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INTERNATIONAL

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 2024

HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2024:

- The Group's revenue amounted to US$118,510,000, representing a decrease of 0.4% as compared with Corresponding Period.
- The Group's gross profit amounted to US$37,107,000, representing an increase of 13.5% as compared with Corresponding Period.
- The Group's profit before income tax amounted to US$10,329,000, with the profit before income tax amounted to US$2,306,000 in the Corresponding Period.
- Profit for the period attributable to owners of the Company amounted to US$7,660,000, with the profit for the period attributable to owners of the Company amounted to US$1,034,000 in the Corresponding Period.
- Basic earnings per share attributable to owners of the Company amounted to US$1.51 cents (basic earnings per share attributable to owners of the Company in the Corresponding Period: US$0.24 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 2024

		Six months ended 30 June	
		2024	2023
	NOTES	***US$'000***	*US$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**118,510**	119,034
Cost of sales		**(81,403)**	(86,344)
Gross profit		**37,107**	32,690
Other income	*5*	**3,536**	3,277
Other gains and losses		**(624)**	757
Selling and distribution expenses		**(15,717)**	(19,230)
Administrative expenses		**(14,872)**	(17,406)
Impairment losses under expected credit loss model, net of reversal		**(812)**	(444)
Other expenses		**(2,254)**	(2,569)
Finance costs		**(385)**	(654)
Share of results of associates		**4,350**	5,885
Profit before tax		**10,329**	2,306
Income tax expense	*6*	**(1,475)**	(483)
Profit for the period	*7*	**8,854**	1,823
Profit for the period attributable to:			
Owners of the Company		**7,660**	1,034
Non-controlling interests		**1,194**	789
		8,854	1,823
Earnings per share	*8*		
Basic *(US$ cents)*		**1.51**	0.24

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024	2023
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Profit for the period	**8,854**	1,823
Other comprehensive income (expense)		
Item that will not be reclassified subsequently to profit or loss		
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income, net of tax ("**FVTOCI**")	**98**	(129)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**327**	(8,709)
Share of other comprehensive expense of associates, net of related income tax	**(628)**	(2,532)
	(301)	(11,241)
Total comprehensive income (expense) for the period	**8,651**	(9,547)
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	**7,869**	(9,759)
Non-controlling interests	**782**	212
	8,651	(9,547)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	NOTES	**30 June 2024 US$'000 (unaudited)**	31 December 2023 *US$'000* (audited)
Non-current assets			
Property, plant and equipment		**48,607**	50,195
Right-of-use assets		**23,224**	24,627
Investment properties		**1,531**	1,540
Goodwill		**30,448**	29,845
Other intangible assets		**41,188**	42,481
Interests in associates		**159,318**	156,478
Equity instruments at FVTOCI		**2,005**	1,919
Deferred tax assets		**1,506**	1,518
Deposits		**41,262**	41,993
		349,089	350,596
Current assets			
Inventories		**41,307**	45,236
Trade and bills receivables	*10*	**53,456**	49,464
Other receivables, deposits and prepayments		**14,723**	13,437
Financial assets at fair value through profit or loss ("FVTPL")		**3,000**	3,939
Fixed deposits with maturity of more than three months		**–**	21,158
Cash and cash equivalents		**118,817**	108,273
		231,303	241,507
Current liabilities			
Trade and bills payables	*11*	**36,401**	39,445
Other payables and accruals		**23,909**	29,501
Contract liabilities		**1,409**	5,516
Borrowings	*12*	**5,750**	1,699
Deferred income		**142**	142
Lease liabilities		**1,611**	1,793
Tax liabilities		**1,550**	1,082
		70,772	79,178
Net current assets		**160,531**	162,329
Total assets less current liabilities		**509,620**	512,925

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 30 JUNE 2024

	NOTE	**30 June 2024 US$'000 (unaudited)**	31 December 2023 US$'000 (audited)
Non-current liabilities			
Deferred income		**127**	221
Lease liabilities		**2,700**	3,438
Deferred tax liabilities		**6,464**	6,665
Contingent consideration payable		**1,139**	–
		10,430	10,324
NET ASSETS		**499,190**	502,601
Capital and reserves			
Share capital	*13*	**1**	1
Reserves		**489,504**	483,770
Equity attributable to owners of the Company		**489,505**	483,771
Non-controlling interests		**9,685**	18,830
TOTAL EQUITY		**499,190**	502,601

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 2024 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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRS Standards**") and certain accounting policies which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

Application of amendments to 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 Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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.

Accounting policies newly applied by the Group

The Group has applied the following accounting policies which became relevant to the Group in the current interim period.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Basis of consolidation

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the consideration transferred by the Group in acquiring non-controlling interests without losing control over the subsidiaries includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in the transaction. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2024			
	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	**16,812**	**5,063**	**96,635**	**118,510**
Geographical markets				
United States	–	–	77,532	77,532
Japan	4	–	15,557	15,561
The PRC	–	5,063	–	5,063
Netherlands	–	–	1,061	1,061
United Kingdom	9,774	–	444	10,218
Other countries	7,034	–	2,041	9,075
Total	**16,812**	**5,063**	**96,635**	**118,510**
Timing of revenue recognition				
A point in time	16,812	5,063	96,635	118,510

3. REVENUE (Continued)

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

	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

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 2024

	International NVC brand *US$'000* **(unaudited)**	**Domestic non-NVC brand** *US$'000* **(unaudited)**	**International non-NVC brand** *US$'000* **(unaudited)**	**Consolidated** *US$'000* **(unaudited)**
Segment revenue:				
Sales to external customers	**16,812**	**5,063**	**96,635**	**118,510**
Segment results	**7,093**	**948**	**29,066**	**37,107**
Reconciliation				
Other income				**3,536**
Other gains and losses				**(624)**
Unallocated expenses				**(32,843)**
Impairment losses under expected credit loss model, net of reversal				**(812)**
Finance costs				**(385)**
Share of results of associates				**4,350**
Profit before tax				**10,329**

4. OPERATING SEGMENTS (Continued)

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$'000* (unaudited)	Consolidated *US$'000* (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

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	
	2024	2023
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Government grants and other subsidies	**36**	764
Bank interest income	**1,247**	704
Consultancy service income	**534**	567
Trademark licensing fee	**787**	743
Rental income – lease payments that are fixed	**194**	196
Surcharges from suppliers	**275**	–
Others	**463**	303
	3,536	3,277

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	**273**	165
PRC Enterprise Income Tax	**276**	322
Other countries	**1,116**	437
	1,665	924
Overprovision in prior years:		
PRC Enterprise Income Tax	**–**	(206)
Deferred tax	**(190)**	(235)
Total	**1,475**	483

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%.

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 presented.

6. INCOME TAX EXPENSE (Continued)

Shanghai Arcata Electronics Co., Ltd., ETi Solid State Lighting (Zhuhai) Limited and Zhejiang NVC Lamps Co., Ltd. were 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.

The Group is operating in certain jurisdictions where the Pillar Two Rules is enacted but not effective. However, as the Group's consolidated annual revenue is expected to be less than EUR 750,000,000, the management of the Group considered the Group is not liable to top-up tax under the Pillar Two Rules and therefore, has not made relevant disclosures of qualitative and quantitative information about the Group's exposure to the Pillar Two income taxes.

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2024	2023
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Amortisation of other intangible assets (included in cost of sales)	**2,546**	3,757
Depreciation		
– Property, plant and equipment	**2,451**	3,556
– Investment properties	**222**	40
– Right-of-use-assets	**1,144**	1,454
Total amortisation and depreciation	**6,363**	8,807
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries	**16,761**	20,791
Pension scheme contributions	**1,700**	1,616
Other welfare expenses	**566**	452
Total staff costs	**19,027**	22,859
Cost of inventories recognised as expense	**81,984**	86,855
Research and development costs (included in "other expenses")	**2,254**	2,569
Write-back of inventories	**(581)**	(511)
Impairment losses under expected credit loss model, net of reversal	**812**	444

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**7,660**	1,034

	2024	2023
	'000	*'000*
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose basic earnings per share	**507,274**	422,728

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

The weighted average number of ordinary shares of 422,728,000 in issue during the six months ended 30 June 2023 has been adjusted to reflect the effect of the share consolidation as disclosed in Note 13 on the assumption that the share consolidation had been effective in the prior year.

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 2024	31 December 2023
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade receivables	**55,680**	50,787
Less: allowance for credit losses	**(2,393)**	(1,569)
	53,287	49,218
Bills receivables	**169**	246
	53,456	49,464

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

	30 June 2024	31 December 2023
	US$'000	*US$'000*
	(unaudited)	(audited)
Within 3 months	**49,590**	42,658
4 to 6 months	**2,737**	5,501
7 to 12 month	**785**	435
1 to 2 years	**37**	134
Over 2 years	**138**	490
	53,287	49,218

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

As at 30 June 2024, total bills received amounting to US$169,000 (unaudited) (31 December 2023: US$246,000) 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.

10. TRADE AND BILLS RECEIVABLES (Continued)

Other than bills receivables, carrying amount of trade receivables amounted to US$8,793,000 (unaudited) (31 December 2023: US$7,591,000) 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 2024 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 2023.

During the current interim period, the Group recognised impairment losses of US$812,000 (unaudited) (six months ended 30 June 2023: US$444,000 (unaudited)) under expected credit loss model.

11. TRADE PAYABLES

The followings is an aged analysis of trade payables not under supplier finance arrangement presented based on the transaction date.

	30 June 2024	31 December 2023
	US$'000	*US$'000*
	(unaudited)	(audited)
Within 3 months	**31,806**	34,616
4 to 6 months	**1,381**	776
7 to 12 months	**180**	200
1 to 2 year	**212**	562
Over 2 years	**700**	209
	34,279	36,363

12. BORROWINGS

During the current interim period ended 30 June 2024, the Group obtained new secured bank loans amounting to US$5,750,000 (unaudited). The loans carried interest at variable rates ranging base +1.90%* and are repayable within one year. The proceeds were used to finance daily operations.

* "Base" refers to the Bank of England base rate

13. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2024	31 December 2023	**30 June 2024**	31 December 2023
	'000	*'000*	***US$***	*US$*
	(unaudited)	(audited)	**(unaudited)**	(audited)
Ordinary share of US$0.0000001 each				
Authorised:				
At beginning year	**50,000,000**	500,000,000	**46,977**	46,977
Decrease on 27 October 2023	**–**	(450,000,000)	**–**	–
At end of period/year	**50,000,000**	50,000,000	**46,977**	46,977
Issued and fully paid				
At beginning of year	**507,274**	4,227,281	**1,268**	423
Issue of shares (note a)	**–**	845,456	**–**	845
Share consolidation (note b)	**–**	(4,565,463)	**–**	–
At end of period/year	**507,274**	507,274	**1,268**	1,268

Notes:

a) On 9 July 2023, 845,456,130 shares of the Company were issued at the total subscription price of US$8,944,985.

b) On 27 October 2023, every ten issued shares of the Company were consolidated into one consolidated share and the number of consolidated shares was rounded down to the nearest whole number by disregarding each and every fractional consolidated share which would otherwise arise.

14. CAPITAL AND OTHER COMMITMENTS

	30 June 2024	31 December 2023
	US$'000	*US$'000*
	(unaudited)	(audited)
Amounts contracted for but not provided in the condensed consolidated financial statements		
– Acquisition of property, plant and equipment	**389**	971

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Performance Review

In the first half of 2024, in the face of the global economic slowdown, coupled with the Russian-Ukrainian war and sustained high-interest rate environment, the market economy environment was constantly changing, all the industries were facing major challenges in their operation and markets were starting to worry about an ongoing economic recession. 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 record a stable-but-slow 3.2% in 2024 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 adjusted its procurement strategy to ensure the reduction of procurement costs through measures such as supplier placement and selection, bidding, annual price negotiation, price negotiation for large-value orders and establishment of pricing models. In addition, we were advancing the progress of localized procurement in Vietnam and strengthening the self-made capabilities of factories in Vietnam, such as the construction of front-end workshops and improving the self-made rate, to reduce logistics transportation, transhipment and packaging costs and promote technological reforms and thus achieve all-round cost reduction.

During the Period under Review, the international lighting business remained the core business of the Group, which contributed the majority of the Group's revenue. Despite the difficult economic environment, in order to maintain the healthy development of its business, the Group has implemented a number of reforms, including developing new product designs, launching new products and evaluating the Group's procurement strategies, so as to help enhance the competitiveness of the Group's products in terms of pricing and functionality.

Selling and Distribution

The Group has established sales networks and channels in major countries and regions including North America, Europe, Australia, East Asia, the Middle East and Southeast Asia and the PRC leveraging its extensive marketing experience and superior globe-based operation team.

North American and Japanese Markets

In early 2024, as stronger-than-expected inflation continued to delay the interest rate cuts by the Federal Reserve, the Federal Reserve kept interest rates at the highest level in more than 20 years. The average interest rate on 30-year mortgages in the United States is still hovering at 7% this year, causing another depression in the spring home-buying season this year. Coupled with the insufficient supply resulting in the high housing prices, the recovery of the United States housing market has been even more hampered.

Subsequently, the United States job market demonstrated significant weakness month by month while the United States stock index showed a clear downward trend, and the United States short-term Treasury yields declined. As Consumer Price Index has slowed more than expected and inflation has been declining for three consecutive months, the Federal Reserve was basically ready to cut interest rates.

Affected by the pressure from the economic downturn, major home-building materials chain stores begun to gradually lower the retail prices of their products, returning the retail prices that increased during the COVID-19 pandemic to normal levels before the pandemic. As retail prices returned to normal, sales of the ceiling lamp series increased, especially sales of basic functional products have grown rapidly. At the same time, the sales of other product lines such as downlights and ceiling-mounted bracket lights have declined, and the overall sales volume of terminals is still suffering a decline.

In terms of retail channels, new customers and new projects at the end of 2023 contributed to a certain degree of revenue in the first half of 2024, and are expected to continue to grow in the second half of the year. In the first half of 2024, we also secured new projects from a large North American retailer, which will become a sales growth point in 2025. The sales performance of the commercial channels was not satisfactory, such as the slow progress of engineering projects, especially projects with high-priced products.

In the first half of 2024, the exchange rate of the US dollar against the Japanese yen continued to strengthen. As prices rose due to the depreciation of the Japanese yen, coupled with slow salary growth, Japanese people became more frugal in the face of high prices, which has made it difficult for domestic demand to improve. Japan recorded merely a 0.9% GDP-growth in the first half of 2024.

Due to the spread of price increases, the overall demand for lighting products at the retail end shrunk compared to the same period of last year. Coupled with the market recession last year, the lighting-related market has become increasingly grim. According to the 2024 market statistics from the Japan Industrial Association, the domestic demand for LED lighting products in Japan in 2024 will only be 90% of that in 2023, and the market will shrink relatively.

Total sales in the Japanese market in the first half of 2024 fell compared with the first half of 2023, mainly due to the depreciation of the Japanese yen and reduced demand.

Sales in the lighting retail channel fell in the first half of 2024 compared with the same period in the first half of 2023. In order to enhance sales performance, a series of new products in lighting retail channels and lighting commercial channels were launched in February, April and June 2024 respectively.

While maintaining existing business, the Japanese sales team has also been developing new customers and has achieved breakthroughs. Sales performance is expected to be improved in the second half of the year.

UK and Nordic Markets

The UK and European markets in the first half of 2024 continued to be impacted by significant increases in interest rates in 2023. This caused a slow-down in consumer demand, and in particular, impacted the residential property markets. Contractor liquidations continue to be evident and the wholesale channel is protecting its position by proactively managing its credit risk to a greater degree than normal, destocking, and reducing headcount.

The economic indicators for the second half of 2024 largely reflect what has been seen in the first half of 2024. Container and insurance business grew significantly compared to the same period in 2023, and this is counterbalancing much of the reduction in “factory gate” pricing we are seeing in China.

Weaker overall demand, in spite of shipping and insurance cost inflation, and fixed cost inflation due to generally high wage inflation, is starting to drive down market pricing. To mitigate this pressure, it is essential that we continue to focus our sales and marketing efforts, not just on the wholesale channel buyers, but also on the contractor/project markets; refresh the product lines and innovate wherever we can.

NVC UK has acquired the remaining ownership of a subsidiary in Sweden. The acquisition of the 100% ownership has facilitated the consolidation of the Nordic entities, which will lower costs, increase stock efficiency, and simplify the financial reporting/structure. With integration and centralization of Nordic operations, the profitability was improved by cost synergy in Nordic market.

NVC UK retains its commitment to managing processes using ISO standards, and along with the ISO 9001/14001/45001 in place at the end of 2022 in the UK and Nordics, we added ISO 22301 (Business Continuity), and ISO 50001 (Energy Management) to our operating standards in 2023. The lighting test facility was also certified by the UK Lighting Industry Association. From a sustainability perspective we are now certified as "Gold" by Ecovadis.

Other Overseas Markets

The dual-channel business strategy formulated at the beginning of the year, focusing on project channels and supplemented by distribution channels, achieved obvious results in the first half of 2024. Project channels had expanded in outdoor landscape lighting, industrial lighting, commercial lighting and public lighting, while distribution channels, mainly supermarkets and household channels, had also seen great growth. First of all, the project channels performed strongly in the Vietnamese market and secured considerable orders. We had also gained certain profits in the Singapore local market. We worked directly with local terminal owners to provide public lighting project solutions and won orders from competitors. In terms of overseas markets, our projects in Uruguay were growing rapidly, making breakthroughs in both commercial and retail projects. In the distribution channels, our Vietnamese team entered the home distribution channel, opened up the situation and secured orders, laying a solid foundation for long-term cultivation of this target market in the future. In the overseas market of New Burguinea, we achieved very significant business breakthroughs by cooperating with large local supermarket chains and achieving strong order performance. In terms of brand marketing activities, we focused on the local markets of Vietnam and Singapore in the first half of 2024, holding customer seminars, participating in key exhibitions and building office showrooms to invite customers for one-on-one product introductions and business negotiations. Through these efforts, we not only effectively introduced and promoted our product solutions, but also created great influence on the brand. We are very gratified to see that the activities we held in the first half of the year directly led to the placement of sales orders and the promotion of the brand, establishing a solid foundation for building a credible, professional and quality brand. At the same time, we are also facing some market challenges. In Pakistan, due to the local general election in the first quarter, government projects were directly affected, resulting in a direct impact on our business. Commercial projects in Sri Lanka continued to suffer from past national bankruptcies/economic crises and were slow to progress. These circumstances are expected to improve in the second half of the year.

With the successive launch and implementation of Vision 2030 Plans in major countries in the Middle East and North Africa, infrastructure projects in Saudi Arabia, the United Arab Emirates, Egypt and Algeria have successively announced plans and launched bidding. For example, Saudi Arabia's NEOM project, Salman Cultural Park, Riyadh New Airport Project and PIF's affordable housing and apartment projects are large in size with tight construction schedules, and Chinese-funded construction companies will participate in most project bidding. Therefore, NVC, as China's leading brand, boasts obvious participation advantages and has accumulated a lot of overseas project delivery experience in many early project cooperations with Chinese-funded construction companies. It is expected that a number of large-scale projects can be delivered between the second half of 2024 and 2026.

Moreover, the linear lamp product series developed by the Group received good feedback in the early market research. In the Middle East market, we plan to focus on promoting linear light products in the engineering wholesale channels from the second half of 2024. It is expected to achieve stable shipments starting from 2025, thereby ensuring that the NVC brand's engineering wholesale channels in the Middle East region will achieve stable coverage growth and predictable market sales.

In the first half of 2024, we continued to follow up on key local projects in the Middle East market. While maintaining existing major customers, we focused on developing potential customers. Currently, we have newly developed builders in Kuwait, Saudi Arabia and the United Arab Emirates. We also began to participate in early project design, product quotation and bidding assistance for customer projects. While focusing on engineering projects, we expanded product lines that met local market requirements based on the actual needs of regional dealers. In order to further expand our customer base, we will actively prepare to participate in the Dubai Lighting Show in January 2025, with a focus on linear lighting solutions.

Brand Image Building and New Product Research and Development

"Light", "Air", and "Water" are the three key elements of the Group's business development and also the three main threads of brand building. In 2024, "Light" remains the continuous driving force and core foundation of the Group's development. The Group will continue to upgrade and re-launch many of its sub-brands this year, giving them a more vivid lease of life. At the same time, we continue to vigorously promote other lighting and non-lighting brands, and through various marketing activities in each brand's business area, each brand continues to build connections with different target users and capture more users' hearts and minds.

In the first half of 2024, the Group continued to review and upgrade its owned brands, in line with its branding strategy of "Advancement through Stability" in 2023. First of all, the brand image of "ETI", the lighting brand in North America, was renewed. On the basis of the continuation of the original brand color and key identifying graphics, the "ETI" brand logo has been optimized to a greater extent, and a new interpretation of the brand concept has been injected to make "ETI" more youthful and approachable. Subsequently, the Group has revamped logo and visual identity system of the Group's own brand "NVC International", refocusing on the core elements of NVC and injecting more vitality by increasing the saturation and brightness of the colors. The new version of the Group's brand identity will be put into use in the third quarter of this year, a new Group promotional video, Group introduction brochure and a series of office document sets will also be released simultaneously.

In addition, the Group's sub-brands have also been actively engaged in local market activities. AURA and NVC Lighting made their debut at industry exhibitions in North America and Southeast Asia, both of which have been well received by the market.

The Group attaches great importance to the research and development of innovative technologies. The research department is responsible for the planning, research, design and development of the Group's lighting products. It takes "researching light, making lighting products with heart and making people's lives better" as well as "Life As You Wish • 讓生活如您所願" as its missions. By adhering to the R&D philosophy of "innovation, speed, quality and cost", the research department promotes the operating model of "synchronous development and concurrent engineering" within the Company's system, which greatly speeded up the efficiency of new product development. In the first half of 2024, the research department carried out research and design for different customers and different product lines. A total of more than a hundred new lighting products are under development or have been completed. In the process of developing a series of new products in 2024, we focused on platformization, serialization, modularization and standardization, and successfully completed the platformization/serialization of major products. In terms of new product research and development, we focused on planning and developing innovative new product series. We have also planned a new product series frame material extrusion, lamination, and processing workshop in our factory in Vietnam, which is planned to be put into production in the second half of 2024. The introduction of new processes will further enhance the competitiveness of the manufacturing system.

Future Prospects

In the second half of 2024, the international lighting business will remain the Group's core business. The innovative efforts of the R&D team enable the Group to expand its product portfolio in a rapid and cost-effective manner and remain competitive in the market. 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 2024, the competition will become even more intense. Almost all the big brands in the lighting industry have set up production plants in Mexico. As such, in the first half of 2024, the Group increased investments in production lines and successively added blow moulding equipment, extrusion equipment and rolling equipment to its plants in Vietnam, aiming to strengthen the localization of the supply chain and improve the level of self-made capabilities. In the second half of the year, the Group will prepare to continue investing in rolling equipment and process improvements to lay a solid foundation for strategic product lines.

We will continue to launch new products in the US market to eliminate inappropriate products through market competition, thereby ensuring the continued competitiveness of our key product lines. Moreover, in the second half of 2024, we will be committed to deepening the professional positioning of commercial products, providing customers with overall solutions for products and shelves and further exploring indoor and outdoor decorative lighting product lines of light decoration.

In the first half of 2024, market demand decreased mainly due to the shrinkage of real wages caused by rising prices and the resulting weak growth in personal consumption. Recovery may be expected in the second half of 2024. On the other hand, the Japanese government's inflation-control measures on electricity prices, gas prices, fuel and diesel prices and other measures to ease the pressure on people's household expenditures are expected to help boost the growth of households' actual disposable income.

Market demand is expected to increase in the second half of 2024, and we will continue to launch a series of new products in the retail channel in September to boost sales. In the second half of the year, the Japanese team will expand sales diligently and strengthen its own brand business while developing new customers as its main tasks, laying a solid foundation for 2025.

UK and Nordic Markets

The UK management anticipates the UK's sale performance will improve in the second half of 2024. In the UK wholesale channel business, the strategy is to refocus the sales team on contractor activity, having filled a number of external sales vacancies in late 2023 and early 2024, and market to target vertical sectors, such as education. Additionally, the management's focus will be on driving sales and profitability in the UK lighting business, controlling the UK costs, and supporting the product developments for the Nordics operations, which will particularly deliver benefits in 2025.

Other Overseas Markets

For the Vietnamese market, we will continue to follow up on key projects by promoting the conversion rate of project reserves and facilitating the implementation of orders. In particular, we will follow up with distributors, contractors, designers and homeowners on related projects, while preparing for key projects in the coming year. In the home distribution channels, we will cultivate and support key channel distributors and home design and decoration companies to lay the foundation for the coming year. For the Singapore market, we will continue to drive business growth through three aspects in the second half of the year. Firstly, in terms of projects, we will continue to follow up on key projects by promoting the conversion rate of project reserves and facilitating the implementation of orders. Secondly, we will expand new projects and new customers such as project distributors, contractors, homeowners or designers. Finally, we will expand our business in distribution and retail channels. For the overseas markets, we will continue to focus on key markets by promoting the conversion rate of projects and the implementation of orders. In addition, we will prepare for future business growth by selectively expanding into some Southeast Asian markets and entering the local markets through projects and distribution channels.

In terms of products, we will continue to focus on key product lines and enrich product lines to maintain our gross profit, and will also follow up on newly launched product lines and enhance the implementation of potential new orders. In terms of product management, we will maintain the competitiveness of product performance and pricing to manage updates. In terms of operations, we will establish effective project sales-related demand forecasts and streamline the entire operational process to increase efficiency and control costs. In terms of branding, for the local markets of Singapore and Vietnam, we will complete the construction of showrooms and organize one-on-one communication with customers in the offices. For overseas markets, we will focus on participating in important exhibitions in some key countries as important platforms for the continued exposure of NVC Lighting products and brands.

Based on the current strong real estate demand in the Middle East market and the continuous release of infrastructure projects, it is expected that the subsequent engineering market will usher in periodic rapid business growth. At the same time, active expansion of engineering wholesale channels can also achieve wider brand exposure while ensuring stable performance growth.

Brand Building, Product Development and Internal Management

Brand growth and business development complement each other. This year, the Group's branding strategy continues to emphasize steady and continuous investment, consolidating and maintaining a matrix of sub-brands covering different consumer levels, including "high, medium and new", and continuing to give each brand a suitable image and clear connotation. In the second half of 2024, the new images of some of the sub-brands will be put into operation one after another, and the exhibition halls, promotional videos, official websites and social media of some of the sub-brands will also be completely refreshed. At the same time, the Group will also invest in marketing and promotional resources to enhance the visibility of each brand and help develop business opportunities.

In future product research and development, NVC International Research Institute will further promote the core value of "NVCI – driven by nature and presented with technology". We will research lighting technologies that improve the human environment, expand the application of core patented technologies and continue to improve the cost performance of our products in the depth and breadth of our existing product lines. We will also rationally utilize platformization, serialization, modularization and standardization to continuously provide new products and services that meet market needs, thereby empowering consumers and users, providing a comfortable and healthy lighting environment and improving people's quality of life.

As market competition further intensifies, the cost competitiveness of products needs to be further improved. In terms of supply chain, raw material price control will be a key concern of the Group. The Group will control procurement costs in the following ways: selecting appropriate suppliers, tendering, bargaining, and price negotiation for large-value orders; promoting localized procurement in Vietnam to reduce logistics costs; establishing a cost accounting model to provide evidence for pricing; accelerating the construction of front-end workshops in Vietnam factories and improving the self-production rate; and introducing cost control solutions such as the use of new processes and new technologies. In addition, the Group will continue to advance the digitalization and informatization construction throughout the Group. In the second half of 2024, the Group will be devoted to promoting the enterprise resource planning ("ERP") system transformation of its subsidiaries, so as to achieve cross-regional cooperation globally 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$118,510,000, representing a decrease of 0.4% 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		
	2024	2023	**Growth rate**
	US$'000	*US$'000*	
Sales revenue from the PRC			
Non-NVC brands	**5,063**	6,673	**(24.1%)**
Sales revenue from international markets			
NVC brand	**16,812**	19,603	**(14.2%)**
Non-NVC brands	**96,635**	92,758	**4.2%**
Subtotal	**113,447**	112,361	**1.0%**
Total	**118,510**	119,034	**(0.4%)**

During the Period under Review, sales revenue from the PRC decreased by 24.1%, due to increasingly fierce competition from other competitors. During the Period under Review, international sales increased by 1.0%. This led to a decrease in the overall sales revenue by 0.4% comparing with Corresponding Period.

Cost of Sales

Cost of sales mainly consists of the cost of raw materials, outsourced manufacturing costs, labor costs and indirect costs. Major raw materials of the Group include iron, aluminum and alloys, 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			
	2024		2023	
	US$'000	***Percentage in revenue (%)***	*US$'000*	*Percentage in revenue (%)*
Raw materials (including outsourced manufacturing costs)	**66,197**	**55.9%**	67,606	56.8%
Labor costs	**8,323**	**7.0%**	8,819	7.4%
Indirect costs	**6,883**	**5.8%**	9,919	8.3%
Total cost of sales	**81,403**	**68.7%**	86,344	72.5%

During the Period under Review, the cost of sales as a percentage in revenue decreased from 72.5% to 68.7%, while the gross profit margin increased from 27.5% to 31.3%, mainly because the shipping costs 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$37,107,000, representing an increase of 13.5% as compared with the Corresponding Period, and gross profit margin of sales increased from 27.5% to 31.3%. 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			
	2024		2023	
	US$'000	***(%)***	*US$'000*	*(%)*
Gross profit from the PRC sales:				
Non-NVC brands	**948**	**18.7%**	1,147	17.2%
Gross profit from international sales:				
NVC brand	**7,093**	**42.2%**	10,956	55.9%
Non-NVC brands	**29,066**	**30.1%**	20,587	22.2%
Subtotal	**36,159**	**31.9%**	31,543	28.1%
Total	**37,107**	**31.3%**	32,690	27.5%

The prices of commodities and freight costs have continuously decreased compared to the Corresponding Period, 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 27.5% to 31.3% compared with the Corresponding Period.

Other Income

Our other income mainly consist of government grants and other subsidies, bank interest income, surcharges from suppliers, rental income, consultancy service income, trademark licensing fee and others (the breakdown of other income is provided in Note 5 to the condensed consolidated financial statement in this announcement). We received various types of government grants in the form of tax subsidies, incentives for research and development activities and expansion of production capacity of energy-saving lamp. During the Period under Review, other income of the Group increased by 7.9% as compared with the Corresponding Period, which was mainly due to the combined effect of the decrease in government grants and other subsidies, and the increase in 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$15,717,000, representing a decrease of 18.3% as compared with Corresponding Period. Our selling and distribution costs as a percentage in revenue decreased from 16.2% to 13.3% during the Period under Review, which is mainly resulted from decrease of marketing 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$14,872,000, representing a decrease of 14.6% as compared with the administrative expenses of the Corresponding Period, which was mainly due to decrease of staff costs. Our administrative expenses as a percentage in revenue decreased from 14.6% to 12.5% 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 increased to US$1,475,000 as compared with the Corresponding Period. It was mainly due to 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$8,854,000 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$7,660,000 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$1,194,000.

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	
	2024	2023
	US$'000	*US$'000*
Net cash flows (used in) generated from operating activities	**(267)**	9,897
Net cash flows generated from investing activities	**20,425**	27,715
Net cash flows used in financing activities	**(8,968)**	(37,924)
Net increase (decrease) in cash and cash equivalents	**11,190**	(312)
Cash and cash equivalents at beginning of period	**108,273**	85,057
Effect of foreign exchange rate changes, net	**(646)**	(480)
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and cash flows	**118,817**	84,265

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 2024 *US$'000* **(unaudited)**	31 December 2023 *US$'000* (audited)
CURRENT ASSETS		
Inventories	**41,307**	45,236
Trade and bills receivables	**53,456**	49,464
Other receivables, deposits and prepayments	**14,723**	13,437
Financial assets at FVTPL	**3,000**	3,939
Fixed deposits with maturity of more than three months	**–**	21,158
Bank balances and cash	**118,817**	108,273
Subtotal current assets	**231,303**	241,507
CURRENT LIABILITIES		
Trade and bills payables	**36,401**	39,445
Other payables and accruals	**23,909**	29,501
Contract liabilities	**1,409**	5,516
Borrowings	**5,750**	1,699
Deferred income	**142**	142
Lease liabilities	**1,611**	1,793
Tax liabilities	**1,550**	1,082
Subtotal current liabilities	**70,772**	79,178
NET CURRENT ASSETS	**160,531**	162,329

As at 30 June 2024 and 31 December 2023, the total net current assets of the Group amounted to US$160,531,000 and US$162,329,000, respectively, and the current ratio was 3.27 and 3.05, respectively. In light of our current liquidity position 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 2024	31 December 2023
	US$'000	*US$'000*
Borrowings	**5,750**	1,699
Total debt	**5,750**	1,699
Less: cash and cash equivalents	**(118,817)**	(129,431)
Net debt	**N/A**	N/A
Total equity attributable to owners of the Company	**489,505**	483,771
Gearing ratio	**N/A**	N/A

The primary goal of our capital management is to maintain the stability and growth of our financial position. We regularly review and manage our capital structure and make corresponding adjustments, after taking into consideration changes in economic conditions, our future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. We manage our capital by monitoring our gearing ratio (which is calculated as net debt divided by the total equity attributable to owners of the Company). Net debt is the balance of 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$2,197,000, mainly attributable to the increase in cost of 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 during the Period under Review.

CAPITAL COMMITMENTS

As of 30 June 2024, the capital commitments in respect of purchase of property, plant and equipment was US$389,000 (31 December 2023: US$971,000).

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

On 8 March 2024, NVC Lighting Limited (as purchaser, a direct wholly-owned subsidiary of the Company) ("**NVC Lighting**") on one part, and Shining Beauty AB and Opeco AB (as vendors) on the other part, entered into a share purchase agreement, pursuant to which NVC Lighting agreed to purchase shares in NVC Lighting AB (being a non-wholly-owned subsidiary of the Group), which represented the remaining 40% interest in NVC Lighting AB, for an initial consideration of SEK6,000,000 (equivalent to US$582,000) (the "**Acquisition**"). Based on NVC Lighting AB's earnings before interest, taxation, depreciation and amortisation in years 2024 to 2027, the vendors may be entitled to a separate earn-out consideration, provided that the maximum total consideration for the Acquisition shall be no more than SEK100 million (equivalent to approximately US$9.7 million) in aggregate. NVC Lighting AB has become a wholly-owned subsidiary of the Group with effect from 8 March 2024. For further details of the Acquisition, please refer to the Company's announcements dated 8 March 2024 and 29 April 2024, respectively.

On 12 June 2024, ETI Solid State Lighting Inc. (as purchaser, an indirect wholly-owned subsidiary of the Company) ("**ETI Solid State**") and Thurmon Tanner Logistics II Owner LLC (as seller) ("**Thurmon Tanner**") entered into a sale and purchase agreement, pursuant to which ETI Solid State conditionally agreed to acquire, and Thurmon Tanner conditionally agreed to dispose of, certain parcel of land lying and being in Land Lots 97 and 113, 8th Land District, City of Flowery Branch, Hall County, Georgia, the United States (the "**Real Property**"), all buildings, structures, fixtures, parking areas and improvements owned by Thurmon Tanner and located on the Real Property (the "**Improvements**") thereon, all of Thurmon Tanner's right, title and interest in and to the ownership or operation of the Improvements, and all of Thurmon Tanner's right, title and interest in, to and under the licenses and permits, the intangible property and the engineering product as relate solely to the Real Property (collectively, the "**Property**"), at the consideration of US$15,250,000. For further details, please refer to the Company's announcement dated 12 June 2024. As at the time of approval of this announcement by the Board, completion of the acquisition of the Property has not taken place.

Save as disclosed above, 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 2024.

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 2024	31 December 2023
	US$'000	*US$'000*
Trade receivables	**8,793**	7,591

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, Hong Kong and Singapore. We also have policies that limit our credit risk exposure to any financial institutions. The carrying amounts of trade and bills receivables, 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 2024, 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 2024 to 30 June 2025 with a maximum compensation amount of US$20,000,000. 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.

EVENTS AFTER THE PERIOD UNDER REVIEW

The Company's logo has been changed with effect from 30 July 2024. For further details, please refer to the Company's announcement dated 30 July 2024.

Save as disclosed above, no important events affecting the Company occurred since 30 June 2024 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 2024 (six months ended 30 June 2023: Nil).

EMPLOYEES

As at 30 June 2024, the Group had approximately 2,041 employees in total (31 December 2023: 1,967). 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 (including the sale of treasury shares). As at 30 June 2024, the Company did not have any treasury shares.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the CG Code as its own code of 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 Part 2 of 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 have 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 Listing Rules 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

There was no change in the Board and the information of Directors since 1 January 2024 and as of the date of this announcement that should be disclosed under Rule 13.51B(1) of the Listing Rules.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.nvc-international.com. The interim report for the Period under Review of the Group containing all the information required by the Listing Rules will be made available on the above websites in due course.

REVIEW OF INTERIM RESULTS

The Group's interim results for the Period under Review have been reviewed by the Audit Committee and approved by the Board. The Audit Committee, together with the Board, is of the view that the interim results of the Group were prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

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 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 of the Company.
"China" or "PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to "China" and the "PRC" do not apply to Taiwan, the Macau Special Administrative Region and Hong Kong.
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

"Company"	NVC International Holdings Limited(雷士國際控股有限公司)(formerly known as NVC Lighting Holding Limited (雷士照明控股有限公司)), a company incorporated in the British Virgin Islands on 2 March 2006 and subsequently redomiciled to the Cayman Islands on 30 March 2010 as an exempted company with limited liability under the laws of the Cayman Islands. The shares of the Company are listed on the main board of the Stock Exchange (stock code: 2222).
"Corresponding Period"	the six months ended 30 June 2023.
"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 People's Republic of China.
"LED"	light-emitting diode.
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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 2024.
"RMB"	Renminbi, the lawful currency of the PRC.
"SEK"	Swedish Krona, the lawful currency of Sweden

"Share(s)"	ordinary share(s) of US$0.000001 each in the share capital of the Company.
"Shareholder(s)"	holder(s) of Share(s).
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.
"Subsidiary"	has the meaning ascribed thereto under the Listing Rules.
"UK"	the United Kingdom of Great Britain and Northern Ireland.
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction.
"US$"	United States dollars, the lawful currency of the United States.
"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, 27 August 2024

As at the date of this announcement, the Directors are:

Executive Directors:
WANG Donglei
CHAN Kim Yung, Eva
XIAO Yu
WANG Keven Dun

Non-executive Director:
YE Yong

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