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)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the announcement of the Company dated 29 March 2022 in relation to the unaudited annual results of the Group for the Reporting Period (the "**2021 Unaudited Annual Results Announcement**").

The Board is pleased to announce that the auditing process of the audited annual results of the Group for the Reporting Period has been completed. The Board wishes to announce that on 8 April 2022, the Company has obtained the agreement from the Group's auditor, Messrs. Deloitte Touche Tohmatsu, on the figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto as set out in this announcement. As certain adjustments have been made to the unaudited financial information of the Group as contained in the 2021 Unaudited Annual Results Announcement, the differences between the unaudited financial information and the audited financial information contained in this announcement are set out in the section headed "MATERIAL DIFFERENCES BETWEEN 2021 AUDITED ANNUAL RESULTS AND 2021 UNAUDITED ANNUAL RESULTS ANNOUNCEMENT" in this announcement in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

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

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2021:

- The Group's revenue amounted to RMB2,374,947,000, representing an increase of 1.1% as compared with the Corresponding Period.
- The Group's gross profit amounted to RMB662,432,000, representing a slight decrease of 1.5% as compared with the Corresponding Period.
- The Group's profit for the year amounted to RMB33,466,000, with the loss for the year amounted to RMB20,002,000 in the Corresponding Period.
- Profit attributable to owners of the Company amounted to RMB5,814,000, with the loss attributable to owners of the Company amounted to RMB51,748,000 in the Corresponding Period.
- Basic profit per share attributable to owners of the Company amounted to RMB0.14 cents (basic loss per share in the Corresponding Period: RMB1.22 cents).
- The Board has proposed not to declare final dividend (2020: no final dividend declared).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	2	**2,374,947**	2,349,573
Cost of sales		**(1,712,515)**	(1,677,055)
GROSS PROFIT		**662,432**	672,518
Other income	4	**46,524**	206,614
Other gains and losses	5	**986**	(57,856)
Selling and distribution expenses		**(272,684)**	(223,661)
Administrative expenses		**(256,222)**	(273,985)
Impairment loss in respect of goodwill		**(24,309)**	(2,582)
Impairment losses under expected credit loss model, net of reversal		**(4)**	4,579
Other expenses	6	**(69,811)**	(76,018)
Finance costs	7	**(7,528)**	(8,010)
Share of results of associates		**(16,394)**	(254,054)
PROFIT/(LOSS) BEFORE TAX		**62,990**	(12,455)
Income tax expense	8	**(29,524)**	(7,547)
PROFIT/(LOSS) FOR THE YEAR	9	**33,466**	(20,002)
Profit (loss) for the year attributable to owners of the Company		**5,814**	(51,748)
Profit for the year attributable to non-controlling interests		**27,652**	31,746
		33,466	(20,002)

		2021	2020
EARNINGS (LOSS) PER SHARE			
Basic *(RMB cents)*	10	**0.14**	(1.22)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	RMB'000	*RMB'000*
PROFIT (LOSS) PROFIT FOR THE YEAR	**33,466**	(20,002)
OTHER COMPREHENSIVE EXPENSE		
Items that will not be reclassified to profit or loss:		
– Exchange differences arising on translation from functional currency to presentation currency	**(17,710)**	(48,690)
– Fair value loss on investments in equity instruments at fair value through other comprehensive income	**–**	(14,000)
	(17,710)	(62,690)
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences arising on translation of foreign operations	**(35,657)**	(31,590)
– Share of other comprehensive income of associates, net of related income tax	**18,898**	53,450
	(16,759)	21,860
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR	**(34,469)**	(40,830)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(1,003)**	(60,832)
Total comprehensive (expense) income attributable to:		
– Owners of the Company	**(29,443)**	(95,102)
– Non-controlling interests	**28,440**	34,270
	(1,003)	(60,832)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**345,591**	320,735
Right-of-use assets		**194,908**	211,762
Investment properties		**7,785**	5,807
Goodwill		**211,386**	211,386
Other intangible assets		**342,886**	366,800
Interests in associates		**597,470**	588,470
Equity instruments at fair value through other comprehensive income		**14,788**	14,000
Financial assets at fair value through profit or loss		**527**	–
Deferred tax assets		**10,043**	11,069
Deposits		**296,987**	298,247
		2,022,371	2,028,276
CURRENT ASSETS			
Inventories	*12*	**624,038**	421,673
Trade and bills receivables	*13*	**500,403**	498,777
Other receivables, deposits and prepayments		**113,581**	95,957
Tax recoverable		**13,879**	1,658
Financial assets at fair value through profit or loss		**40,600**	25,251
Pledged bank deposits		**83,272**	75,671
Bank balances and cash		**948,268**	1,226,773
		2,324,041	2,345,760
CURRENT LIABILITIES			
Trade payables	*14*	**609,820**	561,320
Other payables and accruals		**254,301**	252,551
Contract liabilities		**34,205**	47,028
Borrowings	*15*	**40,035**	30,043
Deferred income		**1,009**	1,009
Lease liabilities		**14,890**	17,628
Tax liabilities		**15,937**	45,519
		970,197	955,098
NET CURRENT ASSETS		**1,353,844**	1,390,662
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,376,215**	3,418,938

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2021

	NOTES	**2021** *RMB'000*	2020 *RMB'000*
NON-CURRENT LIABILITIES			
Borrowings	*15*	**–**	3,616
Deferred income		**1,658**	1,747
Lease liabilities		**30,352**	40,471
Deferred tax liabilities		**59,703**	58,199
		91,713	104,033
NET ASSETS		**3,284,502**	3,314,905
CAPITAL AND RESERVES			
Share capital		**3**	3
Reserves		**3,195,181**	3,224,624
Equity attributable to owners of the Company		**3,195,184**	3,224,627
Non-controlling interests		**89,318**	90,278
TOTAL EQUITY		**3,284,502**	3,314,905

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1.1 GENERAL INFORMATION

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

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

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

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

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

In the current year, the Group has applied the following amendments to IFRS Standards for the first time in the current year:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

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

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

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

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

1.2.1 Impacts on application of Amendment to IFRS 16 Covid-19-Related Rent Concessions and early application of Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has applied the Amendment to IFRS 16 Covid-19-Related Rent Concessions for the first time and early applied the Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 in the current year retrospectively. The amendments introduce a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the Covid-19 pandemic that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

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

The application of these amendments has had no material impact on the Group's financial positions and performance in the current and prior years as the Group opted not to apply the practical expedient, but applied the applicable requirements of IFRS 16 to account for rent concessions provided by certain lessors.

1.2.2 Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (IAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

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

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

1.2.2 Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (IAS 2 Inventories) (Continued)

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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

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

IFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[1]

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

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

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

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

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

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

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in IFRS 3 Business Combinations so that it refers to the *Conceptual Framework for Financial Reporting* issued by International Accounting Standards Board in March 2018 (the "Conceptual Framework") instead of the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010);

- add a requirement that, for transactions and other events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 Levies, an acquirer applies IAS 37 or IFRIC 21 instead of Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

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

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

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

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

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

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

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 – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

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

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

Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

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

Amendments to IFRS Standards Annual Improvements to IFRS Standards 2018 – 2020

The annual improvements make amendments to the following standards.

IFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

IFRS 16 Leases

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

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

2. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2021			
Segments	**International NVC brand**	**Domestic non-NVC brand**	**International non-NVC brand**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Sales to external customers	312,728	251,503	1,810,716	2,374,947
Geographical markets				
United States	996	–	1,272,895	1,273,891
Japan	–	–	303,643	303,643
The PRC	–	251,503	–	251,503
Netherland	–	–	169,706	169,706
United Kingdom	165,169	–	1,778	166,947
Other countries	146,563	–	62,694	209,257
Total	312,728	251,503	1,810,716	2,374,947
Timing of revenue recognition				
A point in time	312,728	251,503	1,810,716	2,374,947

2. REVENUE (Continued)

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

	For the year ended 31 December 2020			
Segments	International NVC brand	Domestic non-NVC brand	International non-NVC brand	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales to external customers	258,702	238,784	1,852,087	2,349,573
Geographical markets				
United States	2,837	–	1,265,593	1,268,430
Japan	–	–	267,511	267,511
The PRC	–	238,784	–	238,784
Netherland	–	–	147,032	147,032
United Kingdom	145,211	–	47,568	192,779
Other countries	110,654	–	124,383	235,037
Total	258,702	238,784	1,852,087	2,349,573
Timing of revenue recognition				
A point in time	258,702	238,784	1,852,087	2,349,573

(ii) Performance obligations for contracts with customers

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

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

2. **REVENUE (Continued)**

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

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

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

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

3. **OPERATING SEGMENTS**

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

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

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

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

3. OPERATING SEGMENTS (Continued)

For the year ended 31 December 2021

	International NVC brand *RMB'000*	Domestic non-NVC brand *RMB'000*	International non-NVC brand *RMB'000*	Consolidated *RMB'000*
Segment revenue:				
Sales to external customers	**312,728**	**251,503**	**1,810,716**	**2,374,947**
Segment results	**105,804**	**42,710**	**513,918**	**662,432**
Reconciliation				
Other income				**46,524**
Other gains and losses				**986**
Unallocated expenses				**(598,717)**
Impairment loss in respect of goodwill				**(24,309)**
Impairment losses under expected credit loss model, net of reversal				**(4)**
Finance costs				**(7,528)**
Share of results of associates				**(16,394)**
Profit before tax				**62,990**

3. OPERATING SEGMENTS (Continued)

For the year ended 31 December 2020

	International NVC brand *RMB'000*	Domestic non-NVC brand *RMB'000*	International non-NVC brand *RMB'000*	Consolidated *RMB'000*
Segment revenue:				
Sales to external customers	258,702	238,784	1,852,087	2,349,573
Segment results	73,271	53,398	545,849	672,518
Reconciliation				
Other income				206,614
Other gains and losses				(57,856)
Unallocated expenses				(573,664)
Impairment loss in respect of goodwill				(2,582)
Impairment losses under expected credit loss model, net of reversal				4,579
Finance costs				(8,010)
Share of results of associates				(254,054)
Loss before tax				(12,455)

Segment profit represents the profit earned by each segment without allocation of other income, other gains and losses, impairment under expected credit loss model, net of reversal, impairment loss in respect of goodwill, 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.

3. OPERATING SEGMENTS (Continued)

For the year ended 31 December 2021

	International NVC brand *RMB'000*	Domestic non-NVC brand *RMB'000*	International non-NVC brand *RMB'000*	Total reportable segments *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Capital expenditure*	5,060	9,321	94,261	108,642	5,129	113,771
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:						
Impairment of trade receivables and other receivables, net	3,482	230	4,492	8,204	(8,200)	4
Write-down of inventories	943	1,793	5,741	8,477	–	8,477
Impairment loss in respect of goodwill	24,309	–	–	24,309	–	24,309
Depreciation and amortisation	7,030	17,590	88,437	113,057	2,550	115,607

3. OPERATING SEGMENTS (Continued)

For the year ended 31 December 2020

	International NVC brand *RMB'000*	Domestic non-NVC brand *RMB'000*	International non-NVC brand *RMB'000*	Total reportable segments *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Capital expenditure*	7,422	2,560	55,448	65,430	2,330	67,760
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:						
Impairment of trade receivables and other receivables, net	359	(1,978)	231	(1,388)	(3,191)	(4,579)
Impairment loss in respect of goodwill	2,582	–	–	2,582	–	2,582
Write-down of inventories	1,668	3,031	7,326	12,025	–	12,025
Depreciation and amortisation	1,633	18,684	72,756	93,073	1,876	94,949

* Capital expenditure consists of additions to property, plant and equipment and other intangible assets.

3. OPERATING SEGMENTS (Continued)

Geographical information

The Group's operations are located in the PRC and other countries.

Information about the Group's revenue from external customers is presented based on the location of the customers' operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers Year ended		Non-current assets	
	31/12/2021	**31/12/2020**	**31/12/2021**	**31/12/2020**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
United States	1,273,891	1,268,430	9,791	12,674
Japan	303,643	267,511	17,853	1,366
The PRC	251,503	238,784	1,834,538	1,785,217
Netherland	169,706	147,032	–	–
United Kingdom	166,947	192,779	46,700	44,187
Other countries	209,257	235,037	88,658	159,763
	2,374,947	2,349,573	1,997,540	2,003,207

Note: Non-current assets excluded equity instruments and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2021	2020
	RMB'000	*RMB'000*
Customer A[1]	**700,713**	619,865
Customer B[1]	**440,770**	491,196
Customer C[1]	**303,626**	288,977

[1] Revenue from International Non-NVC brand segment.

4. OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Waiver of special dividend from an associate	**–**	118,355
Government grants and other subsidies	**15,697**	56,763
Bank interest income	**8,505**	6,000
Other interest income	**1,082**	1,549
Surcharges from suppliers	**59**	3,258
Rental income – lease payments that are fixed	**1,630**	550
Consultancy service income	**6,447**	7,188
Trademark licensing fee	**11,389**	4,834
Samples recharged to customers	**394**	5,694
Others	**1,321**	2,423
	46,524	206,614

5. OTHER GAINS AND LOSSES

	2021	2020
	RMB'000	*RMB'000*
Net foreign exchange (losses) gains	**(9,065)**	1,121
Gain (loss) from fair value changes of held-for-trading investments	**16,213**	(14,255)
Impairment loss recognised in respect of property, plant and equipment	**(6,209)**	–
Fair value change of contingent consideration receivables	**–**	(46,066)
Gain on disposal of property, plant and equipment	**1,292**	1,491
Loss on disposal of other intangible assets	**(163)**	–
Others	**(1,082)**	(147)
	986	(57,856)

6. OTHER EXPENSES

	2021	2020
	RMB'000	*RMB'000*
Research and development costs	**69,811**	76,018

7. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on vendor financing	**3,090**	4,598
Interest on lease liabilities	**3,533**	2,777
Interest on borrowings	**905**	635
	7,528	8,010

8. INCOME TAX EXPENSE

	2021	2020
	RMB'000	*RMB'000*
Current tax:		
Hong Kong	**17,265**	14,355
PRC Enterprise Income Tax	**8,742**	51,615
Other countries	**1,439**	800
	27,446	66,770
Under(over)provision in prior years:		
Hong Kong	**773**	(793)
PRC Enterprise Income Tax *(Note)*	**(2,013)**	(59,866)
Other countries	**788**	493
	(452)	(60,166)
Deferred tax	**2,530**	943
Total	**29,524**	7,547

Note: In light of the disposal of a group of subsidiaries (the "Disposed Subsidiaries") in year 2019, the Company derived a gain of RMB3,988,697,000, being the fair value of the consideration received less the carrying amount of the Disposed Subsidiaries' net assets and attributable goodwill, during the year ended 31 December 2019. A PRC income tax provision has been accrued in the Company's accounts as at 31 December 2019. The Company reported the tax filing of the Disposed Subsidiaries to the PRC tax authorities, and discharged the relevant PRC taxes during the year ended 31 December 2020. The over provision of PRC income tax, being the difference of tax provision and actual tax paid in the PRC, is reflected in the year ended 31 December 2020.

8. INCOME TAX EXPENSE (Continued)

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

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

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

ETi Solid State Lighting (Zhuhai) Limited ("Zhuhai SSL"), Zhejiang Jiangshan Sunny Electron Co., Ltd. ("Sunny"), Zhejiang NVC Lamps Co., Ltd., and Shanghai Arcata Electronics Co., Ltd. were recognised as high-tech enterprise by the PRC tax authority and entitled a preferential tax rate of 15% during both years.

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

9. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging:

	2021	2020
	RMB'000	*RMB'000*
Auditor's remuneration	**5,050**	6,293
Cost of inventories recognised as expense	**1,704,038**	1,665,030
Amortisation of other intangible assets (included in cost of sales)	**48,656**	46,383
Depreciation		
– Property, plant and equipment	**42,767**	29,374
– Investment properties	**240**	2,185
– Right-of-use-assets	**23,944**	17,007
Total amortisation and depreciation	**115,607**	94,949
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries	**338,353**	230,404
Pension scheme contributions	**26,500**	15,265
Other welfare expenses	**8,036**	6,916
Total staff costs	**372,889**	252,585
Impairment loss recognised in respect of property, plant and equipment	**6,209**	–
Research and development costs (included in "other expenses")	**69,811**	76,018
Write-down of inventories	**8,477**	12,025
Covid-19-related rent concessions	**–**	1,077

10. 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:

Earnings (loss) figures are calculated as follows:

	2021	2020
	RMB'000	*RMB'000*
Profit (loss) for the purpose of basic earnings (loss) per share	**5,814**	(51,748)

	2021	2020
	'000	*'000*
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 2021 and 2020 were presented as there were no potential ordinary shares in issue for both 2021 and 2020.

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2021 and 31 December 2020, nor has any dividend been proposed since the end of the Reporting Period.

12. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Raw materials and consumables	**147,606**	191,058
Work in progress	**40,777**	29,362
Finished goods	**435,655**	201,253
	624,038	421,673

13. TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**494,933**	499,924
Less: Allowance for credit losses	**(11,983)**	(7,447)
	482,950	492,477
Bills receivables	**17,453**	6,300
	500,403	498,777

As at 1 January 2020, trade receivables from contracts with customer amounted to RMB609,000,000.

Transfer of financial assets

The following were the Group's financial assets at 31 December 2021 and 2020 that were transferred to suppliers by endorsing those bills receivables on a full recourse basis. 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 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 consolidated statement of financial position.

Bills receivables endorsed to suppliers with full recourse

	2021	2020
	RMB'000	*RMB'000*
Carrying amount of transferred assets	**8,808**	–
Carrying amount of associated liabilities	**(8,808)**	–

Included in the Group's trade receivables are amounts due from related parties of RMB1,365,000 (2020: RMB18,205,000) which are repayable on similar credit terms to those offered to the major customers of the Group.

13. TRADE AND BILLS RECEIVABLES (Continued)

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the transaction date, and an analysis of bills receivables by age, net of allowance for credit losses, presented based on the bills issuance date at the end of the reporting period.

	2021	2020
	RMB'000	*RMB'000*
Trade receivables		
Within 3 months	**425,312**	412,086
4 to 6 months	**53,480**	50,638
7 to 12 months	**1,571**	25,578
1 to 2 years	**1,748**	3,399
Over 2 years	**839**	776
	482,950	492,477
Bill receivables		
Within 3 months	**14,853**	1,558
4 to 6 months	**2,600**	4,742
	17,453	6,300

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB49,899,000 (2020: RMB86,878,000) which are past due as at the reporting date. Out of the past due balances, RMB12,204,000 (2020: RMB19,394,000) has been past due 90 days or more and is not considered as in default.

As at 31 December 2021, total bills received amounting to RMB17,453,000 (2020: RMB6,300,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than six months. Other than bills receivables, the Group does not hold any collateral over these balances.

Other than bills receivables, carrying amount of trade receivables amounted to RMB163,300,000 (2020: RMB29,458,000) have been pledged as security for the Group's borrowings.

14. TRADE PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables due to third parties	**409,871**	439,540
Trade payables due to related parties	**40,259**	45,581
Trade payables due to third parties under supplier finance arrangement *(Note)*	**159,110**	67,369
Trade payables due to related parties under supplier finance arrangement *(Note)*	**580**	8,830
	609,820	561,320

Note: These relate to trade payables in which the Group has issued bills to the relevant suppliers and related parties for future settlement trade payables. The Group continues to recognise these trade payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers and related parties without further extension.

	2021	2020
	RMB'000	*RMB'000*
Trade payables due to related parties		
– Subsidiaries of the entity with significant influence over the Company	**14,821**	23,443
– Associates	**25,438**	21,805
– Entity with significant influence over the Company	**–**	333
	40,259	45,581
Trade payables due to related parties under supplier finance arrangement		
– Subsidiaries of the entity with significant influence over the Company	**580**	8,830

14. TRADE PAYABLES (Continued)

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

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**428,538**	479,996
4 to 6 months	**11,085**	2,038
7 to 12 months	**1,272**	1,177
1 to 2 years	**7,415**	500
Over 2 years	**1,820**	1,410
	450,130	485,121

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

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**118,693**	63,515
4 to 6 months	**40,997**	12,684
	159,690	76,199

The average credit period on purchase of goods is 30 to 180 days (2020: 30 to 180 days).

15. BORROWINGS

	2021	2020
	RMB'000	*RMB'000*
Secured bank loans	**39,450**	29,458
Unsecured bank loans	**585**	4,201
	40,035	33,659

	2021	2020
	RMB'000	*RMB'000*
The carrying amounts of above borrowings that are repayable within one year and containing a repayment on demand clause (shown under current liabilities)	**40,035**	30,043
The carrying amount of above borrowings are repayable within a period of more than one year but not exceeding two years	**–**	3,616
	40,035	33,659

15. BORROWINGS (Continued)

Borrowings comprise:

	Maturity date	Contractual interest rate	Carrying amount 2021 RMB'000	2020 RMB'000
Secured bank loans *(Note)*	on demand (2020: on demand)	Base*+1.90% p.a. (2020: Base*+1.90% p.a.)	**39,450**	29,458
Unsecured bank loans	on demand (2020: on demand)	4.00% per month (2020: 4.00% per month)	**585**	585
Unsecured bank loans	N/A (2020: 4 May 2022)	N/A (2020: 1% p.a.)	**–**	3,616
			40,035	33,659

Note: The secured bank loans represented facilities secured by the pledge of certain trade and bills receivables, pledged bank deposits and buildings. The loan is repayable upon the collection of the factored trade receivables.

During the current year, the Group early repaid the unsecured bank loans amounting to RMB3,616,000.

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

16. 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:

	2021 RMB'000	2020 RMB'000
Property, plant and equipment	**–**	41,840
Trade receivables	**163,300**	29,458
Pledged bank deposits	**83,272**	75,671
	246,572	146,969

As at 31 December 2020, right-of-use assets related to leasehold land with aggregate carrying amounts of RMB17,408,000 were pledged for an associates loan facilities.

MATERIAL DIFFERENCES BETWEEN 2021 AUDITED ANNUAL RESULTS AND 2021 UNAUDITED ANNUAL RESULTS ANNOUNCEMENT

Since the financial information contained in the 2021 Unaudited Annual Results Announcement was not audited by the Auditor as at the date of its publication and subsequent adjustments have been made to such information upon completion of the auditing process, shareholders and potential investors of the Company are advised to pay attention to the following differences between the financial information of the audited annual results of the Group for the Reporting Period disclosed in this announcement and that disclosed in the 2021 Unaudited Annual Results Announcement.

Set forth below are details and reason for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules:

Financial items	**Disclosure in this announcement**	**Disclosure in 2021 Unaudited Annual Results Announcement**	**Difference**	**Reason**
	RMB'000	*RMB'000*	*RMB'000*	
Consolidated Statement of Financial Position				
Current assets				
Pledged bank deposits	83,272	451	82,821	*Note*
Bank balances and cash	948,268	1,031,089	(82,821)	*Note*

Note: Being reclassification of pledged bank deposits and bank balances and cash.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND PERFORMANCE REVIEW

Following the impact of the COVID-19 pandemic in 2020, the global economy began to recover in 2021. With the massive easing of monetary policy and effective anti-epidemic policies in major countries, their economies resumed to pre-epidemic levels. The global economy is expected to soar by 4.4% in 2022 according to the latest World Economic Outlook published by the International Monetary Fund.

Despite the global economy continues to recover and international market demand is gradually improving, the supply of raw materials in various countries becomes tight due to the epidemic, resulting in a rapid increase in the prices of some commodities. In addition to the shortage of shipping in post-epidemic era, the freight rate had risen sharply. This results to significant operational challenges faced by the Group in 2021.

Capitalizing on the global economic recovery, the Group has successfully recorded stable sales growth in the international lighting business with its good brand reputation and strong sales channels. The Group paid attention to the market trend, launched 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 2021. With the brand mission of "Empowering Your LifeScape • 讓生活如你所願" and by focusing on our customers and their environment, we have been actively expanding products in the two elements of "air" and "water" and related fields to improve the life quality of consumers, to realize the vision of sustainable development and to build a smarter, more environmentally friendly and more technological living space. In the face of skyrocketing raw material prices, the management team conducted a comprehensive analysis and judgment on material price trends, locked prices at critical times and reduced the impact of raw materials on production costs, which enabled the Group to achieve stable growth in overall sales revenue and gross profit during the Reporting Period. The Group achieved sales revenue of RMB2,374,947,000 during the Reporting Period, representing an increase of 1.1% as compared with the Corresponding Period; and gross profit of RMB662,432,000, representing a slightly decrease of 1.5% as compared with the Corresponding Period.

Selling and Distribution

The Group has established and improved the sales networks and channels for lighting products in major countries and regions including the PRC, North America, Europe, Australia, East Asia, the Middle East and Southeast Asia with experienced global marketing and operation team.

North American and Japanese Markets

The North American market remained the Group's core area for development. The Group refined its operation by differentiating retail and commercial channels. In 2021, the Group faced such issues as tight supply chains, skyrocketing sea freight rates and shortage of container supply in the North American market, which made the operating environment more severe. However, by virtue of the long-term and stable strategic partnership with major customers and the advantages of the Group in term of product brand, the Group has ensured a slow and steady growth in the North American market in various sales channels.

In the retail end market, both online and offline sales channels recorded slowing growth, coupled with tight product supply, resulting in a slight decline in retail sales. The sales in commercial channels began to recover, and the demand for small and medium-sized lighting projects was active. The Group successfully secured a number of chain store renovation projects, which ensured sales growth in the North American market. The Group started to invest more resources in epidemic-related and horticulture light products last year, creating several new brands and establishing its product lines. The Group offers products that combine UVC sterilisation and lighting functions, effectively solving the problem of human-machine co-existence during sterilisation work. Due to the shortage of product supply and cargo ships, there were certain level of shortages for hot-selling products. The Group took measures such as air transportation and domestic automobile intermodal transportation in the United States to secure supply and ensure product sales. The Group's new product development was not affected by the pandemic, with over 20 new products launched in 2021. In the fourth quarter of 2021, the Group launched the SlientAire brand of UV germicidal lamps in the North American market. In line with the innovative technology of products and the rising market demand for CleanAire and AquaSolvo, the Group is paving the way for sales growth in 2022.

In 2021, Japan continued to suffer from the COVID-19 pandemic and some areas came into a state of emergency. Some stores in the affected areas have shortened their opening hours or even closed down, which limited the economic activities of consumers. The Group's Japanese team was committed to developing new sales channels despite these negative factors and successfully made the ceiling lights marketed in the local home furnishing shops. In addition, sales performance was boosted by new products, namely the two-colour bluetooth ceiling lights and the new generation of ceiling lights, launched in the first half of the year. In the second half of 2021, with the peak season of sales in the Japanese market, the Group intensified its promotional activities and increased the market shares of sales of high value-added products. In view of the changes in offline consumption habits of Japanese citizens, the Group began to promote e-commerce channels in Japan and some lighting products were sold on Amazon Japan, which is expected to bring in considerable sales to the Group. Moreover, the Group set up a factory in Shizuoka Prefecture, Japan to assemble finished products, which is expected to improve the inventory management efficiency and gross profit of the Japanese business.

UK and Nordic Markets

After the lockdown in the UK in 2020, its economic activities start to resume in 2021. The Group focuses on demand creation, product mix, and optimized pricing structures in UK wholesale channel. With the strengthening of the UK management team, the Group has recorded a decent improvement in the sales performance in 2021. The Group also focused on major construction projects in the UK, which deliver high-end products. With the protracted discussion, the Group has received orders from Nine Elms and the second phase of Bluewater shopping centre which enhanced the sale performance in 2021. The Group acquired Sweden and Finland distributors in 2020. Also, the Group has completed the acquisition of a Demark distributor in 2021. This created a synergy effect by sharing sale and marketing resources with the UK management team, which established a strong sales channel in the Nordic region, and enhanced overall operational performance. This synergy boosted the sales performance and gross profit in the overseas market in 2021. Despite there was an increase in raw material, inbound shipping and local wage level, the UK management team took proactive measures such as price adjustment and improved cost structure. In addition, the Group has terminated the OEM sale channel in March 2021 with poor performance in profitability. As such, the Group put more emphasis on the UK and Nordic business, which will further enhance the sale and operational performance.

Greater China

The year of 2021 was a critical developing stage for the Greater China business when the Group completed the formulation of strategic planning, deployment of marketing network and establishment of the management team. The Group is committed to creating professional technology balconies, bathrooms and whole-house wireless smart products, with safety, comfort and health as the general direction, to provide customers with a smarter, more friendly and higher-quality experience. The Group held product launch conferences this year, and successfully established sales channels in many provinces across the PRC. The Group is ready for the performance sprint for the coming year.

Other Overseas Markets

The recent waves of pandemic have forced the Southeast Asia governments to implement repeated restrictions and lockdowns which led to the delay of arrivals and deliveries of goods in these countries. This causes disruptions to our distribution therein, project delays and even complete shut-down in some construction sites. Apart from maintaining existing customer base, the Group's management team in Southeast Asia established new distribution channels in several Southeast Asia countries. The Group focused on the promotion of a variety of product portfolios to our customers through online social media and online training seminars. The sale performance of the Southeast Asia region only recorded a slight decline in 2021.

In the Middle East and North Africa markets, the Group mainly focused on the marketing activities and key projects, and actively cooperated with large construction enterprises. In 2021, the Group won the bids for the New Cairo CBD Lighting Project in Egypt and the Oilfield Lighting Project in Iraq, and completed the lighting project for the main stadium and surrounding facilities of the Qatar World Cup. The Group made use of its existing customer channels to actively promote new products and enhance the competitiveness of its products and gross profit margin. At the same time, we developed more new customers through a combination of online and offline methods. The Group's operations in the Middle East and North Africa regions recorded growth compared to the same period last year.

Brand Image Building and New Product Research and Development

With "Empowering Your LifeScape • 讓生活如你所願" as the core idea of brand, the Group emphasizes a customer-centric brand strategy to bring customer safe, healthy and environmentally friendly products and solutions. The Group is committed to establishing brand value recognition, providing products and services that meet the needs of consumers from their perspective, so that customers can recognize the core values of our brands while enhancing sense of belonging. The Group has also strengthened communication with consumers and used different media to promote its brand and enhance its brand image. At the same time, through participation in the Asian top brand awards and international design awards, the Group increased its exposure and enabled more consumers to get to know its brand and products, so as to enhance its brand reputation. In 2021, the Group won various prominent international awards, namely the "China's Top Brand 2021（2021年中國名優品牌）" award, the German Red Dot Award: Product Design 2021 and the German iF Industrie Forum Design, which demonstrated the excellence of product design as well as research and development capability of the Group. This further enhanced the brand awareness and expanded the brand influence.

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

FUTURE PROSPECTS

The Group will continue to monitor the development trend of the pandemic around the world, the economic recovery of countries where its major customers are located and rising production costs. In the coming year, while ensuring the sales of the lighting business, it will vigorously promote the development of the non-lighting business. Through the efforts of the Group's R&D team, Indoor Air Quality ("**IAQ**") products, mainly "CleanAire • 空淨" and "AquaSolvo • 水淨", have been successfully proposed. The Group will capitalize on the brand reputation of DERNIER & HAMLYN ("**D&H**"), a century-old high luxury lighting manufacturer in the UK, to launch IAQ products in overseas markets. The strong sales channels of the Group, together with the promotion of new products, will help to further improve the Group's sales performance in the coming year. The Group will also put more effort on sales cost control where a number of measures will be taken actively to reduce the impact caused by the rise in raw material prices and freight charges. The Group will proactively improve its brand image to enhance its brand awareness in international markets and promote its mission of "Empowering Your LifeScape • 讓生活如你所願".

North American and Japanese Markets

The Group continues to face challenges from increases in raw material prices and shipping logistic fees in 2022, which will affect the gross profit performance of the North American business. With the completion of the second phase of the factory in Vietnam, the Group plans to transfer its production lines from Zhuhai to Vietnam so as to mitigate the impact of the increasing cost of goods sold. At the same time, "Made in Vietnam" will help reduce the influence of U.S. import tariffs and enhance the Group's cost advantage, thus strengthening the profitability of the Group. The Group also plans to transfer some production lines to the Americas to further reduce shipping costs and bring profit growth in the future. The North American team continues to deepen existing product lines and optimize product upgrades and iterations. For commercial basic lamps, the Group is committed to reducing production costs and introducing innovative functions to expand market share in North America and increase gross profit. At the same time, the Group will strengthen and integrate the sales team in the United States and provide scenario development and design services for different commercial environments so as to comprehensively increase sales. The Group will promote new horticulture light products and conduct promotions on demonstration projects to increase the sales of horticulture lights in the United States and Canada. After the product research and development effort made in 2021, the Group will focus on launching IAQ products under the brands of " CleanAire • 空淨" and " AquaSolvo • 水淨" in the North American market in 2022. The Group will enter certain market segments by developing different sales channels. The Group will also carry out promotional activities in different demonstration stores to prepare for non-lighting business sales in the second half of 2022.

For the Japanese market, the Group will launch IAQ products to expand sales channels in mega stores and increase sales in the Japanese market. Meanwhile, in the lighting business, the Group will propose a number of new products under the Toshiba brand to maintain sales to existing customers. The Group also plans to introduce new brand products in different retail stores to attract more diverse customers. The Group will continue to increase the sales of lighting products on the Amazon platform to improve the Group's sales performance.

UK and Nordic Markets

The Group will continue to improve lighting business in the UK and Nordic region by development of brand image and centralising management. We will focus on the project products at the high-end residential market, which offers high value-added products and improve the profit margin of the Group. Also, the Group will put more resources into developing standardized range of decorative products in D&H. The Group believes that the success of D&H will strengthen the NVC brand and improve the brand reputation in the overseas market. The Group will increase the sale and marketing event of IAQ products and horticulture lights in the UK ad Nordic regions. The UK management team anticipates it will be a strong drive of sale performance in second half of 2022.

Greater China

Through four major segments, namely promotion activities, terminal activities, online and offline marketing and channel construction, in 2022, the Group will enhance its brand awareness, and promote our brand promotion and sales platform in Greater China, so as to expand our business. With a continuous focus on consumer needs in the post-pandemic period, the Group takes safety, comfort and health as the three major directions of AIoT products. The Group will continue to improve the quality of the products and solutions projects. In the meantime, the Group will speed up the launch of new products to enhance product experiences for retail customers. By integrating AI and 5G into its products, the Group will provide customers with smarter, more friendly, higher quality and more comfortable household smart products.

Other Overseas Markets

The Group will continue to maintain long-term Southeast Asia regional partners to exclusively promote lighting products and ensure our brand presence in the marketplace. The Group will actively work towards introducing our major product lines and create strong demand for lighting and non-lighting products. so as to capture the dynamics of the market to be better prepared for our sales in the future.

The Group is also actively developing channels in the distribution markets of non-lighting products in the Middle East and North Africa. In the countries where the Group has footprinted, it will keep tapping into the depth of channels, enhance the coverage and influence of its products and brands, and continuously optimise its product portfolio to meet market needs, so as to increase its business momentum in multiple dimensions. In 2022, the Group plans to continue developing the business in North Africa and combine online and offline brand promotion activities to develop its distributor network and core customer base. The Group will develop different types of customers and promote the construction of distribution networks in a diversified manner. Through the operation of large-scale regional benchmark projects, the Group will enhance its brand's professional image and regional influence.

Brand Building, Product Development and Internal Management

The Group successfully gained widespread recognition through various brand promotion campaigns in the first half of 2021. In the coming year, the Group will make use of the D&H's century-old British brand history and its IAQ products to launch the D&H Lifelabs brand which focus on the field of "environment, life and health". It will lay a solid foundation for meeting the surge in market demand for IAQ products during the post-epidemic period and quickly occupying market share. We will also make use of our excellent product design capability and our ability to build intelligent product ecosystems to precisely meet consumers' needs and improve customer experience.

In 2022, the Group will focus on promoting the application of IAQ products in the market. The " CleanAire •空淨" product has the unique core technology of ultraviolet disinfection and sterilization in the industry. It is a multi-technology synthetic product which meets the diverse needs of customer groups, aiming to cater to different consumer groups and provide customers with a comfortable and safe life and living environment. "AquaSolvo • 水淨" products apply high-efficiency cold evaporation technology to volatilize hypochlorous acid into the air, which can actively disinfect indoor air. Those technologies, as core competitiveness in the brand, aim at the mid-to-high-end market, providing customers with advanced, harmless and efficient hypochlorous acid disinfection technology and solutions, and providing customers with a safe life and living environment. The Group aims to continuously bring customers an ideal lifestyle while providing high-quality services to customers, thereby fulfilling our mission of "Empowering Your LifeScape • 讓生活如你所願".

In respect of the raw material supply, raw material price control remains a key concern for the Group. With the uncertain international situation, the tightening of monetary policies in various countries and the tight energy supply, the Group expects the prices of raw materials will remain fluctuate. The Group's management team will further optimise its procurement strategy, follow macro policies and control costs by locking up materials at low prices, delaying price increases and centralising procurement. We will also establish strategic partnership with core suppliers to build a mutually beneficial cooperation model in the long term. In respect of internal management, the Group will continue to promote the optimisation of the decentralised approval process to enhance management effectiveness comprehensively. In addition, the Group will continue to promote the construction of digital and real-time platform throughout the Group. In 2022, the Group will be devoted to promoting the ERP system transformation in other subsidiaries and preparing for resource sharing, so as to realise globally cross-regional cooperation among main businesses, thereby improving the overall operating efficiency of the Group. Meanwhile, the Group will improve its ERP function with different new functions so as to further enhance governance effectiveness.

FINANCIAL REVIEW

Sales Revenue

Sales revenue represents the invoiced value of goods sold, after allowances for returns and trade discounts. During the Reporting Period, the sales revenue of the Group amounted to RMB2,374,947,000, representing an increase of 1.1% as compared with the sales revenue in the Corresponding Period.

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

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

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

	Year ended 31 December		
	2021	2020	Growth rate
Sales revenue from the PRC market			
Non-NVC brands	**251,503**	238,784	5.3%
Subtotal	**251,503**	238,784	5.3%
Sales revenue from international markets			
NVC brands	**312,728**	258,702	20.9%
Non-NVC brands	**1,810,716**	1,852,087	-2.2%
Subtotal	**2,123,444**	2,110,789	0.6%
Total	**2,374,947**	2,349,573	1.1%

The Group continues to focus on the lighting products in overseas market. During the Reporting Period, sales revenue from the PRC increased by 5.3%, due to the increase in the demand in the traditional lamp product market in PRC market. Meanwhile, international sales increased by 0.6%, mainly because of the strong demand of NVC lighting products in the UK market and the expansion of the NVC lighting products in Nordic market. It is offset by weak performance in overseas markets resulting from shortage of product supply and cargo ships which leads to decrease in the sale for non-NVC products by 2.2% 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, fluorescent powder, glass tubes, electronics components and LED packaged chips. Outsourced manufacturing costs primarily include the cost of purchased semi-finished products used in the production of our products and finished products produced by other manufacturers. Indirect costs primarily include water, electricity, depreciation and amortisation and others. The table below sets forth the composition of our cost of sales:

	Year ended 31 December			
	2021		2020	
	RMB'000	***Percentage in revenue (%)***	*RMB'000*	*Percentage in revenue (%)*
Raw materials (including outsourced manufacturing costs)	**1,459,481**	**61.5%**	1,464,557	62.3%
Labor costs	**165,567**	**7.0%**	141,631	6.0%
Indirect costs	**87,467**	**3.6%**	70,867	3.0%
Total	**1,712,515**	**72.1%**	1,677,055	71.4%

During the Reporting Period, the cost of sales as a percentage in revenue increased from 71.4% to 72.1%, while the gross profit margin slightly decreased from 28.6% to 27.9%. Despite the fact that the Group has transferred its production line to Vietnam to mitigate the impact of U.S. import tariffs, rapid increase in the prices of some commodities and labour cost lead to the increase in the production cost of the Group which offset some production cost savings. This resulted to a slightly decrease in the overall gross profit margin.

Gross Profit and Gross Profit Margin

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

During the Reporting Period, gross profit was RMB662,432,000, representing a slightly decrease of 1.5% as compared with the gross profit of sales from the continuing operations of the Corresponding Period, and gross profit margin of sales decreased from 28.6% to 27.9%. The gross profit and gross profit margin by segments are shown as follows:

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

	Year ended 31 December			
	2021		2020	
	RMB'000	*(%)*	*RMB'000*	*(%)*
Gross profit from PRC sales:				
Non-NVC brands	**42,710**	**17.0%**	53,398	22.4%
Subtotal	**42,710**	**17.0%**	53,398	22.4%
Gross profit from international sales:				
NVC brands	**105,804**	**33.8%**	73,271	28.3%
Non-NVC brands	**513,918**	**28.4%**	545,849	29.5%
Subtotal	**619,722**	**29.2%**	619,120	29.3%
Total	**662,432**	**27.9%**	672,518	28.6%

Due to complex global economic and social environment, the overall gross profit margin of the Group slightly decreased as compared with the Corresponding Period. It was mainly due to increased raw material prices and labour cost in 2021. However, the Group has implemented the following measures to mitigate the impact. Firstly, the Group gradually transferred the best-selling product lines to Vietnam factories where more preferential trade policies are provided, and strengthened procurement and technology to reduce costs, which mitigated the impact of high commodities price; secondly, the Group expanded its exposure in Nordic market, where it generated more gross profit to the Group; and lastly, it accelerated the development and promotion of new products, and provided customisation products and services to increase the added value and gross profit margin of new products, which contributed to the gradual increase in the proportion of new products with high gross profit margin, leading to an effective increase in the overall gross profit margin.

Other Income

Our other income mainly consists of waiver of special dividend from an associate, government grants and other subsidies, bank and other interest income, surcharges from suppliers, rental income, consultancy service income, trademark licensing fee, samples recharged to customers and others (the breakdown of other income is provided in Note 4 to the consolidated financial statement in this announcement). We received various types of government grants in the form of tax subsidies, incentives for research and development activities, expansion of production capacity of energy-saving lamp and the support of the payroll of the Group's employees resulting from the COVID-19 pandemic. During the Reporting Period, other income of the Group decreased significantly to RMB46,524,000 as compared with the other income from the Corresponding Period, which was mainly due to the waiver of special dividend from an associate during the Corresponding Period and the decrease of government grants recognised.

Other Gains and Losses

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

Selling and Distribution Costs

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

During the Reporting Period, the selling and distribution costs were RMB272,684,000, representing an increase of 21.9% as compared with the selling and distribution costs from the Corresponding Period. The selling and distribution costs as a percentage in revenue increased from 9.5% to 11.5% as well mainly due to significant increase in freight rate which leads to higher transportation costs on selling in overseas market.

Administrative Expenses

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

During the Reporting Period, the administrative expenses were RMB256,222,000, representing a decrease of 6.5% as compared with the administrative expenses from continuing operations of the Corresponding Period, our administrative expenses as a percentage in revenue decreased from 11.7% to 10.8%, which was mainly due to the fact that the Group strengthened internal operation management and tightened expenses to cut down our expenditures during pandemic in the Reporting Period.

Finance Costs

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

Share of Results of Associates

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

Income Tax

During the Reporting Period, the Group's income tax increased significantly to RMB29,524,000 as compared with the income tax from the Corresponding Period. It is mainly due to overprovision of prior year tax expenses was recorded in the Corresponding Period.

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

Due to the factors mentioned above, our profit for the year (including profit attributable to non-controlling interests) was RMB33,466,000 during the Reporting Period.

Profit Attributable to Owners of the Company for the Year

Due to the factors mentioned above, profit attributable to owners of the Company was RMB5,814,000 during the Reporting Period.

Profit for the Year Attributable to Non-controlling Interests

During the Reporting Period, profit for the year attributable to non-controlling interests was RMB27,652,000.

Liquidity

Sufficiency of net current assets and working capital

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
CURRENT ASSETS		
Inventories	**624,038**	421,673
Trade and bills receivables	**500,403**	498,777
Other receivables, deposits and prepayments	**113,581**	95,957
Tax recoverable	**13,879**	1,658
Financial assets at fair value through profit or loss	**40,600**	25,251
Pledged bank deposits	**83,272**	75,671
Bank balances and cash	**948,268**	1,226,773
Subtotal current assets	**2,324,041**	2,345,760
CURRENT LIABILITIES		
Trade payables	**609,820**	561,320
Other payables and accruals	**254,301**	252,551
Contract liabilities	**34,205**	47,028
Borrowings	**40,035**	30,043
Deferred income	**1,009**	1,009
Lease liabilities	**14,890**	17,628
Tax liabilities	**15,937**	45,519
Subtotal current liabilities	**970,197**	955,098
NET CURRENT ASSETS	**1,353,844**	1,390,662

As at 31 December 2021 and 31 December 2020, the total net current assets of the Group amounted to RMB1,353,844,000 and RMB1,390,662,000, respectively, and the current ratio was 2.40 and 2.46, respectively. In light of our current liquidity position and our projected cash inflows generated from operations, the Directors believe that the Group has sufficient working capital for our present requirements and for the next 12 months.

Capital Management

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Borrowings	**40,035**	33,659
Total debt	**40,035**	33,659
Less: cash and cash equivalents	**(948,268)**	(1,226,773)
Net debt	**N/A**	N/A
Total equity attributable to owners of the Company	**3,195,184**	3,224,627
Gearing ratio	**N/A**	N/A

The primary goal of our capital management is to maintain the stability and growth of our financial position. We regularly review and manage our capital structure and make corresponding adjustments, after taking into consideration changes in economic conditions, our future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. We manage our capital by monitoring our gearing ratio (which is calculated as net debt divided by the total equity attributable to owners of the Company). Net debt is the balance of interest-bearing loans and borrowings less cash and cash equivalents and short-term deposits.

Capital Expenditure

We funded our capital expenditure with cash generated from operations and bank loans. Our capital expenditure is primarily related to expenditure on property, plant and equipment and other intangible assets. During the Reporting Period, the Group's capital expenditure amounted to RMB113,771,000, mainly attributable to the increase in cost of leasehold improvements, machinery equipment, furniture and fixtures, computer equipment and customer relationships.

Off-balance Sheet Arrangement

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

Capital Commitments

As at 31 December 2021, the capital commitments in respect of purchase of property, plant and equipment, acquisition of interest in investments, acquisition of interests in associates and acquisition of interests in a subsidiary were RMB42,327,000 (31 December 2020: RMB29,336,000).

OUTBREAK OF COVID-19

In 2021, despite the worldwide outbreak of the COVID-19 pandemic, the Group actively took measures to overcome the adverse impact of the pandemic through keen control over the situation and capture of business opportunities in the post-pandemic era, leading to an increase in the overall sales performance as compared with the Corresponding Period. As the pandemic has not yet been completely eliminated, there will still be full of challenges and uncertainties in international market in 2022. The Directors will continue to evaluate the impact of the pandemic on the operation and financial performance of the Group and closely monitor the risks and uncertainties faced by the Group in connection with the pandemic. In addition, the Group will adhere to prudent financial management in channel expansion, brand promotion and cost control, and it is expected that the Group is still able to maintain sufficient cash reserves.

CONTINUING CONNECTED TRANSACTIONS

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

MERGERS, ACQUISITIONS, INVESTMENTS AND DISPOSALS

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

During the Reporting Period, UK NVC acquired a 100% equity interest in NVC DK A/S. NVC DK A/S is principally engaged in the sales and distribution of lighting products and was acquired with the objective of expanding the Group's customer base in Denmark.

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

MARKET RISKS

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

Foreign Currency Risk

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

Commodity Price Risk

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

Liquidity Risk

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

Credit Risk

Our major credit risk arises from exposure to a substantial number of trade and bills receivables, deposits and other receivables from debtors. We have policies in place to ensure that the sales of products are made to customers with an appropriate credit limit, and we have strict control over credit limits of trade receivables. Our cash and short-term deposits are mainly deposited with registered banks in Mainland China, Hong Kong and Singapore. We also have policies that limit our credit risk exposure to any financial institutions. The carrying amounts of trade and bills receivables, deposit-pledges and other receivables, cash and cash equivalents and short-term deposits included in the consolidated statement of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have no other financial assets which carry significant exposure to credit risk. In 2021, we entered into a number of one-year insurance contracts with China Export & Credit Insurance Corporation, which covered 70% or 90% uncollectible receivables from international sales during the period from 1 July 2020 to 31 December 2022 with a maximum compensation amount of US$31,280,000 (equivalent to approximately RMB201,675,000). We purchased such insurance in order to minimise our exposure to credit risk as we expand our business. We plan to renew such insurance contracts when they become due.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Company occurred since 31 December 2021 and up to the date of this announcement.

FINAL DIVIDEND

The Board has proposed not to declare final dividend for the year ended 31 December 2021.

ANNUAL GENERAL MEETING

The annual general meeting (the "**Annual General Meeting**") of the Company is scheduled to be held on Friday, 17 June 2022. A notice convening the Annual General Meeting will be published and dispatched to the shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 13 June 2022.

EMPLOYEES

As at 31 December 2021, the Group had approximately 3,165 employees in total (31 December 2020: 3,331). The Group regularly reviews remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contributions, employee provident fund schemes, discretionary incentive and share option schemes.

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

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

CORPORATE GOVERNANCE

The requirements under the New CG Code which came into effect on 1 January 2022 shall apply to the Company's corporate governance report for the financial year commencing on 1 January 2022. During the Reporting Period, the Directors are of the opinion that the Company had complied with the principles and code provisions set out in the Previous CG Code (the requirements under which are applicable to the Reporting Period), except for the following code provision.

Code Provision A.5.1 of the Previous CG Code (which was upgraded to Rule 3.27A of the Listing Rules with effect from 1 January 2022) required that, *inter alia*, nomination committee established by a listed issuer should comprise a majority of independent non-executive directors. On 17 September 2021, Mr. JIA Hongbo resigned as an Independent Non-executive Director, he therefore ceased to act as, *inter alia*, a member of the nomination committee of the Board (the "**Nomination Committee**"). Consequently, the number of members of the Nomination Committee was reduced from three to two and thus failed to meet the composition requirement of the nomination committee under Code Provision A.5.1 of the Previous CG Code. Subsequently, Mr. CHEN Hong was appointed as an Independent Non-executive Director as well as, *inter alia*, a member of the Nomination Committee with effect from 1 December 2021. Since then, the Company has complied with the composition requirement of the nomination committee under Code Provision A.5.1 of the Previous 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 the Directors, and all the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code during the Reporting Period.

AUDIT COMMITTEE

The Company established an Audit Committee in compliance with the Listing Rules with written terms of reference. The primary duties of the Audit Committee include maintaining relationship with the auditor of the Group, reviewing financial information of the Group, supervising the financial reporting system, risk management and internal control system of the Group, and the duties of corporate governance designated by the Board. During the Reporting Period, Mr. JIA Hongbo resigned as an Independent Non-executive Director on 17 September 2021, and therefore ceased to act as a member of the Audit Committee. Subsequently, Mr. CHEN Hong was appointed as an Independent Non-executive Director on 1 December 2021 and, *inter alia*, as a member of the Audit Committee on 1 December 2021. Upon such appointment, the Company has fully complied with the minimum number of independent non-executive directors requirement under Rules 3.10(1) and 3.10A of the Listing Rules, and the composition requirement of the audit committee under Rule 3.21 of the Listing Rules. As at 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 annual results for the Reporting Period.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "**Remuneration Committee**") in compliance with the Listing Rules with written terms of reference. The primary duties of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all Directors and senior management, and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. As at 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 in compliance with the Previous 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. During the Reporting Period, Mr. JIA Hongbo resigned as an Independent Non-executive Director on 17 September 2021 and therefore ceased to act as a member of the Nomination Committee. Subsequently, Mr. CHEN Hong was appointed as an Independent Non-executive Director on 1 December 2021 and, *inter alia*, as a member of the Nomination Committee on 1 December 2021. As at 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 at the date of this announcement, the Strategy and Planning Committee consists of three Executive Directors and one Independent Non-executive Director as members, namely, Mr. WANG Donglei, Ms. CHAN Kim Yung, Eva, Mr. XIAO Yu and Mr. WANG Xuexian, respectively. Mr. WANG Donglei is the chairman of the Strategy and Planning Committee.

CHANGES OF DIRECTORS AND CHANGES IN THEIR INFORMATION

From 1 January 2021 to the date of this announcement, the changes of Directors and Board Committees, and changes in the Directors' personal information are as follows:

Mr. WANG Donglei

- On 29 January 2021, Mr. WANG Donglei ("**Mr. Wang**"), the Company's chairman and Executive Director, has been included in the List of Dishonest Persons published by the Beijing No.2 Intermediate People's Court, as a result of an ongoing debt dispute. For details, please refer to the Company's announcement dated 19 March 2021.

- Mr. Wang received an Advance Notice of Administrative Penalties (Chu Fa Zi [2021] No. 2) issued by the Anhui Regulatory Bureau of the China Securities Regulatory Commission on 7 April 2021, in relation to his role as a director and the de facto controller of ETIC. Mr. Wang further received a Decision of Administrative Penalties issued by the Anhui Securities Regulatory Bureau on 13 September 2021. For details, please refer to the Company's announcements dated 9 April 2021 and 20 September 2021.

- On 11 May 2021, Mr. Wang resigned as a director of ETIC. His indirect interests held in ETIC through Wuhu Elec-Tech Investment Co., Ltd.*（蕪湖德豪投資有限公司）also ceased in August 2021.

- Mr. Wang has been appointed as the Chief Technology Officer of the Company with effect from 19 July 2021.

Mr. WANG Dongming

- Mr. WANG Dongming was re-designated from a Non-executive Director to an Executive Director and was appointed as a member of the Strategy and Planning Committee on 1 May 2021.

- Mr. WANG Dongming retired as an Executive Director with effect from the conclusion of the Company's annual general meeting held on 11 June 2021 (the "**2021 AGM**"). Due to his retirement, he also ceased to be a member of the Strategy and Planning Committee at the conclusion of the 2021 AGM.

Ms. CAO Qin

- Ms. CAO Qin has been appointed as an Executive Director with effect from 19 July 2021.

Mr. JIA Hongbo

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

- Mr. JIA Hongbo resigned as an Independent Non-executive Director, a member of the Audit Committee and a member of the Nomination Committee with effect from 17 September 2021.

Mr. CHEN Hong

- Mr. CHEN Hong has been appointed as an Independent Non-executive Director, a member of the Audit Committee and a member of the Nomination Committee with effect from 1 December 2021.

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

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

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

REVIEW OF ACCOUNTS

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

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board of Directors on 8 April 2022. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

APPRECIATION

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

DEFINITIONS

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

"Board"	the board of Directors of the Company.
"China" or "PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to "China" and the "PRC" do not apply to Taiwan, the Macau Special Administrative Region and Hong Kong.
"Company"	NVC International Holdings Limited (雷士國際控股有限公司) (formerly known as NVC Lighting Holding Limited (雷士照明控股有限公司)), a company incorporated in the British Virgin Islands on 2 March 2006 and subsequently redomiciled to the Cayman Islands on 30 March 2010 as an exempted company with limited liability under the laws of the Cayman Islands. The shares of the Company are listed on the main board of the Stock Exchange.
"Corresponding Period"	the year ended 31 December 2020.
"Director(s)"	the director(s) of the Company.
"ETIC"	Elec-Tech International Co., Ltd.* (安徽德豪潤達電氣股份有限公司) (formerly known as Elec-Tech International Co., Ltd.* (廣東德豪潤達電氣股份有限公司)), a PRC incorporated company whose shares are currently listed on the Shenzhen Stock Exchange. It is a substantial shareholder of the Company.
"Group"	the Company and its subsidiaries.
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong.

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China.
"LED"	light-emitting diode.
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.
"New CG Code"	the new Corporate Governance Code as set out in the existing Appendix 14 to the Listing Rules, the requirements under which are applicable to the financial year commencing on 1 January 2022.
"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.
"Previous CG Code"	the Corporate Governance Code and the Corporate Governance Report as set out in the previous Appendix 14 to the Listing Rules before the New CG Code came into effect on 1 January 2022, the requirements under which are applicable to the Reporting Period.
"Reporting Period"	the year ended 31 December 2021.
"RMB"	Renminbi, the lawful currency of the PRC.
"Share(s)"	ordinary share(s) of US$0.0000001 each in the share capital of the Company.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction.

"US$"	United States dollars, the lawful currency of the United States.
"UK NVC"	NVC Lighting Limited (formerly known as NVC (Manufacturing) Limited), a private company incorporated in England and Wales on 31 May 2007, and our direct wholly-owned subsidiary.
"we", "us"or"our"	the Company or the Group (as the context may require).

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

On behalf of the Board
NVC International Holdings Limited
Chairman
WANG Donglei

Hong Kong, 8 April 2022

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

Executive Directors:
WANG Donglei
CHAN Kim Yung, Eva
XIAO Yu
CAO Qin

Non-executive Directors:
WANG Keven Dun
YE Yong

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