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 2023

HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2023:

- The Group's revenue amounted to US$119,034,000, representing a decrease of 25.8% as compared with Corresponding Period.
- The Group's gross profit amounted to US$32,690,000, representing a decrease of 12.8% as compared with Corresponding Period.
- The Group's profit before income tax amounted to US$2,306,000, with the profit before income tax amounted to US$1,520,000 in the Corresponding Period.
- Profit for the period attributable to owners of the Company amounted to US$1,034,000, with the loss for the period attributable to owners of the Company amounted to US$2,264,000 in the Corresponding Period.
- Basic earnings per share attributable to owners of the Company amounted to US$0.02 cents (basic loss per share attributable to owners of the Company in the Corresponding Period: US$0.05 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 and the external auditor of the Company, Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
		2023	2022
	NOTES	***US$'000***	*US$'000*
		(unaudited)	(restated and unaudited)
Revenue	*3*	**119,034**	160,374
Cost of sales		**(86,344)**	(122,876)
Gross profit		**32,690**	37,498
Other income	*5*	**3,277**	3,430
Other gains and losses		**757**	(2,799)
Selling and distribution expenses		**(19,230)**	(20,421)
Administrative expenses		**(17,406)**	(16,552)
Impairment losses under expected credit loss model, net of reversal		**(444)**	(63)
Other expenses		**(2,569)**	(4,540)
Finance costs		**(654)**	(1,055)
Share of results of associates		**5,885**	6,022
Profit before tax		**2,306**	1,520
Income tax expense	*6*	**(483)**	(1,493)
Profit for the period	*7*	**1,823**	27
Profit (loss) for the period attributable to the owners of the Company		**1,034**	(2,264)
Profit for the period attributable to the non-controlling interests		**789**	2,291
		1,823	27
Earnings (loss) per share	*8*		
Basic *(US$ cents)*		**0.02**	(0.05)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
	(unaudited)	(restated and unaudited)
Profit for the period	**1,823**	27
Other comprehensive expense		
Item that will not be reclassified subsequently to profit or loss		
Fair value loss on investments in equity instruments at fair value through other comprehensive income, net of tax ("**FVTOCI**")	**(129)**	(138)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(8,709)**	(19,892)
Share of other comprehensive expense of associates, net of related income tax	**(2,532)**	(3,647)
	(11,241)	(23,539)
Total comprehensive expense for the period	**(9,547)**	(23,650)
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	**(9,759)**	(25,183)
Non-controlling interests	**212**	1,533
	(9,547)	(23,650)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	NOTES	**30 June 2023** **US$'000** **(unaudited)**	31 December 2022 *US$'000* (restated)	1 January 2022 *US$'000* (restated)
Non-current assets				
Property, plant and equipment		**50,054**	53,045	54,204
Right-of-use assets		**23,954**	25,476	30,570
Investment properties		**1,703**	1,807	1,221
Goodwill		**29,254**	30,351	33,155
Other intangible assets		**42,661**	46,990	53,780
Interests in associates		**122,558**	119,205	93,710
Equity instruments at FVTOCI		**1,880**	2,080	2,319
Financial assets at fair value through profit or loss ("**FVTPL**")		**–**	–	83
Deferred tax assets		**1,310**	1,345	1,575
Deposits		**40,702**	42,646	46,581
		314,076	322,945	317,198
Current assets				
Inventories		**48,455**	64,305	97,878
Trade and bills receivables	*10*	**54,500**	45,853	78,486
Other receivables, deposits and prepayments		**13,351**	12,346	17,815
Tax recoverable		**709**	622	2,177
Financial assets at FVTPL		**4,002**	4,327	6,368
Pledged bank deposits		**23,708**	53,567	13,061
Bank balances and cash		**84,265**	85,057	148,732
		228,990	266,077	364,517
Current liabilities				
Trade and bills payables	*11*	**36,016**	32,792	95,648
Other payables and accruals		**21,475**	24,790	39,886
Contract liabilities		**6,580**	5,601	5,365
Borrowings	*12*	**3,762**	39,034	6,279
Deferred income		**140**	145	158
Lease liabilities		**1,433**	1,547	2,335
Financial liabilities at FVTPL		**168**	1,068	–
Tax liabilities		**1,519**	1,663	2,500
		71,093	106,640	152,171

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 30 JUNE 2023

	NOTES	**30 June 2023** ***US$'000*** **(unaudited)**	31 December 2022 *US$'000* (restated)	1 January 2022 *US$'000* (restated)
Net current assets		**157,897**	159,437	212,346
Total assets less current liabilities		**471,973**	482,382	529,544
Non-current liabilities				
Deferred income		**125**	225	260
Lease liabilities		**2,988**	3,105	4,761
Deferred tax liabilities		**6,999**	7,644	9,364
		10,112	10,974	14,385
NET ASSETS		**461,861**	471,408	515,159
Capital and reserves				
Share capital	*13*	**–***	–*	–*
Reserves		**445,024**	454,492	501,150
Equity attributable to owners of the Company		**445,024**	454,492	501,150
Non-controlling interests		**16,837**	16,916	14,009
TOTAL EQUITY		**461,861**	471,408	515,159

* *Less than US$1,000*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2023 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 functional currency of the Company is United States dollars ("**US$**"), and the condensed consolidated financial statements are presented in US$ and all values are rounded to the nearest thousand except when otherwise indicated.

During the six months ended 30 June 2023, the Group has changed its presentation currency from Renminbi ("**RMB**") to US$ for preparation of its condensed consolidated financial statements for the six months ended 30 June 2023. Having considered that most of the Group's transactions are denominated and settled in US$, the directors of the Company believes that the change of presentation currency will enable the Shareholders and potential investors of the Company to have a more accurate picture of the Group's financial performance.

For the purpose of presenting the condensed consolidated financial statements of the Group in US$, the assets and liabilities for the condensed consolidated statement of financial position are translated into US$ at the closing rate at the end of the reporting period. Income and expenses for the condensed consolidated statement of profit or loss and other comprehensive income are translated at the average exchange rates for the respective financial periods. The share capital, share premium and reserves are translated at the exchange rate at the date of transaction. The comparative information as at 31 December 2022 and 31 December 2021 and comparative information for the six months ended 30 June 2022 has been restated in the condensed consolidated statements.

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 change of presentation currency during the current interim period as explained in note 1, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 International Accounting Standards Board for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, 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/or on the disclosures set out in these condensed consolidated financial statements.

Impacts on application of Amendments to IAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

3. REVENUE

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2023			
	International NVC brand *US$'000* (unaudited)	Domestic non-NVC brand *US$'000* (unaudited)	International non-NVC brand *US$'000* (unaudited)	Total *US$'000* (unaudited)
Sales to external customers	**19,603**	**6,673**	**92,758**	**119,034**
Geographical markets				
United States	–	–	68,035	68,035
Japan	–	–	19,641	19,641
The PRC	–	6,673	–	6,673
Netherlands	–	–	3,210	3,210
United Kingdom	13,915	–	293	14,208
Other countries	5,688	–	1,579	7,267
Total	**19,603**	**6,673**	**92,758**	**119,034**
Timing of revenue recognition				
A point in time	19,603	6,673	92,758	119,034

3. REVENUE (Continued)

Disaggregation of revenue from contracts with customers (Continued)

	For the six months ended 30 June 2022			
	International NVC brand *US$'000* (restated and unaudited)	Domestic non-NVC brand *US$'000* (restated and unaudited)	International non-NVC brand *US$'000* (restated and unaudited)	Total *US$'000* (restated and unaudited)
Sales to external customers	22,724	7,016	130,634	160,374
Geographical markets				
United States	–	–	106,991	106,991
Japan	–	–	16,511	16,511
The PRC	–	7,016	–	7,016
Netherlands	–	–	5,379	5,379
United Kingdom	12,666	–	–	12,666
Other countries	10,058	–	1,753	11,811
Total	22,724	7,016	130,634	160,374
Timing of revenue recognition				
A point in time	22,724	7,016	130,634	160,374

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 2023

	International NVC brand	**Domestic non-NVC brand**	**International non-NVC brand**	**Consolidated**
	US$'000	***US$'000***	***US$'000***	***US$'000***
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Segment revenue:				
Sales to external customers	**19,603**	**6,673**	**92,758**	**119,034**
Segment results	**10,956**	**1,147**	**20,587**	**32,690**
Reconciliation				
Other income				**3,277**
Other gains and losses				**757**
Unallocated expenses				**(39,205)**
Impairment losses under expected credit loss model, net of reversal				**(444)**
Finance costs				**(654)**
Share of results of associates				**5,885**
Profit before tax				**2,306**

4. **OPERATING SEGMENTS (Continued)**

For the six months ended 30 June 2022

	International NVC brand	Domestic non-NVC brand	International non-NVC brand	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(restated and unaudited)	(restated and unaudited)	(restated and unaudited)	(restated and unaudited)
Segment revenue:				
Sales to external customers	22,724	7,016	130,634	160,374
Segment results	7,914	617	28,967	37,498
Reconciliation				
Other income				3,430
Other gains and losses				(2,799)
Unallocated expenses				(41,513)
Impairment losses under expected credit loss model, net of reversal				(63)
Finance costs				(1,055)
Share of results of associates				6,022
Profit before tax				1,520

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	
	2023	2022
	US$'000	*US$'000*
	(unaudited)	(restated and unaudited)
Government grants and other subsidies	**764**	731
Bank interest income	**704**	1,092
Consultancy service income	**567**	549
Trademark licensing fee	**743**	668
Rental income - lease payments that are fixed	**196**	116
Others	**303**	274
	3,277	3,430

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
	(unaudited)	(restated and unaudited)
Current tax:		
Hong Kong Profits Tax	**165**	1,087
PRC Enterprise Income Tax	**322**	706
Other countries	**437**	235
	924	2,028
Overprovision in prior years:		
PRC Enterprise Income Tax	**(206)**	(310)
Other countries	**–**	(54)
	(206)	(364)
Deferred tax	**(235)**	(171)
Total	**483**	1,493

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million 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%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

6. **INCOME TAX EXPENSE (Continued)**

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. and ETi Solid State Lighting (Zhuhai) Limited were recognised as high-tech enterprises by the PRC tax authority and entitled to 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	
	2023	2022
	US$'000	*US$'000*
	(unaudited)	(restated and unaudited)
Amortisation of other intangible assets (included in cost of sales)	**3,757**	4,016
Depreciation		
– Property, plant and equipment	**3,556**	3,588
– Investment properties	**40**	23
– Right-of-use-assets	**1,454**	1,562
Total amortisation and depreciation	**8,807**	9,189
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries	**20,791**	21,952
Pension scheme contributions	**1,616**	2,132
Other welfare expenses	**452**	908
Total staff costs	**22,859**	24,992
Cost of inventories recognised as expense	**86,855**	122,305
Research and development costs (included in "other expenses")	**2,569**	4,540
(Write-back) write-down of inventories	**(511)**	571
Impairment loss under expected credit loss model recognised in respect of		
– Trade receivables	**444**	43
– Other receivables	**–**	20

8. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
	(unaudited)	(restated and unaudited)
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings per share	**1,034**	(2,264)

	2023	2022
	'000	*'000*
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**4,227,281**	4,227,281

No diluted earnings (loss) 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 2023	31 December 2022
	US$'000	*US$'000*
	(unaudited)	(restated)
Trade receivables	**54,524**	46,892
Less: allowance for credit losses	**(2,063)**	(1,663)
	52,461	45,229
Bills receivables	**2,039**	624
	54,500	45,853

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

	30 June 2023	31 December 2022
	US$'000	*US$'000*
	(unaudited)	(restated)
Within 3 months	**41,255**	38,173
4 to 6 months	**10,208**	6,673
7 to 12 months	**696**	184
1 to 2 years	**171**	75
Over 2 years	**131**	124
	52,461	45,229

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

As at 30 June 2023, total bills received amounting to US$2,039,000 (31 December 2022: US$624,000) 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 US$1,041,000 (31 December 2022: US$179,000). 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 US$13,159,000 (31 December 2022: US$8,247,000) 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 2023 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 2022.

During the current interim period, the Group recognised impairment losses of US$444,000 (six months ended 30 June 2022: US$43,000) 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 2023	31 December 2022
	US$'000	*US$'000*
	(unaudited)	(restated)
Within 3 months	**33,839**	28,380
4 to 6 months	**1,098**	3,272
7 to 12 months	**248**	713
1 to 2 years	**655**	242
Over 2 years	**176**	185
	36,016	32,792

12. BORROWINGS

During the six months ended 30 June 2022, the Group obtained new secured bank loans amounting to US$39,254,000. The loans, secured by pledged bank deposits with carrying amount of US$46,563,000, carried interest at fixed rates ranging from 3.15% to 3.60% and were repayable within 1 year. The proceeds were used to finance daily operations. The loans were fully repaid as at 30 June 2023.

13. SHARE CAPITAL

	Number of shares	Amount
	'000	*US$*
Ordinary share of US$0.0000001 each		
Authorised:		
At 1 January 2022 (restated), 30 June 2022 (restated and unaudited), 1 January 2023 (restated) and 30 June 2023 (unaudited)	500,000,000	50,000
Issued and fully paid:		
At 1 January 2022 (restated), 30 June 2022 (restated and unaudited), 1 January 2023 (restated) and 30 June 2023 (unaudited)	4,227,281	423

14. CAPITAL AND OTHER COMMITMENTS

	30 June 2023	31 December 2022
	US$'000	*US$'000*
	(unaudited)	(restated)
Amounts contracted for but not provided in the condensed consolidated financial statements		
– Acquisition of property, plant and equipment	**1,048**	845

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Performance Review

In the first half of 2023, in the face of the global economic slowdown, coupled with the Russian-Ukrainian war, and the inflation index was high, 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 growth was expected to slow to 2.7% in 2023 according to the latest World Economic Outlook published by the International Monetary Fund.

With the continued downturn in the economic environment, the demand in the consumer market has declined as a whole, and the competitive pressure in the terminal market has further increased. It is of particular importance to reduce product costs to enhance the competitiveness of the Group's products. The Group has been adjusting its procurement strategy. It adopted annual price negotiation and price negotiation for large-value orders, monitored the trend of bulk raw materials and its correlation with the pricing of purchased materials, and promoted technological reforms to ensure the reduction of procurement costs.

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 2023. With the brand mission of "To illuminate the world using sustainable, innovative, and beautifully-designed LED lighting solutions" and by focusing on our customers and their environment, we have been actively expanding products in the LED lighting related fields to improve the life quality of consumers, to realise the vision of sustainable development and to build a smarter, more environmental-friendly and more technological living space. During the Period under Review, affected by a number of unfavorable factors such as the weak global economy and still high raw material prices, the Group recorded sales revenue of US$119,034,000, representing a decrease of 25.8% as compared with the Corresponding Period; and gross profit of US$32,690,000, representing a decrease of 12.8% 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

Looking back on the first half of 2023, despite the turmoil in the banking industry in Europe and the United States and the shrinking manufacturing economy, the United States economy still achieved good results. In the first and second quarters, the United States' gross domestic product ("**GDP**") growth was positive quarter-on-quarter and the growth rate further increased. The resilience of the United States economy exceeded market expectations, but the economic environment was still uncertain. In May 2023, the consumer price index (CPI) in the United States was still high at 5.3%. In June 2023, the Federal Reserve suspended the pace of raising interest rates, but the pressure to restart the pace of raising interest rates intensified in the second half of the year. Accordingly, in terms of the retail end, after experiencing strong growth and rising product prices in the past three years, the Group expected a slowdown in the home decoration market in fiscal year 2023. Sales performance in the North American market in the first half of 2023 was broadly in line with expectations. However, the performance of wholesale agents still needed to be further improved, and the progress of engineering projects, especially those of high-priced projects, was slow with stagnant demand.

In the first half of 2023, the Japanese market continued to suffer from high inflation, slowing exports and a sluggish manufacturing index. Rising prices had led to the closure of many Japanese companies, and residents' consumption had also continued to weaken. The high costs brought about by the depreciation of the Japanese Yen suppressed the profit margin of lighting brand owners. In order to ensure their profits, lighting brand owners increased their retail prices. Sales of the retail channel in the first half of the year exceeded the planned target, mainly attributable to the combined effects of various factors. New lighting products were launched in January and March this year, which filled the needs of a competitor who had withdrawn from the lighting market. As for the other competitor, its sales volume had decreased due to mistakes made in its business strategy, and part of its demand had been transferred to the Group's brands.

UK and Nordic Markets

Despite facing significant interest rate rises, high inflation and quite volatile foreign exchange fluctuations, the management team of the Group made their efforts on maintaining stable financial performance of UK and Nordic markets. The UK and Nordic sales teams focused on developing the brand reputation and driving lighting products demand in the UK and Nordic markets. Also, it drived the product mix to the more added value and higher margin channels. With integration and centralization of Nordic operations, the profitability was improved 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 improved the gross profit margin for UK and Nordic market.

Other Overseas Markets

The Southeast Asian market is mainly composed of three parts, namely the overseas market, the local market in Singapore and the local market in Vietnam. The overseas market mainly includes countries such as Pakistan, Sri Lanka, Uruguay and Mongolia. During the Period under Review, the Group's development in the overseas market in the first half of the year was affected by the local economic and political environment in different ways. Pakistan declared the state bankruptcy in February 2023, and its import restrictions directly led to restricted imports of lighting products. Sri Lanka was in an economic crisis and was in the process of national reforms. Local infrastructure projects began to increase, and the local governments encouraged export business. With steady economic growth, the local governments in Uruguay augmented investments in infrastructure projects in order to attract foreign investment. Mongolia's economy was growing steadily, and the local governments had invested heavily in infrastructure and the recyclable and green economy. The lighting business in Uruguay and Mongolia was boosted by positive factors in the general environment. Singapore saw an overall slow economic growth, while Vietnam's economy was still in a slow recovery phase. These factors directly affected local lighting projects, especially commercial lighting projects. However, the Group's management is constantly adjusting strategies. In the first half of the year, the business model was transformed to focusing on participating in engineering projects, and the gross profit margin increased accordingly. The Group's customers are mainly project distributors, while expanding to include project contractors, designers, consultants and end owners.

Affected by the global economic recession and the conflicts between Russia and Ukraine, the enthusiasm for investment in various economies has slowed down, and the consumption sentiment in the civilian market has become increasingly conservative. Considering such changes in the market, the Group's development in Middle East and North Africa will focus on national infrastructure construction and the expansion of "One Belt, One Road" projects, and will strengthen cooperation with Chinese-funded construction companies. In the first half of 2023, the Group made substantial adjustments in brand building and product strategy. In March 2023, it held a distributor conference in Dubai for the distributors in Middle East and Africa with the theme of "Change". At the conference, the product portfolio, optimized promotional websites, brand positioning, management structure and other adjustments were introduced. Specifically, it covered the introduction of mature product series, the establishment of separate promotional websites for Middle East and Africa, the reshaping of the NVC brand and the avoidance of homogeneous low-price competition.

Brand Image Building and New Product Research and Development

The Group promotes its brand based on values such as "Customer Obsession", "Radical Candor", "Practical Innovation" and "Diversity and Inclusion". We are committed to illuminating the world using sustainable, innovative, and beautifully-designed LED lighting solutions, so as to be a champion of sustainable lighting for the world. In the first half of 2023, 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 itself from multiple aspects and channels to create a richer and more vivid 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 created an Indoor Air Quality ("**IAQ**") brand through D&H, a century-old high-quality luxury lighting brand in the UK. The global branding team continues to be prudent with its budget given the economic uncertainties in the global construction materials markets.

The Group's strategy is to illuminate the world with an unmatched portfolio of LED lighting solutions. We accomplish this through a vertically integrated global supply chain, deep partnership with our global network of independent distributors and a diverse portfolio of brands, applications, and products in the lighting and electricals sectors. The Group attaches great importance to the research and development of innovative technologies. In the first half of 2023, the Group successfully developed a number of non-lighting products, including air ion generators, air purifier with PM2.5 sensor and air purifier with hand dryer. The new products can enhance the user experience by placing emphasis on the changes in the user environment and identifying the actual and potential needs of users.

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 have been successfully launched. The Group will further capitalise on the brand reputation of D&H, a century-old high-quality luxury lighting manufacturer in the UK, to launch more 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 future. 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.

North American and Japanese Markets

Looking forward to the second half of the year, various uncertain factors would emerge and superimpose onto each other, for example, the U.S. dollar would see continuous increases in value, sea freight would fall as a whole but rise occasionally, some key raw materials would increase in price but the market price of finished products would return to a rational level and retail prices would drop significantly.

The second half of 2023 is a key time period for the launch of new projects in retail channels and commercial channels in the United States. In the commercial channel, we did pre-sales and channel promotion of key new products in the first half of the year, which shortened the time for lifting sales of new products to go to market, and we hope that sales will increase significantly in the second half of the year. We also strengthened agent management by removing all agents who failed to meet sales targets and introducing new high-performing agents. Since last year, we have been focusing on cleaning up long-aged inventory, and achieved good results through the sales of multiple products combination via online channels. In the second half of the year, our focus will be to rely on online sales channels to carry out inventory clearance actions for sluggish products, especially those that have been provisioned. In terms of the contractor wholesale channel and maintenance and operation channel, in the second half of the year, we will formulate a series of product training plans for agents and sales teams to promote our brand products. We have started the packaging design and retail marketing plan for the ETI brand in the retail channel. We plan to rely on the ETI brand to enter several retail giants in North America, increase the visibility of the ETI brand, establish its recognition and brand awareness, and will use the influence of ETI in the retail market to lift the sales of the ETI brand in the commercial channel.

In the second half of 2023, the overall price increase may lead to a decline in market demand, and weakening spending power of end consumers. It is predicted that the sales performance in the second half of the year would be worse than that in the first half of the year. We are not optimistic about the trend in the lighting market. The trend of electricity costs and crude oil had led to an increase in domestic material costs in Japan, and the shortage of truck drivers increased logistics-related costs in Japan, as well as foreign exchange changes and other factors, all of which have affected costs. Competitors are launching a price war, but the Group has no plans to engage in pricing competition. The sales strategy in the Japanese market continues to focus on technological innovation, quality-first and profit-orientation.

UK and Nordic Markets

The management of the Group anticipates the sale performance will be improved in second half of the year due to the launch of new sales strategies and the emergence of new project opportunities. Also, the gross profit margin is expected to be improved due to decreased inbound and production costs in second half of the year. The Group will continue to improve 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 sales 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.

Other Overseas Markets

In the second half of the year, for the overseas markets, the Group will focus on promoting the conversion rate of project reserves. The Group has a large reserve of overseas market projects and needs to improve the conversion rate. In addition, we will filter these projects and focus on key projects to ensure successful bids. We will also focus on projects with a high input-to-output ratio, and invest limited resources in projects with the large output. In terms of channel expansion, in addition to existing project distributors, we will expand, develop and cultivate key customer groups in project channels, such as contractors, lighting designers, lighting consultants and home owners. We will also seek to identify suitable project distributors to develop key untapped markets in Southeast Asia. For the Singapore market, the Group will focus on contractors and project distributors to promote the development of project business. Among them, the project business taken over via contractors accounted for the majority of the business volume, followed by the project business taken over via project distributors. The Group will expand its project reserves through target customer groups. We will also explore other distribution channels through lighting stores to earn some quick sales revenue. For the Vietnamese market, the Group will focus on developing customers and partners who use lighting design companies for the project process integration. These lighting design companies have small projects and distribution channels that can guarantee some short-term sales revenue. At the same time, the Group will continue to promote the development of project business through contractors and project distributors, and will develop and cultivate relevant customer groups for other key project pipelines, such as consultants, home owners and lighting design companies. The focus in the future will be to promote the conversion rate of key projects.

In the second half of the year, the Group will complete product strategy adjustments in the Middle East and North Africa markets, and will act as a provider of complete solutions to help customers solve lighting, project design, installation guidance, intelligent control and other related issues. In terms of branding, we will return to the NVC Lighting brand and introduce the product lines of NVC UK to focus on the mid-to-high-end consumer market and large-scale engineering projects. The Group will focus on the development of cooperation with Chinese-funded construction enterprises and closely follow China's "One Belt, One Road" development strategy. The Group will also consider localised assembly to avoid high tariffs, so as to enhance the competitiveness of NVC products in the Middle East and North Africa markets.

Brand Building, Product Development and Internal Management

The Group successfully gained widespread recognition through various brand promotion campaigns in the first half of 2023. 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 other non-lighting brands. We will accurately satisfy consumer demands and enhance customer experience by taking advantage of excellent product design capability and the capability of building intelligent product ecosystem.

The Group is refreshing the corporate and regional websites, which will have a phased rollout starting in the third quarter of 2023. Meanwhile, we are exploring ways to leverage generative AI to enhance our performance marketing engine, namely in the automatic generation of high-quality copywriting for various social media posts. The Group plans to host various internal and external industry trade shows and conferences in order to further boost its brand equity in the global lighting industry.

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 utilisation and strives to achieve the goal of carbon neutrality. In addition, the Group propels the application of green lighting in order to continuously expand the application of clean energy in lighting systems and to endorse green and low-carbon policies.

In terms of supply chain, supplier management will be the focus of the Group. In terms of procurement, the Group will manage suppliers with comprehensive goals in cost, quality and delivery, and gradually control costs through market information research, comprehensive cost assessment, promotion of localised procurement in Vietnam and mature cost-reduction methods. It will also shorten the procurement cycle and reduce raw material inventory. The Group will increase the quality qualification rate of suppliers and reduce the cost waste caused by suppliers' quality problems. The on-time delivery rate of suppliers will be improved to ensure timely shipment of orders, thereby improving the Group's business performance. In addition, the Group will continue to promote the digitalisation and informatisation construction throughout the Group. In 2023, the Group is devoted to promoting the Enterprise Resource Planning (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 US$119,034,000, representing a decrease of 25.8% 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		
	2023	2022	**Growth rate**
	US$'000	*US$'000*	
Sales revenue from the PRC			
Non-NVC brands	**6,673**	7,016	**(4.9%)**
Sales revenue from international markets			
NVC brand	**19,603**	22,724	**(13.7%)**
Non-NVC brands	**92,758**	130,634	**(29.0%)**
Subtotal	**112,361**	153,358	**(26.7%)**
Total	**119,034**	160,374	**(25.8%)**

During the Period under Review, sales revenue from the PRC decreased by 4.9%, due to increasingly fierce competition from other competitors. During the Period under Review, international sales decreased by 26.7%, 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 25.8% 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, glass tubes, electronics components and LED packaged chips. Outsourced manufacturing costs primarily include the cost of purchased semi-finished products used in the production of our products and finished products produced by other manufacturers. Indirect costs primarily include water, electricity, depreciation and amortisation and others. The table below sets forth the composition of our cost of sales:

	Six months ended 30 June			
	2023		2022	
	US$'000	***Percentage in revenue (%)***	*US$'000*	*Percentage in revenue (%)*
Raw materials (including outsourced manufacturing costs)	**67,606**	**56.8%**	99,323	61.9%
Labor costs	**8,819**	**7.4%**	10,143	6.3%
Indirect costs	**9,919**	**8.3%**	13,410	8.4%
Total cost of sales	**86,344**	**72.5%**	122,876	76.6%

During the Period under Review, the cost of sales as a percentage in revenue decreased from 76.6% to 72.5%, while the gross profit margin increased from 23.4% to 27.5%, mainly because the commodities prices and shipping cost have become normalised.

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 US$32,690,000, representing a decrease of 12.8% as compared with the Corresponding Period, and gross profit margin of sales increased from 23.4% to 27.5%. 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			
	2023		2022	
	US$'000	***(%)***	*US$'000*	*(%)*
Gross profit from the PRC sales:				
Non-NVC brands	**1,147**	**17.2%**	617	8.8%
Gross profit from international sales:				
NVC brand	**10,956**	**55.9%**	7,914	34.8%
Non-NVC brands	**20,587**	**22.2%**	28,967	22.2%
Subtotal	**31,543**	**28.1%**	36,881	24.0%
Total	**32,690**	**27.5%**	37,498	23.4%

The prices of commodities and freight costs have gradually decreased since the second half of 2022, and therefore the production cost of the Group during the Period under Review decreased as compared with the Corresponding Period. The overall gross profit margin of the Group during the Period under Review increased from 23.4% to 27.5% 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 slightly by 4.5% as compared with the Corresponding Period, which was mainly due to decrease of bank interest income.

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 US$19,230,000, representing a decrease of 5.8% as compared with Corresponding Period. Our selling and distribution costs as a percentage in revenue increased from 12.7% to 16.2% during the Period under Review, which is mainly resulted from increase of market research fee.

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 US$17,406,000, representing a increase of 5.2% as compared with the administrative expenses of the Corresponding Period, which was mainly due to the return to normal business activities after COVID-19. Our administrative expenses as a percentage in revenue increased from 10.3% to 14.6% during the Period under Review.

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 US$483,000 as compared with the Corresponding Period. It was mainly due to the combined effect of the decrease in the current income tax provision from Hong Kong profits tax and PRC enterprise income tax, and the increase in the current income tax provision from other countries including Vietnam, 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 US$1,823,000 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 US$1,034,000 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 US$789,000.

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	
	2023	2022
	US$'000	*US$'000*
Net cash flows generated from (used in) operating activities	**9,897**	(23,773)
Net cash flows generated from (used in) investing activities	**27,715**	(77,661)
Net cash flows (used in) generated from financing activities	**(37,924)**	36,469
Net decrease in cash and cash equivalents	**(312)**	(64,965)
Cash and cash equivalents at beginning of period	**85,057**	148,732
Effect of foreign exchange rate changes, net	**(480)**	793
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and cash flows	**84,265**	84,560

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 2023	31 December 2022
	US$'000	*US$'000*
	(unaudited)	(restated)
CURRENT ASSETS		
Inventories	**48,455**	64,305
Trade and bills receivables	**54,500**	45,853
Other receivables, deposits and prepayments	**13,351**	12,346
Tax recoverable	**709**	622
Financial assets at FVTPL	**4,002**	4,327
Pledged bank deposits	**23,708**	53,567
Bank balances and cash	**84,265**	85,057
Subtotal current assets	**228,990**	266,077
CURRENT LIABILITIES		
Trade and bills payables	**36,016**	32,792
Other payables and accruals	**21,475**	24,790
Contract liabilities	**6,580**	5,601
Borrowings	**3,762**	39,034
Deferred income	**140**	145
Lease liabilities	**1,433**	1,547
Financial liabilities at FVTPL	**168**	1,068
Tax liabilities	**1,519**	1,663
Subtotal current liabilities	**71,093**	106,640
NET CURRENT ASSETS	**157,897**	159,437

As at 30 June 2023 and 31 December 2022, the total net current assets of the Group amounted to US$157,897,000 and US$159,437,000, respectively, and the current ratio was 3.2 and 2.5, 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 2023	31 December 2022
	US$'000	*US$'000*
Borrowings	**3,762**	39,034
Total debt	**3,762**	39,034
Less: cash and cash equivalents	**84,265**	85,057
Net debt	**NA**	NA
Total equity attributable to owners of the Company	**445,024**	454,492
Gearing ratio	**NA**	NA

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 borrowings less cash and cash equivalents.

CAPITAL EXPENDITURE

We funded our capital expenditure with cash generated from operations and bank loans. Our capital expenditure is primarily related to expenditure on property, plant and equipment and other intangible assets. During the Period under Review, the Group's capital expenditure amounted to US$3,113,000, mainly attributable to the increase in cost of machinery equipment, furniture and fixtures and other intangible assets.

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 2023, the capital commitments in respect of purchase of property, plant and equipment was US$1,048,000 (31 December 2022: US$845,000).

CONTINGENT LIABILITY

In 2022, a subsidiary of the Group was involved in a legal dispute concerning patent infringement, arising in the normal course of business. At the end of the Period under Review and up to the date on which these condensed financial statements are authorised for issue, the Directors are of the opinion, taking into account the advice from the Group's external legal counsel, that this legal dispute is still in a preliminary stage and the expected outcome is uncertain. Therefore it is not practicable for the Directors to estimate reliably the amount of the obligation that may arise from this dispute, and the timing and any potential impact on the Group.

CONTINUING CONNECTED TRANSACTIONS

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

MERGERS, ACQUISITIONS, INVESTMENTS AND DISPOSALS AND SIGNIFICANT INVESTMENTS HELD

The Group made no material acquisition, merger, investment or disposal of subsidiaries, associates and joint ventures and there were no significant investments held during the Period under Review.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group had not authorised any plans for any other material investments or additions of capital assets as at 30 June 2023.

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 2023	31 December 2022
	US$'000	*US$'000*
Trade receivables	**13,159**	8,247
Pledged bank deposits	**23,708**	53,567
	36,867	61,814

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 2023, we entered into a number of one-year insurance contracts with China Export & Credit Insurance Corporation, which covered 90% uncollectible receivables from international sales during the period from 1 July 2023 to 30 June 2024 with a maximum compensation amount of US$20,000,000 (equivalent to approximately RMB144,516,000). 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

The Subscription Agreement

On 9 July 2023, the Company and Canopy Capital Limited (the "**Subscriber**") entered into a subscription agreement (the "**Subscription Agreement**") pursuant to which the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, 845,456,130 new Shares (the "**Subscription Shares**") at the subscription price of HK$0.083 per Subscription Share for a total consideration of HK$70,172,858.79 (the "**Share Subscription**"). The Subscription Shares represent (i) approximately 20.0% of the total number of issued Shares as at the date of the Subscription Agreement; and (ii) approximately 16.7% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares. All the conditions under the Subscription Agreement have been fulfilled and completion of the Share Subscription took place on 25 August 2023.

As at the date of this announcement, the Subscriber is a wholly-owned subsidiary of Mr. WANG Keven Dun, an executive Director and a vice president of the Company, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Share Subscription constituted a connected transaction of the Company. The Share Subscription and the specific mandate for the allotment and issue of the Subscription Shares were approved by the independent shareholders at the extraordinary general meeting of the Company held on 21 August 2023. For further details of the Share Subscription, please refer to the announcement and the circular of the Company dated 9 July 2023 and 4 August 2023, respectively.

Save as disclosed above, no important events affecting the Company occurred since 30 June 2023 and up to the date of this announcement.

The Change of Presentation Currency

As disclosed in note 1 to the condensed consolidated financial statement and the announcement of the Company dated 18 August 2023, the Group has adopted USD as the presentation currency for its condensed financial statements, as the Board believes that the change will enable the Shareholders and potential investors of the Company to have a more accurate picture of the Group's financial performance, and it is more appropriate to adopt USD as the presentation currency for the condensed financial statements of the Group, having considered that most of the Group's transactions are denominated and settled in USD.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

EMPLOYEES

As at 30 June 2023, the Group had approximately 2,123 employees in total (31 December 2022: 2,246). The Group regularly reviews remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contributions, employee provident fund schemes, discretionary incentive and restricted share unit scheme. The Group regards training management as a part of its daily operations, and continuously improves its internal staff training system to better help staff to improve their professional skills. According to the work and training needs of each department, we formulate scientific and reasonable employee training and development plans. In terms of training forms, we combine classroom lectures with practical operations to encourage employees to apply what they have learned. After the training, the Group also conducts an effectiveness assessment to understand the learning outcomes of employees. If the assessment result is not satisfactory, we will improve the training method or reorganise the training according to the situation.

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. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Period under Review.

AUDIT COMMITTEE

The Company established an Audit Committee in compliance with the Listing Rules with written terms of reference. The primary duties of the Audit Committee include maintaining relationship with the auditor of the Group, reviewing financial information of the Group, supervising the financial reporting system, risk management and internal control 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 four executive Directors and one independent non-executive Director as members, namely, Mr. WANG Donglei, Ms. CHAN Kim Yung, Eva, Mr. XIAO Yu, Mr. WANG Keven Dun 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 2023 and up to the date of this announcement, the changes of Directors and changes in their information are as follows:

Mr. LEE Kong Wai, Conway resigned as an independent non-executive director of Yashili International Holdings Ltd (withdrawn listing from the Stock Exchange on 5 July 2023) with effect from 5 July 2023.

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 2023 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.

"Audit Committee"	the audit committee of the Company.
"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 2022.
"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 2023.
"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.
"Shareholder(s)"	holder(s) of Share(s).
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.
"Subsidiary"	has the meaning ascribed thereto under the Listing Rules.
"UK"	the United Kingdom of Great Britain and Northern Ireland.
"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, 29 August 2023

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
WANG Keven Dun

Non-executive Director:
YE Yong

Independent Non-executive Directors:
LEE Kong Wai, Conway
WANG Xuexian
CHEN Hong