material prices, collective procurement and other strategies, and reduce inventory by shortening the procurement cycle, thereby enhancing the Group's business performance. In addition, the Group will continue to promote the digitalisation and informatisation construction throughout the Group. In 2022, the Group is devoted to promoting the ERP system transformation of its subsidiaries, so as to achieve globally cross-regional cooperation and resource sharing among main businesses, thereby enhancing the overall operating efficiency of the Group. Meanwhile, the Group will enhance its ERP function and, by adding different functions, further enhance its 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 RMB1,043,362,000, representing a decrease of 8.7% 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		
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	Growth rate
Sales revenue from the PRC			
Non-NVC brands	<u>45,645</u>	<u>119,535</u>	<u>(61.8%)</u>
Sales revenue from international markets			
NVC brand	<u>147,839</u>	<u>160,251</u>	<u>(7.7%)</u>
Non-NVC brands	<u>849,878</u>	<u>863,467</u>	<u>(1.6%)</u>
Subtotal	<u>997,717</u>	<u>1,023,718</u>	<u>(2.5%)</u>
Total	<u><u>1,043,362</u></u>	<u><u>1,143,253</u></u>	<u><u>(8.7%)</u></u>

During the Period under Review, sales revenue from the PRC decreased by 61.8%, due to operation suspension of a subsidiary of the Group because of lockdown measures in Shanghai in 2022. During the Period under Review, international sales decreased by 2.5%, mainly due to weak demand resulted from serious inflation issues and the weak economy in international market. This led to a decrease in the overall sales revenue by 8.7% 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			
	2022		2021	
	<i>RMB'000</i>	<i>Percentage in revenue (%)</i>	<i>RMB'000</i>	<i>Percentage in revenue (%)</i>
Raw materials (including outsourced manufacturing costs)	646,173	61.9%	668,745	58.5%
Labor costs	65,990	6.3%	75,258	6.6%
Indirect costs	87,243	8.4%	50,117	4.4%
Total cost of sales	<u>799,406</u>	<u>76.6%</u>	<u>794,120</u>	<u>69.5%</u>

During the Period under Review, the cost of sales as a percentage in revenue increased from 69.5% to 76.6%, while the gross profit margin decreased from 30.5% to 23.4%, mainly due to the high commodities prices and shipping cost which boosted 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 RMB243,956,000, representing a decrease of 30.1% as compared with the Corresponding Period, and gross profit margin of sales decreased from 30.5% to 23.4%. 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			
	2022		2021	
	<i>RMB'000</i>	<i>(%)</i>	<i>RMB'000</i>	<i>(%)</i>
Gross profit from the PRC sales:				
Non-NVC brands	<u>4,017</u>	<u>8.8%</u>	<u>24,543</u>	<u>20.5%</u>
Gross profit from international sales:				
NVC brand	<u>51,489</u>	<u>34.8%</u>	<u>57,790</u>	<u>36.1%</u>
Non-NVC brands	<u>188,450</u>	<u>22.2%</u>	<u>266,800</u>	<u>30.9%</u>
Subtotal	<u>239,939</u>	<u>24.0%</u>	<u>324,590</u>	<u>31.7%</u>
Total	<u>243,956</u>	<u>23.4%</u>	<u>349,133</u>	<u>30.5%</u>

The Group faced the impact of high commodities and freight cost since second half of 2021, the production cost of the Group during the Period under Review increased as compared with the Corresponding Period. On the other hand, the Group gradually increased the selling price to customers during the Period under Review to offset the impact of incremental production cost. With the combined effects, the overall gross profit margin of the Group during the Period under Review decreased from 30.5% to 23.4% compared with the Corresponding Period.

Other Income

Our other income mainly consist of 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 as compared with the Corresponding Period, which was mainly due to reduction of government grants and other subsidies.

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, 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 RMB132,857,000, representing a decrease of 12.6% as compared with Corresponding Period. Our selling and distribution costs as a percentage in revenue decreased from 13.3% to 12.7%, which is mainly resulted from the structural improvement of sale personnel.

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 RMB107,684,000, representing a decrease of 0.8% as compared with the administrative expenses of the Corresponding Period, which was mainly due to the improvement of the organizational structure of the Group. Our administrative expenses as a percentage in revenue slightly increased from 9.5% to 10.3%.

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 to RMB9,710,000 as compared with the Corresponding Period. It was mainly due to the reduction of current income tax provision for the Group 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 RMB179,000 during the Period under Review.

Loss for the Period Attributable to Owners of the Company

Due to the factors mentioned above, loss for the period attributable to owners of the Company was RMB14,728,000 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 RMB14,907,000.

CASH FLOWS AND LIQUIDITY

Cash Flows

The table below sets out selected cash flow data from our condensed consolidated statement of cash flows.

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows used in operating activities	(154,655)	(233,411)
Net cash flows used in investing activities	(501,031)	(7,483)
Net cash flows generated from financing activities	<u>237,263</u>	<u>49,278</u>
Net decrease in cash and cash equivalents	(418,423)	(191,616)
Cash and cash equivalents at beginning of period	948,268	1,226,773
Effect of foreign exchange rate changes, net	<u>37,671</u>	<u>5,352</u>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and cash flows	<u><u>567,516</u></u>	<u><u>1,040,509</u></u>

As at the end of the Period under Review, the cash and cash equivalents of the Group were mainly denominated in US\$, RMB, HK\$, GBP, JPY, SGD and VND. The RMB is not freely convertible into other currencies, however, under China's Regulations on the Management of Foreign Exchanges and Administration of Settlement, Sale and Payment of Foreign Exchange Provisions, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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 2022 RMB'000	31 December 2021 RMB'000
CURRENT ASSETS		
Inventories	604,361	624,038
Trade and bills receivables	358,314	500,403
Other receivables, deposits and prepayments	113,640	113,581
Tax recoverable	486	13,879
Financial assets at fair value through profit or loss	50,751	40,600
Pledged bank deposits	358,552	83,272
Bank balances and cash	567,516	948,268
	<hr/>	<hr/>
Subtotal current assets	2,053,620	2,324,041
CURRENT LIABILITIES		
Trade and bills payables	368,301	609,820
Other payables and accruals	163,119	254,301
Contract liabilities	25,328	34,205
Borrowings	295,422	40,035
Deferred income	6,721	1,009
Lease liabilities	17,230	14,890
Tax liabilities	18,434	15,937
	<hr/>	<hr/>
Subtotal current liabilities	894,555	970,197
	<hr/>	<hr/>
NET CURRENT ASSETS	1,159,065	1,353,844

As at 30 June 2022 and 31 December 2021, the total net current assets of the Group amounted to RMB1,159,065,000 and RMB1,353,844,000, respectively, and the current ratio was 2.30 and 2.40, 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 ratios as at the end of the Period under Review.

	30 June 2022	31 December 2021
	RMB'000	RMB'000
Interest-bearing loans and borrowings	<u>295,422</u>	<u>40,035</u>
Total debt	295,422	40,035
<i>Less:</i> cash and cash equivalents and short-term deposits	<u>(567,516)</u>	<u>(1,040,509)</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>3,194,410</u></u>	<u><u>3,195,184</u></u>
Gearing ratio	<u><u>N/A</u></u>	<u><u>N/A</u></u>

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.

Trade and Bills Receivables

Trade receivables of the Group mainly represented proceeds receivable from sale of goods. The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit periods generally range from 30 to 180 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balance. More details about the trade and bills receivables are provided in Note 10 to the condensed consolidated financial statements.

Trade and Bills Payables

More details about the trade and bills payables are provided in Note 11 to the condensed consolidated financial statements.

Borrowings

More details about borrowings are provided in Note 12 to the condensed consolidated financial statements.

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 RMB24,707,000, mainly attributable to the increase in cost of renovations, 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 2022, the capital commitments in respect of purchase of property, plant and equipment, acquisition of interest in investments and investments in associates was RMB22,656,000 (31 December 2021: RMB42,327,000).

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 a slight decrease 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 2022. 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

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

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:

	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	–	–
Trade receivables	83,709	163,300
Pledged bank deposits	358,552	83,272
	<u>442,261</u>	<u>246,572</u>

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 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 2021, 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 2021 to 31 December 2022 with a maximum compensation amount of US\$31,280,000 (equivalent to approximately RMB201,675,000). 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.

IMPORTANT EVENTS AFTER THE PERIOD UNDER REVIEW

No important events affecting the Company occurred since 30 June 2022 and up to the date of this announcement.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

EMPLOYEES

As at 30 June 2022, the Group had approximately 2,738 employees in total (31 December 2021: 3,165). 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 systems 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. CHEN Hong, 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. CHEN Hong, 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 2022 and up to the date of this announcement, the changes of Directors and changes in their information are as follows:

Mr. WANG Keven Dun

- Mr. WANG Keven Dun obtained a Master's degree in Business Administration from Harvard Business School in 2022.

Mr. LEE Kong Wai, Conway

- Mr. LEE Kong Wai, Conway retired as an independent non-executive director of WH Group Limited (the shares of which are listed on the main board of the Stock Exchange) from 1 June 2022.

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 2022 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 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 2021.
“Director(s)”	the director(s) of the Company.
“Group”	the Company and its subsidiaries.

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC.
“LED”	light-emitting diode.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.
“ODM”	original design manufacturing, a type of manufacturing under which the manufacturer is responsible for the design and production of the products and the products are marketed and sold under the customer’s brand name.
“Period under Review”	the six months ended 30 June 2022.
“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.
“United States” or “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..

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

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

Hong Kong, 26 August 2022

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
CHEN Hong