Wai Chi Holdings Company Limited
偉志控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1305)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	2020	2019
	HK$'000	*HK$'000*
Revenue	**1,395,888**	2,214,974
Gross profit	**198,417**	228,967
Gross profit margin	**14.2%**	10.3%
Profit for the year	**31,030**	37,148
Basic and diluted earnings per share	**HK14 cents**	HK17 cents

FINAL RESULTS

The Board of Directors (the "**Board**") of Wai Chi Holdings Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 31 December 2020, together with comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Revenue	4	**1,395,888**	2,214,974
Cost of sales		**(1,197,471)**	(1,986,007)
Gross profit		**198,417**	228,967
Other income	4	**20,707**	21,148
Selling and distribution expenses		**(25,356)**	(25,553)
Administrative expenses		**(84,934)**	(101,597)
Other gains and losses		**4,939**	(2,303)
Research and development expenses		**(54,978)**	(50,812)
Finance costs	6	**(28,094)**	(29,681)
Profit before tax		**30,701**	40,169
Income tax credit (expense)	7	**329**	(3,021)
Profit for the year	8	**31,030**	37,148
Profit for the year attributable to:			
– Owners of the Company		**30,958**	37,148
– Non-controlling interest		**72**	–
		31,030	37,148
		HK$	*HK$*
Earnings per share			
Basic and diluted	13	**0.14**	0.17

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
Profit for the year	**31,030**	37,148
Other comprehensive income that will not be reclassified subsequently to profit or loss:		
Fair value gain on equity instruments designated at fair value through other comprehensive income	**448**	–
Other comprehensive income (expense) that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**42,688**	(20,980)
Other comprehensive income for the year	**43,136**	(20,980)
Total comprehensive income for the year	**74,166**	16,168
Total comprehensive income for the year attributable to:		
– Owners of the Company	**73,996**	16,168
– Non-controlling interest	**170**	–
	74,166	16,168

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**248,072**	245,520
Right-of-use assets		**62,304**	50,776
Deposit paid for acquisition of property, plant and equipment		**52,898**	5,582
Deferred taxation		**8,312**	8,455
Deposits with bank		**178,223**	–
Financial assets at fair value through profit or loss		**3,510**	–
Financial assets at fair value through other comprehensive income		**3,683**	–
		557,002	310,333
Current assets			
Inventories	9	**220,710**	211,584
Trade receivables	10	**566,740**	454,279
Bills receivables	10	**157,675**	92,069
Prepayments, deposits and other receivables	11	**151,101**	262,668
Pledged bank deposits		**277,267**	176,963
Bank balances and cash		**101,520**	101,816
		1,475,013	1,299,379
Current liabilities			
Trade payables	12	**295,154**	241,923
Bills payables	12	**545,268**	296,147
Other payables and accruals	12	**35,967**	55,812
Contract liabilities		**6,210**	8,518
Bank and other borrowings		**346,569**	288,171
Lease liabilities		**8,974**	4,539
Income tax payables		**5,912**	9,294
		1,244,054	904,404

	2020	2019
	HK$'000	*HK$'000*
Net current assets	**230,959**	394,975
Total assets less current liabilities	**787,961**	705,308
Non-current liabilities		
Lease liabilities	**15,419**	10,343
Corporate bond	**1,896**	1,856
Government grants	**18,398**	17,420
Deferred taxation	**381**	–
	36,094	29,619
Net assets	**751,867**	675,689
Capital and reserves		
Share capital	**2,168**	2,168
Reserves	**747,687**	673,521
Equity attributable to owners of the Company	**749,855**	675,689
Non-controlling interests	**2,012**	–
Total equity	**751,867**	675,689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

Wai Chi Holdings Company Limited (the "**Company**") is a company incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 16 August 2013 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 18 November 2014. Its ultimate controlling party is Mr. Yiu Chi To. The address of the registered office of the Company is Offshore Incorporations (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is 6th Floor, Liven House, 63 King Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are manufacturing and trading of Light-Emitting Diode ("**LED**") backlight and LED lighting products and provision of high-tech electronic components and products sourcing business.

The functional currency of the Company and the subsidiaries incorporated in Hong Kong are Hong Kong dollars ("**HK$**") while that of the subsidiaries established in the People's Republic of China (the "**PRC**") are Renminbi ("**RMB**"). For the purpose of presenting the consolidated financial statements, the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") adopted HK$ as its presentation currency.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards ("**HKFRSs**") and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which are effective for the Group's financial year beginning 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments[5]
Amendments to HKFRS 3	Reference to Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle[3]

[1] Effective for annual periods beginning on or after 1 January 2021.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or after 1 January 2022.
[4] Effective for annual periods beginning on or after 1 June 2020.
[5] Effective for annual periods beginning on or after 1 January 2023.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value at the end of each reporting period.

Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

4. REVENUE AND OTHER INCOME

	2020 ***HK$'000***	2019 *HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
Sales of goods		
LED backlight	**988,091**	950,106
LED lighting	**74,360**	94,777
Sourcing business	**333,437**	1,170,091
	1,395,888	2,214,974

	2020 ***HK$'000***	2019 *HK$'000*
Disaggregation of revenue by timing of recognition		
Timing of revenue recognition		
At a point in time	**1,395,888**	2,214,974

An analysis of the Group's other income for the year is as follows:

	2020	2019
	HK$'000	*HK$'000*
Other income		
Bank interest income	**3,605**	8,241
Government grants *(Note)*	**11,707**	8,102
Sales of scrapped materials	**13**	1,424
Gain on disposal of property, plant and equipment	**–**	23
Sundry income	**5,382**	3,358
	20,707	21,148

Note: Included in the amount, there are government grants immediately recognised as other income during the year ended 31 December 2020 of HK$10,436,000 (2019: HK$7,965,000) which were received from the PRC government in respect of certain research projects and salaries subsidies. In addition, the Group recognised government grants of HK$1,135,000 (2019: nil) in respect of COVID-19 related subsidies, which is related to the Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

During the year ended 31 December 2020, an amount of HK$136,000 (2019: HK$137,000) being government grants was recognised as deferred income utilised during the year.

5. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker (the "**CODM**") for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. In addition, for both LED backlight and LED lighting operations and sourcing business of high-tech electronic components and products, the information reported to the CODM is further broken down into different types of products and application of products. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. LED backlight – Manufacture and trading of LED backlight products in different sizes and applications

2. LED lighting – Manufacture and trading of LED lighting products for public and commercial use

3. Sourcing business – Provision of high-tech electronic components and memory chips related products sourcing business

Segment revenues and results

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

For the year ended 31 December 2020

	LED backlight *HK$'000*	**LED lighting** *HK$'000*	**Sourcing business** *HK$'000*	**Total** *HK$'000*
REVENUE				
External sales	**988,091**	**74,360**	**333,437**	**1,395,888**
Segment profit	**92,500**	**6,048**	**17,432**	**115,980**
Unallocated income				**9,041**
Unallocated expenses				**(67,467)**
Unallocated finance costs				**(26,853)**
Profit before tax				**30,701**

For the year ended 31 December 2019

	LED backlight *HK$'000*	LED lighting *HK$'000*	Sourcing business *HK$'000*	Total *HK$'000*
REVENUE				
External sales	950,106	94,777	1,170,091	2,214,974
Segment profit	119,132	5,447	19,034	143,613
Unallocated income				11,599
Unallocated expenses				(85,785)
Unallocated finance costs				(29,258)
Profit before tax				40,169

Revenue from major products

Analysis by type of products

	2020	2019
	HK$'000	*HK$'000*
LED backlight		
– Small dimension	**307,942**	324,281
– Medium dimension	**618,492**	518,071
– Large dimension	**61,657**	107,754
Sub-total	**988,091**	950,106
LED lighting		
– Indoor lighting	**71,801**	79,006
– Outdoor lighting	**2,559**	15,771
Sub-total	**74,360**	94,777
Sourcing business		
– High-tech electronic components and products sourcing	**88,987**	1,150,867
– Memory chips related products sourcing	**244,450**	19,224
Sub-total	**333,437**	1,170,091
Total	**1,395,888**	2,214,974

Analysis by application of products

	2020	2019
	HK$'000	*HK$'000*
LED backlight		
– Automobile displays	**706,600**	639,290
– Equipment displays	**220,580**	204,038
– Televisions	**60,911**	106,778
Sub-total	**988,091**	950,106
LED lighting		
– Public lighting	**2,559**	15,770
– Commercial lighting	**71,801**	79,007
Sub-total	**74,360**	94,777
Sourcing business		
– High-tech electronic components and products sourcing	**88,987**	1,150,867
– Memory chips related products sourcing	**244,450**	19,224
Sub-total	**333,437**	1,170,091
Total	**1,395,888**	2,214,974

6. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest expenses on:		
– Bank and other borrowings	**15,473**	17,162
– Corporate bond	**200**	200
– Lease liabilities	**1,241**	423
– Bills payables	**11,180**	11,896
	28,094	29,681

7. INCOME TAX (CREDIT) EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Current income tax		
PRC Enterprise Income Tax		
– Current year	**259**	7,246
– Over-provision in prior years	**(1,616)**	(3,694)
	(1,357)	3,552
Deferred taxation	**1,028**	(531)
Total income tax (credit) expense for the year	**(329)**	3,021

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 2020 and 2019.

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 companies is 25% for the year ended 31 December 2020 (2019: 25%).

Pursuant to the relevant laws and regulations in the PRC, the Group's subsidiaries, Wai Chi Opto Technology (Shenzhen) Limited* (偉志光電(深圳)有限公司) and Huizhou Wai Chi Electronics Company Limited* (惠州偉志電子有限公司), were accredited as high-tech enterprises. They are entitled to the preferential tax rate of 15% for both years.

* *The English name is for identification purpose only*

8. PROFIT FOR THE YEAR

	2020	2019
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments	**6,082**	5,879
Salaries and allowances (excluding directors)	**183,402**	192,629
Retirement benefit scheme contributions (excluding directors)	**11,625**	16,982
Total staff costs	**201,109**	215,490
Auditor's remuneration	**1,045**	1,045
Net foreign exchange losses	**505**	503
Cost of inventories recognised as expenses (included in cost of sales) *(Note a)*	**1,197,471**	1,986,007
Depreciation of property, plant and equipment	**45,261**	43,207
Depreciation of right-of-use-assets	**7,710**	2,593
Loss on write-off of property, plant and equipment	**123**	286
Lease expenses for short-term leases	**3,521**	6,845

Note:

(a) Cost of inventories recognised as an expense included depreciation of property, plant and equipment and staff costs of HK$41,515,000 (2019: HK$37,130,000) and HK$127,037,000 (2019: HK$132,910,000) respectively. The amounts were also included in the respective amounts disclosed above.

9. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Raw materials	**20,621**	18,065
Work-in-progress	**84,148**	90,719
Finished goods	**115,941**	102,800
	220,710	211,584

10. TRADE AND BILLS RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Receivables at amortised cost comprise:		
Trade receivables	**592,182**	484,539
Less: allowance for impairment	**(25,442)**	(30,260)
	566,740	454,279
Bills receivables	**157,675**	92,069
	724,415	546,348

As at 31 December 2020, the gross amount of trade receivable arising from contracts with customers amounted to HK$592,182,000 (2019: HK$484,539,000).

The Group allows an average credit period of 15 to 180 days (2019: 15 to 180 days) to its trade customers. The following is an aged analysis of trade receivables (net of allowance for impairment of trade receivables) presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2020	2019
	HK$'000	*HK$'000*
0 to 90 days	**554,649**	427,829
91 to 180 days	**8,369**	19,893
181 to 365 days	**3,722**	3,125
Over 365 days	**–**	3,432
	566,740	454,279

All the bills receivables are aged within 365 days.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Deposits and other receivables	**75,779**	43,627
Less: allowance for impairment of other receivables	**(2,652)**	(2,184)
	73,127	41,443
Value added tax receivables	**3,831**	2,754
Prepayments	**74,143**	218,471
	151,101	262,668

12. TRADE, BILLS AND OTHER PAYABLES AND ACCRUALS

	2020	2019
	HK$'000	*HK$'000*
Trade payables *(Note a)*	**295,154**	241,923
Bills payables *(Note a)*	**545,268**	296,147
	840,422	538,070
Other payables	**6,848**	29,122
Accrued expenses	**21,906**	21,159
Value added tax payables	**7,213**	5,531
	35,967	55,812
	876,389	593,882

Note:

(a) The aging analysis of trade payables presented based on the invoice dates at the end of the reporting period is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 to 90 days	**264,392**	190,615
91 to 180 days	**22,850**	44,689
181 to 365 days	**1,500**	1,074
Over 365 days	**6,412**	5,545
	295,154	241,923

The average credit period on purchase of goods is from 30 days to 90 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

The bills payables are aged within 365 days.

13. EARNINGS PER SHARE

	2020	2019
	HK$'000	*HK$'000*
Earnings for the purpose of basic and diluted earnings per share	**30,958**	37,148

	2020	2019
Number of ordinary shares for the purpose of basic and diluted earnings per share	**216,825,000**	216,825,000
Basic and diluted earnings per share *(HK$ per share)*	**0.14**	0.17

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during both years.

14. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In the midst of a series of global and regional socioeconomical events, the outbreak of Novel Coronavirus (the "**COVID-19**") across nations has further pushed economies and businesses to the brink. Given the scale and pervasiveness of the COVID-19 pandemic, lockdowns, testing, quarantines, and other subsequent measures, it had inevitably put many economic activities to an unprecedented standstill. In the People's Republic of China (the "**PRC**"), restricted mobility and factory closure at different levels brought manufacturing to a halt and resulted in supply-chain disruption during the first two quarters of this year. The impacts are shown in China's 6.8% GDP contraction in the first quarter of 2020, which is the first economic contraction since the 1970s as revealed by the National Bureau of Statistics.

Notwithstanding that China's first-quarter GDP shrank, it ended up being the only major economy that reported economic growth for 2020 and began recovery from its losses in the pandemic. After the domestic outbreak was brought under control and subsided, the PRC government eased the mandatory anti-epidemic measures, many production activities have accelerated under controllable situation, and most domestic business activities have then returned to normal by the fourth quarter. China's GDP expanded 6.5% in the fourth quarter as recovery has gained momentum on the economic front.

However, adding to the year-long global public health crisis, great fluctuations in RMB and US Dollar currencies have also posed an emerging challenge to China's exporters in 2020. After five years of significant RMB depreciation, RMB appreciated 6.3% in 2020, with an 8.5% rise over the second half of the year alone, pushing it to its strongest level against the US Dollar since 2018. This has left the issue of lower gross profit margins with Chinese manufacturers and exporters, as they have suffered from higher costs under stronger RMB currency but lower returns in US Dollars.

In terms of the LED industry, the lighting sector continued to be competitive due to decreasing demand for LED lighting projects which can be profoundly affected by public policy interventions and municipality support. Meanwhile, the backlighting sector has been facing signs of recession as substitute technologies including OLED, Mini LED and Micro LED mature. With lower costs, these improved technologies are likely to replace LCD displays in the future, which continue to bring down the demand for LED backlights especially for television displays sector, restraining growth in such sector.

The demand for LED backlights prevails in the automotive display market in 2020, as digitalised panels continue to be widely adopted. In fact, not only on automotive vehicles, it is noteworthy that there was a growing demand for equipment displays backlight products as LCD displays are being adopted in many devices that used not to have a screen. That trend is supplemented by a growing sales volume in medical devices, possibly related to COVID-19 pandemic.

Along with smart home technology, LCD displays will not be the only last-generation technology to have new application scenarios. Small-storage memory chips that provide high-density non-volatile memory storage solution to support the embedded systems for smart electronic devices is on the rise too. As China added 600,000 5G base stations in the country in the year 2020, it will undoubtedly create opportunities across many industries, among which the Single-Level Cell (SLC) and Multi-Level Cell (MLC) NAND flash products that are embedded in 5G modems and Internet of Things (IOT)-enabled devices are expected to come to be in great demand.

Business Review

For the year 2020, the Group's resilience has been strongly tested in times of the COVID-19 pandemic and many other heightened uncertainties. Although the Group's production was forced to halt at the beginning of the year due to the imposition of lockdown restrictions in the PRC, the Group's operation soon resumed with the implementation of health and safety precautionary measures, and its core business sectors have gradually recovered from the impacts of COVID-19 pandemic by the end of 2020.

The enterprise resource planning ("**ERP**") system implemented by the Group was especially effective in cost control through timely monitoring of its operation process to promote information exchange between functions, storing and managing operational data. It has enhanced financial and work efficiency with a higher level of process automation during the manufacturing process.

The total revenue for the year ended 31 December 2020 was approximately HK$1,395,888,000, representing a decrease of 37.0% as compared to approximately HK$2,214,974,000 for the year ended 31 December 2019. Disregarding the high-tech electronic components and product sourcing business, which was intended to fund the Group's transitional period temporarily, revenue from the core business sectors was approximately HK$1,062,451,000, representing an increase of 1.7% as compared to approximately HK$1,044,883,000 of the year ended 31 December 2019. Revenue from the sales of LED backlight products was approximately HK$988,091,000 (2019: approximately HK$950,106,000), representing an increase of 4.0%. Such increase was mainly contributed by the steady increase in sales of the automobile onboard displays and the other industrial equipment displays, which grew 10.5% and 8.1% respectively. Revenue from the sales of LED lighting products was approximately HK$74,360,000 (2019: approximately HK$94,777,000), representing a decrease of 21.5%, which was on account of an 83.8% decrease in revenue from the public lighting segment.

LED Backlight Business

The three types of the Group's LED backlight products are: 1) automobile onboard displays; 2) television displays; and 3) other industrial equipment displays. For the year ended 31 December 2020, revenue derived from LED backlight products in automobile onboard displays, television displays and industrial equipment displays were approximately HK$706,600,000, HK$60,911,000 and HK$220,580,000, respectively.

Automobile onboard displays recorded a 10.5% increase in sales for the year ended 31 December 2020. It continued to be the largest contribution to the Group's LED backlight business during the year ended 31 December 2020, representing approximately 71.5% of total LED backlight products sales (2019: approximately 67.3%).

Considering the declining price of OLED displays in the domestic television market, fewer consumers opt for the lower-end LCD TVs. The Group, therefore, was not surprised by a drastic revenue drop of 43.0% in LED backlight products for television displays for the year ended 31 December 2020.

Equipment displays backlight products recorded an increase of 8.1% in revenue for the year ended 31 December 2020, which was attributable to the increased production for medical devices and other industrial equipment.

	for the year ended 31 December			
LED Backlight	**2020**		2019	
Revenue Breakdown	***HK$'000***	***%***	*HK$'000*	*%*
Automobile Displays	**706,600**	**71.5**	639,290	67.3
Televisions	**60,911**	**6.2**	106,778	11.2
Equipment Displays	**220,580**	**22.3**	204,038	21.5
	988,091	**100.0**	950,106	100.0

LED Lighting Service Business

The Group's LED lighting business is classified into two categories, namely public lighting and commercial lighting. The Group provides various services including products, lighting solutions design, installation, and maintenance etc. During the year ended 31 December 2020, revenues from public lighting and commercial lighting were approximately HK$2,559,000 and HK$71,801,000 respectively, observing decreases in the former of 83.8% and in the latter of 9.1% (2019: approximately HK$15,770,000 and HK$79,007,000).

The decrease in the Group's public lighting business was mainly due to the halt in production at the production plant in Yichang in the Hubei province since the COVID-19 outbreak in the PRC and decreasing public lighting projects available in the PRC market. For the year ended 31 December 2020, the Group continued its enterprising efforts on commercial lighting business through searching for more project opportunities in Europe, Australia, and New Zealand. The Group has attained stable revenue from the commercial lighting segment as projects were resumed in the fourth quarter of 2020 when the COVID-19 pandemic was under control.

	for the year ended 31 December			
LED Lighting	**2020**		2019	
Revenue Breakdown	***HK$'000***	***%***	*HK$'000*	*%*
Public Lighting	**2,559**	**3.4**	15,770	16.6
Commercial Lighting	**71,801**	**96.6**	79,007	83.4
	74,360	**100.0**	94,777	100.0

Sourcing Business

As a temporary source of income to fund the transitional period, the Group has been engaged in sourcing high-tech electronic components and products. Starting from the year ended 31 December 2019, the Group added a new collection of products to this segment, namely, memory chips related products, aiming for higher profit margin and more value added product mix. During the year ended 31 December 2020, there was a shift of focus, and this segment currently mainly involves the trading of memory chips related products, which is in line with the Group's future business expansion into the semiconductor memory field. For the year ended 31 December 2020, revenue from the sourcing segment was approximately HK$333,437,000 (2019: approximately HK$1,170,091,000), representing a significant decrease of approximately 71.5%, being a result of resource allocation to focus on the Group's future expansion into the small-storage memory chips business sector. During the year ended 31 December 2020, revenue from sourcing memory chips related products reached approximately HK$244,450,000 (2019: approximately HK$19,224,000), attaining a growth of approximately 1,171.6%. Segment gross profit was approximately HK$17,582,000 (2019: approximately HK$19,033,000), which was more or less similar to last year, due to the significant increase in segment gross profit margin from 1.6% to 5.3%, on account of the strategic shifting of focus onto the higher-margin products.

	for the year ended 31 December			
Sourcing Business	**2020**		2019	
Revenue Breakdown	***HK$'000***	***%***	*HK$'000*	*%*
High-tech electronic components and products sourcing	**88,987**	**26.7**	1,150,867	98.4
Memory chips related products sourcing	**244,450**	**73.3**	19,224	1.6
	333,437	**100.0**	1,170,091	100.0

Quality Control

At the Company, a high level of quality control has proven to garner customer loyalty. The Group has established stringent quality control procedures to ensure the quality of its products. From the very beginning of designing a product to each stage throughout the manufacturing process, until the product is completed and stored, the Group's quality control staff ensure excellence in every aspect. There is a set of established procedures in selecting and approving new suppliers and raw materials, and thorough testing of product samples is carried out before mass production of the products.

The Group owns a series of advanced production and testing equipment for improving quality control. The Group has been awarded various certifications, including ISO 9001:2008 and ISO 14001:2004 for quality and environmental management systems, which serve as an important assurance of product quality and reliability.

Research And Development

The Group recognises the immense value of Research and Development ("**R&D**") capabilities and has become an agile and sharp industry player for its R&D efforts. As today's consumers consider not only quality but also diversity in many tech-related products, market research is vital to understand the needs and preferences of consumers. Moreover, amid the fast-changing consumer market, the R&D department is resourceful in supporting the Group's production and operation with well-informed research, which enables the Group to identify niche markets that offer profitable opportunities. By flexibly targeting market trends and technological advances, the Group endeavours to be always prepared for emerging possibilities so as to capture optimal business deals.

The Group's R&D centre is located in our production plant in Huizhou. The Group engages in various R&D activities, including (i) concurrent development of new product designs with our customers; (ii) improvement of product quality, efficiency and functionality of existing products; (iii) in-project calibration and optimization of the production processes and capability of the equipment; (iv) introduction and promotion of the use of new production technologies and new production materials; and (v) assessment of the future prospect and development trend of the LED industry. The Group has achieved a number of technological advancement and breakthroughs over the years and, as of 31 December 2020, the Group held 185 patents registered in the PRC. Looking forward, the Group will continue to enhance its R&D capabilities and prepare itself for the up-and-coming opportunities.

Awards For Corporate Responsibility

During the year ended 31 December 2020, Wai Chi Opto Technology Limited, a subsidiary of the Group, has received the Green Office Label awarded under the Green Office Awards Labelling Scheme ("**GOALS**") organised by the World Green Organization ("**WGO**") for the fifth year, in recognition of the Group's continued efforts in aiding environmental protection.

WGO launched GOALS in 2013 with the objectives of raising awareness of global environmental issues and encouraging corporations to implement the best green practices in their offices in 9 stipulated aspects of operations, including energy savings, water savings, waste reduction, paper and printing reduction, green procurement, IT use and disposal, transportation, education and awareness, and finally green innovation. Companies have to undergo a process of stringent green audit, during which the Group has demonstrated its commitment in corporate social responsibility by incorporating its green mission into daily practice and corporate culture.

Prospects

Following the devastating global public health and economic crisis unleashed by COVID-19, 2021 begins with a subdued economic recovery from the gravest recession in 2020. If the COVID-19 situation in the PRC remains under control, China's economy is likely to thrive in 2021, but it still takes time to get back to the level prior to the COVID-19 outbreak. Despite the COVID-19 pandemic is still unsettled in many countries, markets are adjusted to a 'new normal' after the year-long co-existence with the pandemic. The IMF forecaster expects that the global economic performance will be stronger in the second half of 2021. The Group is moving towards such dynamism and resilience, and continues to maintain close relationships with overseas clients for possible opportunities. In times of the digital revolution, it is believed that LCD displays will be installed in many more daily applications, even in devices that used not to have screen displays. The Group believes its backlight products will possibly remain stable in the coming year, especially for the automotive onboard displays and equipment displays.

According to the Ministry of Industry and Information Technology of the PRC, the PRC government plans to accelerate 5G roll-out to over 1,200,000 base stations nationwide for the 5G telecommunication network in 2021, further promoting 5G network infrastructure construction and application across the country. With government support, China is leading the way in its scale and coverage of 5G network. The adoption of 5G is expected to power the semi-conductor industry as all new chips, wafers, memory chips components are necessary in national 5G deployment.

Owing to the emerging IoT trend and the 5G deployment ahead, the Group is also aware that the SLC and MLC NAND Flash industry, among the semi-conductor industry, might enjoy a surge in demand in the future. NAND Flash memory chip is adopted to support the embedded systems in controlling the operation of machines or fulfilling designated tasks. Since many IoT products will require small-storage memory units, the rising consumption for IoT products could bring a higher demand for SLC and MLC NAND flash memory chips in the long term. Due to limited supply in the market, the rise in the price of NAND Flash is expected to continue in 2021. Considering the potentials of this niche market, the Group, therefore, has assured the access to the reliable supply of high-quality wafers and secured deals for acquiring memory chips packaging and testing equipment and facilities. The Group believes that its memory chips business will commence after the transaction is completed in the first quarter of 2021.

Financial Review

Revenue

During the year ended 31 December 2020, the sources of revenue for the Group were the sales of LED backlight, the sales of LED lighting products and the business of high-tech electronic components and products sourcing. The sales of the Group's LED backlight products were approximately HK$988,091,000, representing an increase of approximately 4.0% from 2019, which was mainly attributable to the increase of sales of automotive displays LED backlight products. The sales of the Group's LED lighting products were approximately HK$74,360,000, representing a decrease of approximately 21.5% from 2019. The decrease was mainly attributable to the 83.8% decrease in revenue from the public lighting segment. The revenue from the segment of high-tech electronic components and products sourcing recorded sales of approximately HK$333,437,000 (2019: HK$1,170,091,000), which was due to resource allocation to focus on the Group's future expansion into the small-storage memory chips business sector.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2020, gross profit from the sales of LED backlight and LED lighting products was approximately HK$180,835,000, representing a decrease of 13.9% from approximately HK$209,934,000 in 2019. Gross profit margin for these two segments decreased by 3.1 percentage points from 20.1% in 2019 to 17.0% in 2020. Gross profit and gross profit margin from high-tech electronic components and products sourcing were HK$17,582,000 and 5.3% (2019: HK$19,033,000 and 1.6%) respectively. For the year ended 31 December 2020, the Group's overall gross profit was approximately HK$198,417,000, representing a decrease of 13.3% from approximately HK$228,967,000 in 2019. Overall gross profit margin was 14.2% in 2020, representing an increase of 3.9 percentage points from 10.3% in 2019.

Selling and Distribution Expenses

Labour costs, sales commissions and transportation costs were the Group's major selling and distribution expenses. For the year ended 31 December 2020, the Group's selling and distribution expenses was approximately HK$25,356,000, representing a decrease of 0.8%.

Administrative Expenses

Administrative expenses refer to the general expenses incurred in offices and factories. The Group focuses on effective management by means of resource consolidation in the Shenzhen and Huizhou factories. For the year ended 31 December 2020, the Group's administrative expenses was approximately HK$84,934,000, which has decreased by 16.4% compared to approximately HK$101,597,000 for the year 2019. The decrease was mainly attributable to effective cost control and limited operations of operating center during the epidemic period.

Other Income

During the year ended 31 December 2020, other income was approximately HK$20,707,000, representing a decrease of 2.1% in comparison with approximately HK$21,148,000 for the year 2019.

Taxation

Taxation comprised current tax and movements in deferred tax assets and liabilities. Two of the Group's subsidiaries, Wai Chi Opto Technology (Shenzhen) Limited ("**Shenzhen Wai Chi**") and Huizhou Wai Chi Electronics Company Limited, are qualified as "High-Tech Enterprises" in the PRC and granted certain tax benefits, including a preferential enterprise income tax rate of 15% instead of the statutory rate of 25%. During the year ended 31 December 2020, the Group's tax credit was approximately HK$329,000 (2019: Tax expenses of HK$3,021,000).

Inventories

As at 31 December 2020, the Group's inventories was approximately HK$220,710,000, representing an increase of 4.3% as compared to approximately HK$211,584,000 as at 31 December 2019. The increase in inventory was attributable to inventory of memory chips maintained for the sourcing business.

Trade Receivables

As at 31 December 2020, the Group's net trade receivables amounted to approximately HK$566,740,000, which increased by 24.8% as compared to approximately HK$454,279,000 as at 31 December 2019. This was attributable to the increase in sales of LED backlight and LED lighting products.

Trade Payables

As at 31 December 2020, the Group's trade payables amounted to approximately HK$295,154,000, which increased by 22.0% as compared to approximately HK$241,923,000 as at 31 December 2019. This was attributable to the increase in purchase of raw materials for LED backlight and LED lighting products.

Proposed Acquisitions

On 11 November 2020, Huizhou Wai Chi Electronics Company Limited ("**Wai Chi Huizhou**"), an indirectly wholly-owned subsidiary of the company, entered into an agreement with Victoria Ultra Business Co., Ltd., whereby Wai Chi Huizhou has conditionally agreed to acquire and Victoria Ultra Business Co., Ltd. has conditionally agreed to sell the equipment at a cash consideration of approximately USD5.9 million (equivalent to approximately HK$45.9 million). The proposed acquisition, if materialized, would enable the Group to commence the semiconductor memory chips testing and packing business. Please refer to the Group's announcement published on the Stock Exchange on 11 November 2020 for details.

On 13 November 2020, Wai Chi Huizhou entered into an agreement with Shenzhen Zi Yun Xin Electronics Technology Company Limited, for the acquisition of equipment at the total consideration of RMB12.0 million (equivalent to approximately HK$13.2 million). The proposed acquisition, if materialized, would support and facilitate the development of the Group's semiconductor memory chips testing and packing business. Please refer to the Group's announcement published on the Stock Exchange on 13 November 2020 for details.

Placing of New Shares and Offer to Acquire the Company's Shares

On 6 May 2016, the Company completed a placing of new shares (the "**Placing**"), allotted and issued 16,825,000 new shares of the Company to not less than six individuals who are independent third parties at the price of HK$2.00 per share. Net proceeds from the Placing amounted to approximately HK$31,134,000, which are intended to be used for financing any potential investment opportunities such as mergers and acquisition that may arise from time to time. As at 31 December 2020, the net proceeds from the Placing have not yet been utilised and have been deposited with licensed banks in Hong Kong.

The Company expects to use the proceeds from the Placing for the aforementioned acquisitions.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased or redeemed any of the listed shares of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company and its management are committed to maintaining good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders. The Company believes that good corporate governance is essential for continual growth and enhancement of shareholders' value. For the year ended 31 December 2020, due to the effect of COVID-19, the chairman of the Company is not able to attend meeting with INED and the Annual General Meeting by person as he stayed in the PRC, and thus the Company is not able to comply with the requirement under A.2.7 and E.1.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 (the "**CG Code**") to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Besides the above, the Company has complied with all the other applicable code provisions of the CG Code. The Company periodically reviews its corporate governance practices with reference to the latest development in corporate governance.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the Group's consolidated financial statements for the year ended 31 December 2020, the accounting principles and practices adopted and discussed auditing, internal controls and financial reporting matters.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company will be held on 26 May 2021. The notice of the annual general meeting will be published in the Company's website and sent to the shareholders of the Company in the manner required by the Listing Rules in due course.

PUBLICATION OF ANNUAL REPORT

The 2020 annual report of the Company containing all applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the Company's website at www.waichiholdings.com and HKEx news website at www.hkexnews.hk in due course.

APPRECIATION

Finally, the Board would like to thank all shareholders of the Company who have placed strong confidence in the Group's management. We would also like to thank all our business partners and bank enterprises who have supported and stood by us at all times.

By order of the Board
Wai Chi Holdings Company Limited
Yiu Chi To
Chairman

Hong Kong, 26 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. Yiu Chi To (Chairman), Mr. Chen Chung Po (Chief Executive Officer), Ms. Yiu Kwan Yu, Mr. Chen Wei Wu and Ms. Yong Jian Hui and the independent non-executive directors are Mr. Au Yeung Tin Wah, Mr. Chen Kwok Wang and Mr. Ho Chi Wai.