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SKY LIGHT HOLDINGS LIMITED

天彩控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3882)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS			
	2020	2019	CHANGE
	<i>HK\$'000</i>	<i>HK\$'000</i>	
REVENUE	437,111	549,123	(20.4%)
COST OF SALES	(376,040)	(486,640)	(22.7%)
GROSS PROFIT	61,071	62,483	(2.3%)
GROSS PROFIT MARGIN (%)	14.0%	11.4%	2.6 p.p.t.
LOSS FOR THE YEAR	(71,063)	(84,476)	(15.9%)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT BASIC AND DILUTED (EXPRESSED IN HK\$ PER SHARE)	HK(6.7) cents	HK(8.8) cents	(23.9%)
TOTAL EQUITY	215,830	273,349	(21.0%)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (“**Directors**”) of Sky Light Holdings Limited (the “**Company**”) announces the consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 (“**FY2020**”), together with the comparative figures for the year ended 31 December 2019 (“**FY2019**”). These consolidated financial results for FY2020 have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*Year ended 31 December 2020*

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
REVENUE	5	437,111	549,123
Cost of sales		<u>(376,040)</u>	<u>(486,640)</u>
Gross profit		61,071	62,483
Other income and gains	5	17,397	9,558
Selling and distribution expenses		(32,795)	(26,817)
Administrative expenses		(49,407)	(61,116)
Research and development expenses	6	(50,119)	(57,935)
Other expenses		(15,038)	(7,664)
Finance costs	7	<u>(2,172)</u>	<u>(2,985)</u>
LOSS BEFORE TAX	6	(71,063)	(84,476)
Income tax expense	8	<u>–</u>	<u>–</u>
LOSS FOR THE YEAR		<u>(71,063)</u>	<u>(84,476)</u>
Attributable to:			
Owners of the parent		(64,021)	(82,310)
Non-controlling interests		<u>(7,042)</u>	<u>(2,166)</u>
		<u>(71,063)</u>	<u>(84,476)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic		<u>HK(6.7) cents</u>	<u>HK(8.8) cents</u>
Diluted		<u>HK(6.7) cents</u>	<u>HK(8.8) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(71,063)</u>	<u>(84,476)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	14,721	(7,275)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods: Changes in fair value of equity investments designated at fair value through other comprehensive income	<u>(1,689)</u>	<u>(7,959)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>13,032</u>	<u>(15,234)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(58,031)</u>	<u>(99,710)</u>
Attributable to:		
Owners of the parent	(50,569)	(97,544)
Non-controlling interests	<u>(7,462)</u>	<u>(2,166)</u>
	<u>(58,031)</u>	<u>(99,710)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		42,644	59,531
Right-of-use assets	<i>11</i>	36,595	47,559
Intangible assets		8,754	9,910
Equity investments designated at fair value through other comprehensive income		24,387	26,076
Prepayments and other receivables		3,016	4,379
		<hr/>	<hr/>
Total non-current assets		115,396	147,455
CURRENT ASSETS			
Inventories	<i>12</i>	147,924	134,410
Trade receivables	<i>13</i>	64,697	81,135
Financial assets at fair value through profit or loss		–	2,646
Due from a related party		–	398
Prepayments and other receivables		28,588	25,875
Pledged deposits		1,784	893
Cash and cash equivalents		100,200	106,899
		<hr/>	<hr/>
Total current assets		343,193	352,256
CURRENT LIABILITIES			
Interest-bearing bank borrowings	<i>14</i>	12,003	16,678
Trade payables	<i>15</i>	131,220	106,531
Other payables and accruals		68,126	62,819
Tax payable		6,275	6,275
Due to related parties		–	46
		<hr/>	<hr/>
Total current liabilities		217,624	192,349
NET CURRENT ASSETS			
		<hr/>	<hr/>
		125,569	159,907
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		240,965	307,362

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	871	871
Other long-term payables	24,264	33,142
	<hr/>	<hr/>
Total non-current liabilities	25,135	34,013
	<hr/>	<hr/>
Net assets	215,830	273,349
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	9,528	9,528
Reserves	207,779	257,836
	<hr/>	<hr/>
	217,307	267,364
	<hr/>	<hr/>
Non-controlling interests	(1,477)	5,985
	<hr/>	<hr/>
Total equity	215,830	273,349
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NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Sky Light Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 18 December 2013. The Company’s registered office address is second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 2 July 2015.

The Company is an investment holding company. During the year, the Company’s subsidiaries were principally engaged in the following activities:

- Manufacture and distribution of home surveillance cameras
- Manufacture and distribution of digital imaging products
- Manufacture and distribution of other electronic products

In the opinion of the directors of the Company, the immediate holding company and the ultimate holding company of the Company is Fortune Six Investment Limited., which is incorporated in the British Virgin Islands.

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sky Light Electronic Limited (“ SLE ”)	Hong Kong 22 August 2006	HK\$22,000,000	100%	–	Investment holding
Sky Light Electronic (Shenzhen) Limited (“ Sky Light Shenzhen ”) # * 天彩電子(深圳)有限公司	People’s Republic of China (the “ PRC ”)/ Mainland China 23 January 2008	HK\$52,469,338	–	100%	Manufacture and sale of camera products and related accessories
Sky Light Imaging Limited (“ Sky Light Imaging ”)	Hong Kong 22 August 2006	HK\$5,000,000	–	100%	Distribution of camera products and related accessories
Sky Light Technology (Heyuan) Limited (“ Sky Light Technology (HY) ”) *** 河源市新天彩科技有限公司	PRC/ Mainland China 2 March 2010	RMB20,000,000	–	100%	Manufacture and sale of camera products and related accessories
Sky Light Electronic Joint Stock Company (“ SLJSC ”)***	Vietnam 14 February 2019	USD3,406,000	–	69.15%	Manufacture and sale of camera products and related accessories

The English names of the Company’s subsidiaries registered in the PRC represent the translated names of these companies as no English names have been registered.

- * Sky Light Shenzhen is registered as a wholly-foreign-owned enterprise under PRC law.
- ** Sky Light Technology (HY) is registered as a limited liability company under PRC law.
- *** Sky Light Electronic Joint Stock Company is registered as a non-wholly-owned subsidiary under Vietnam law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“**RFR**”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) 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; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's plant have been reduced by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$239,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

4. OPERATING SEGMENT INFORMATION

The Group focuses primarily on the manufacture and distribution of home surveillance cameras, digital imaging products and other electronic products during the year.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision makers for the purposes of resource allocation and assessment of performance, does not contain profit or loss information of each product line and the Directors reviewed the financial results of the Group as a whole. Therefore, the operations of the Group constitute one single reportable segment. Accordingly, no operating segment is presented.

Geographical information

(a) Revenue from external customers

	2020	2019
	HK\$'000	HK\$'000
United States of America	265,059	300,781
Mainland China	46,009	65,891
European Union	93,242	140,670
Hong Kong	3,028	7,814
Other countries/regions	29,773	33,967
	437,111	549,123

The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Mainland China	66,284	93,983
Hong Kong	5,087	6,392
Other countries/regions	19,638	21,004
	91,009	121,379

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

Information about major customers

Revenue derived from sales to individual customers, which accounted for 10% or more of the total revenue, is set out below:

	2020 <i>HK\$'000</i>
Customer A	90,513
Customer B	68,492
Customer C	47,008

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers		
Types of goods or services		
Sale of industrial products	432,427	549,123
Provision of manufacturing services	4,684	–
Total revenue from contracts with customers	437,111	549,123
Timing of revenue recognition		
Goods transferred at a point in time	437,111	549,123

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

	2020	2019
	HK\$'000	HK\$'000
Other income and gains		
Penalty charge to a customer	8,208	–
Bank interest income	718	1,341
Government grants:		
Related to income*	7,548	6,371
Gain on derecognition of financial assets measured at fair value through profit or loss	144	–
Exchange gains	–	230
Others	779	1,616
	17,397	9,558

* The amount mainly represents rewards or subsidies for research activities received from the local government. There are no unfulfilled conditions or contingencies relating to these grants.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2020	2019
	HK\$'000	HK\$'000
	<i>Note</i>	
Cost of inventories sold	345,915	425,495
Cost of services provided	4,917	–
Depreciation of property, plant and equipment	20,287	26,122
Depreciation of right-of-use assets	14,721	14,707
Amortisation of intangible assets*	1,740	1,094
Research and development expenses	50,119	57,935
Lease payments not included in the measurement of lease liabilities	28	91
Auditors' remuneration	2,339	2,448
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	92,185	106,586
Pension scheme contributions	4,191	9,833
Equity-settled share option expense	339	4,698
Equity-settled Share Award Scheme expense	–	(2,326)
	96,715	118,791
Foreign exchange differences, net	10,698	(230)
Write-down of inventories to net realisable value	25,208	61,145
Loss on disposal of items of property, plant and equipment	922	1,550
Impairment of trade receivables**	566	2,244
Impairment of prepayments and other receivables**	1,207	–
Gain on disposal of right-of-use assets	(47)	(140)
Gain on disposal of financial assets at fair value through profit or loss	(144)	–
Bank interest income	(718)	(1,341)
Fair value gain, net:		
Financial assets at fair value through profit or loss	–	(11)

* The amortisation of software is included in “Research and development expenses” and the amortisation of other intangible assets is included in “Selling and distribution expenses” in the consolidated statement of profit or loss.

** The impairment of trade receivables and the impairment of prepayments and other receivables are included in “Other expenses” in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on:		
Bank loans	258	822
Lease liabilities	1,914	2,163
	<u>2,172</u>	<u>2,985</u>

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%).

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to Corporate Income Tax (“CIT”) at a rate of 25% on the taxable income. Preferential tax treatments were available for one (2019: one) of the Group’s principal operating subsidiaries, Sky Light Shenzhen, since it was recognised as a High and New Technology Enterprise and entitled to a preferential tax rate of 15% during the year.

The Group’s subsidiaries in the United States are subject to the federal tax at a rate of 21% (2019: 21%), and also subject to the statutory applicable state corporate income tax at a rate of 7% (2019: 8.84%).

The Group’s subsidiary in Britain is subject to corporate income tax at a rate of 19%.

The Group’s subsidiary in Vietnam is subject to corporate income tax at a rate of 20%.

The Group has no tax charge for the year (2019: Nil).

9. DIVIDENDS

The board of directors of the Company did not recommend any final dividends for 2020 (2019: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 952,739,000 (2019: 938,965,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the impact of the share option schemes had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic loss per share are based on:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:	<u>(64,021)</u>	<u>(82,310)</u>
	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>952,739,000</u>	<u>938,965,000</u>
Basic		
— For loss for the year	<u>HK(6.7) cents</u>	<u>HK(8.8) cents</u>
Diluted		
— For loss for the year	<u>HK(6.7) cents</u>	<u>HK(8.8) cents</u>

11. LEASES

The Group as a lessee

The Group has lease contracts for various items of land, buildings and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 35 years, and no ongoing payments will be made under the terms of these land leases. Buildings generally have lease terms between 3 and 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land <i>HK\$'000</i>	Buildings <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2019	2,705	65,151	67,856
Additions	–	282	282
Depreciation charge	(95)	(14,612)	(14,707)
Disposals	–	(5,002)	(5,002)
Exchange realignment	–	(870)	(870)
	<u>2,610</u>	<u>44,949</u>	<u>47,559</u>
As at 31 December 2019 and 1 January 2020	2,610	44,949	47,559
Additions	–	3,042	3,042
Depreciation charge	(95)	(14,626)	(14,721)
Disposals	–	(836)	(836)
Exchange realignment	–	1,551	1,551
	<u>–</u>	<u>1,551</u>	<u>1,551</u>
As at 31 December 2020	<u>2,515</u>	<u>34,080</u>	<u>36,595</u>

(b) *Lease liabilities*

The carrying amount of lease liabilities (included under other payables and accruals and other long-term payables) and the movements during the year are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Carrying amount at 1 January	46,638	65,151
New leases	3,042	282
Accretion of interest recognised during the year	1,914	2,163
Covid-19-related rent concessions from lessors	(239)	–
Disposals	(883)	(5,142)
Payments	(15,555)	(14,924)
Exchange realignment	1,646	(892)
	<u>36,563</u>	<u>46,638</u>
Carrying amount at 31 December	36,563	46,638
Analysed into:		
Current portion	12,300	13,496
Non-current portion	24,263	33,142
	<u>24,263</u>	<u>33,142</u>

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on lease liabilities	1,914	2,163
Depreciation charge of right-of-use assets	14,721	14,707
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2020 (included in administrative expenses)	19	48
Expense relating to leases of low-value assets (included in administrative expenses)	9	43
Covid-19-related rent concessions from lessors	(239)	–
	<u>16,424</u>	<u>16,961</u>
Total amount recognised in profit or loss	<u>16,424</u>	<u>16,961</u>

12. INVENTORIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Raw materials	122,706	120,820
Work in progress	78,805	55,725
Finished goods	154,924	162,787
	<u>356,435</u>	<u>339,332</u>
Inventory provision	(208,511)	(204,922)
	<u>147,924</u>	<u>134,410</u>

The movements of inventory provision are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Balance at beginning of the year	204,922	164,613
Provision for the year	25,208	61,145
Written off as sold out	(26,941)	(18,411)
Exchange realignment	5,322	(2,425)
	<u>208,511</u>	<u>204,922</u>
Balance at end of the year	<u>208,511</u>	<u>204,922</u>

13. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	68,496	84,364
Impairment	(3,799)	(3,229)
	<u>64,697</u>	<u>81,135</u>

The Group requires most of its customers to make payments in advance, however, the Group grants certain credit periods to those customers with good payment history. The credit period for specific customers is considered on a case-by-case basis and is set out in the sales contracts, as appropriate.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing and the carrying amounts of the trade receivables approximate to their fair values.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	38,188	76,982
1 to 2 months	19,001	3,723
2 to 3 months	4,047	300
Over 3 months	3,461	130
	<u>64,697</u>	<u>81,135</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At beginning of year	3,229	6,620
Impairment losses (<i>note 6</i>)	566	2,244
Amount written off as uncollectible	–	(5,619)
Exchange adjustments	4	(16)
	<u>3,799</u>	<u>3,229</u>
At end of year	<u>3,799</u>	<u>3,229</u>

The increase (2019: decrease) in the loss allowance was due to the following significant changes in the gross carrying amount:

- (i) Increase in the loss allowance of HK\$7,000 as a result of a net decrease of trade receivables which were assessed individually;
- (ii) Decrease in the loss allowance of HK\$1,685,000 as a result of a decrease of new recognition over trade receivables assessed individually in the current year and an increase of the reversal of the allowance recognised in the previous year; and
- (iii) Increase in the loss allowance of HK\$5,619,000 as a result of the write-off of certain trade receivables in 2019.

An impairment analysis is performed at each reporting date using a provision matrix or individually assessed to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns by customer type. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables:

As at 31 December 2020

Category	Carrying amount		Bad debt provision		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Trade receivables for which bad debt provision has been assessed individually	2,635	3.85%	2,635	100%	–
Trade receivables for which bad debt provision has been assessed by using a provision matrix	<u>65,861</u>	<u>96.15%</u>	<u>1,164</u>	<u>1.77%</u>	<u>64,697</u>
Total	<u>68,496</u>	<u>100%</u>	<u>3,799</u>	<u>5.55%</u>	<u>64,697</u>

As at 31 December 2019

Category	Carrying amount		Bad debt provision		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Trade receivables for which bad debt provision has been assessed individually	2,642	3.13%	2,642	100%	–
Trade receivables for which bad debt provision has been assessed by using a provision matrix	<u>81,722</u>	<u>96.87%</u>	<u>587</u>	<u>0.72%</u>	<u>81,135</u>
Total	<u>84,364</u>	<u>100%</u>	<u>3,229</u>	<u>3.83%</u>	<u>81,135</u>

Trade receivables for which bad debt provision has been assessed by using a provision matrix are as follows:

As at 31 December 2020

	Current	Past due			Total	
		Less than 3 months	3 to 6 months	6 months to 1 year		Over 1 year
Expected credit loss rate	0.50%	2.54%	9.51%	28.92%	100.00%	–
Gross carrying amount (HK\$'000)	54,764	7,816	1,492	1,744	45	65,861
Expected credit losses (HK\$'000)	274	199	142	504	45	1,164

As at 31 December 2019

	Current	Past due			Total	
		Less than 3 months	3 to 6 months	6 months to 1 year		Over 1 year
Expected credit loss rate	0.38%	1.20%	4.20%	22.77%	100%	–
Gross carrying amount (HK\$'000)	77,276	3,769	313	167	197	81,722
Expected credit losses (HK\$'000)	294	45	13	38	197	587

14. INTEREST-BEARING BANK BORROWINGS

Current	2020			2019		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Bank loans — unsecured	1.0	2022	714	–	–	–
Bank loans — secured	1.4~1.5	2021	11,289	3.1~4.0	2020	16,678
			12,003			16,678

	2020 HK\$'000	2019 HK\$'000
Analysed into:		
Within one year	11,289	16,678
Within two year	714	–
	12,003	16,678

The Group's bank facilities amounted to HK\$23,000,000 (2019: HK\$23,000,000), of which HK\$11,289,000 (2019: HK\$16,678,000) had been utilised as at the end of the year.

The Group's banking facility amounting to HK\$23,000,000 is secured by an insurance from the bank.

All borrowings are denominated in United States dollars.

15. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	48,403	87,367
1 to 2 months	34,184	7,296
2 to 3 months	14,867	4,598
Over 3 months	33,766	7,270
	<u>131,220</u>	<u>106,531</u>

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 150 days.

16. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contracted, but not provided for:		
Plant and machinery	<u>204</u>	<u>1,089</u>

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young 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 HKICPA and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group is principally engaged in the sales, development and manufacture of home surveillance cameras, police cameras, video conference devices, 360-degree cameras, baby monitors, remote learning devices and other imaging products for various purposes. Leveraging its substantial experience in various digital imaging products, the Group sets itself apart from other manufacturers by providing customers with design-driven joint design manufacturing (“**JDM**”) and original design manufacturing (“**ODM**”) solutions.

ODM/JDM business

For FY2020, the Group's total turnover from the ODM/JDM business was approximately HK\$437.1 million, which was about 20% lower compared to HK\$549.1 millions for FY2019. We recorded a loss of about HK\$71.1 million in FY2020.

The decrease in revenue was primarily due to our production being greatly affected by the outbreak of coronavirus (“**COVID-19**”) in the first half of 2020. Even customer orders returned to normal in the second half of 2020, our revenue was nonetheless limited by the shortage in the supply of semiconductor chips in the market. Furthermore, our Chinese management and technical staff were not able to travel to Vietnam to support the production there until the second half of 2020 due to the entry restrictions implemented by the Vietnamese Government in response to the COVID-19 pandemic.

Our factory is located in Hanoi, Vietnam, plant area of about 7,000 square meters, has five SMT placement machine production lines and 12 assembly packaging production lines. By the end of 2020, the Vietnam factory has more than 600 employees and a monthly production capacity of 130,000 units. In 2020, it has become one of the company's main production bases, and its products are mainly sold to the American market.

In FY2020, our revenue was mainly generated by manufacturing home surveillance cameras, police cameras, baby monitors and remote learning devices. These businesses are expected to continue growing in 2021.

Prospects

In 2021, we believe the shortage of semiconductor chips and increase of component prices are the main challenges our business faces. We will work closely with suppliers and actively negotiate with customers on prices and material preparation mechanisms to reduce the related risks.

We focused on reorganizing our customer portfolio in FY2020, mainly serving medium to large-scale customers. We believe this will be an important step to promote future business development. With the products made in Vietnam, our US customers do not have to pay tariffs, which will greatly help to expand our business with US customers.

In 2021, we will continue to optimize the Group's operation so that we can provide efficient service to customers. Because of the travel restrictions, we believe the demand for video conference equipment will increase. Therefore, we will develop more of these products.

In order to improve our financial performance and turn losses into profits as soon as possible, we will strive to increase our market share and provide customers with high-quality products and solutions through the following strategies.

- Continue to develop innovative products driven by the market.
- Actively explore the market of Japan, Europe and Mainland China.
- Strengthen our audio/video streaming technology to enhance our competitiveness.
- Optimize the Group's operation and provide efficient service to customers.

Financial review

Turnover

The Group's products mainly consist of the following three categories: (i) home surveillance cameras, (ii) digital imaging products, and (iii) other products. It generates revenue predominantly from sales of these products, as well as from other income, such as research and development (“**R&D**”) service and tooling fees associated with products that it manufactures for customers. It is expected that the contribution from home surveillance cameras will increase in the next few years. The following table sets out the breakdown of the revenue from sales of major products by product type for the periods indicated:

	2020	% of total	2019	% of total	Revenue
	HK\$'000	revenue	HK\$'000	revenue	change
Home surveillance cameras	184,983	42.3%	281,167	51.2%	-34.2%
Digital imaging products	165,327	37.8%	159,548	29.1%	3.6%
Other products	86,801	19.9%	108,408	19.7%	-19.9%
TOTAL	437,111	100%	549,123	100%	-20.4%

For FY2020, the Group recorded a turnover of approximately HK\$437.1 million from the ODM/JDM business (FY2019: approximately HK\$549.1 million), representing a decrease of approximately 20.4% as compared to FY2019. The decrease was mainly due to the delayed shipment from certain customers arising from the low demand of the consumer market resulting from the outbreak of COVID-19 globally, and the COVID-19 prevention measures implemented by the relevant local government also lowered the operating efficiencies of the Group's manufacturing.

The Group sells its products mainly to customers in the US and European Union and it is expected that the US and European Union market will continue to account for majority of the Group's revenue in the foreseeable future. The significant decrease in the sales in the US and European Union was due to the decrease in the sales from home surveillance cameras to the Group's key customers, which are located in the US and European Union. The following table sets out the breakdown of revenue by location of customers for the periods indicated:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
United States of America	265,059	300,781
Mainland China	46,009	65,891
European Union	93,242	140,670
Hong Kong	3,028	7,814
Other countries/regions	29,773	33,967
	437,111	549,123

Cost of sales

Cost of sales represents costs and expenses directly attributable to the manufacture of the Group's products which comprise (i) raw materials, components and parts, including, among others, key components such as digital signal processors, lenses and sensors; (ii) direct labour; and (iii) production overhead, mainly including depreciation of production equipment and indirect labour.

For FY2020, cost of sales of the Group amounted to approximately HK\$376.0 million (FY2019: approximately HK\$486.6 million), representing a decrease of approximately 22.7% as compared to FY2019, and amounted to approximately 86.0% (FY2019: approximately 88.6%) of its turnover for FY2020. This decrease was mainly attributable to a decrease in the shipment units of home surveillance cameras.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK\$61.1 million for FY2020 (FY2019: approximately HK\$62.5 million), representing a decrease of approximately 2.3% as compared to FY2019. The gross profit margin increased from approximately 11.4% for FY2019 to approximately 14.0% for FY2020. This increase was mainly attributable to the reduction of the impairment losses for inventories amounted HK\$44.5 million.

Other income and gains

Other income and gains mainly include (i) bank interest income; (ii) government grants, which mainly consist of rewards and subsidies for research activities granted by the local government with no unfulfilled conditions or contingencies; and (iii) compensation by customers for cancellation of orders.

For FY2020, other income and gains of the Group significantly increased by approximately HK\$7.8 million to approximately HK\$17.4 million as compared to FY2019, which was primarily attributable to an increase of approximately HK\$8.2 million in compensation by customers for cancellation of orders and approximately HK\$1.2 million in government subsidies.

Selling and distribution expenses

Selling and distribution expenses include mainly (i) salaries and benefits of its sales and marketing staff; (ii) marketing, exhibition and advertising costs; and (iii) entertainment expenses relating to its sales and marketing activities.

For FY2020, selling and distribution expenses of the Group significantly increased approximately 22.3% to approximately HK\$32.8 million from approximately HK\$26.8 million for FY2019, mainly due to the increase of marketing expense and advertising approximately HK\$7.4 million for FY2020.

Administrative expenses

Administrative expenses mainly include (i) salaries and benefits of the Group's management, administrative and finance staff; (ii) rental and office expenses; (iii) professional fees; (iv) other taxes and levies payable to government authorities; and (v) entertainment expenses.

For FY2020, administrative expenses of the Group significantly decreased by approximately 19.2% to approximately HK\$49.4 million (FY2019: approximately HK\$61.1 million). The decrease was mainly due to the Group's stringent cost control during FY2020.

Research and development costs

Research and development costs include (i) salaries and benefits of the Group's research and development and product planning staff; (ii) raw materials, components and parts used for research and development and product planning; and (iii) other miscellaneous costs and expenses such as rental fees, design service fees, depreciation and certification fees.

For FY2020, the Group recorded research and development costs of approximately HK\$50.1 million, which significantly decreased by approximately 13.5% from approximately HK\$57.9 million for FY2019. The decrease was mainly due to the Group's stringent cost control during FY2020.

Other expenses

Other expenses include principally (i) exchange losses arising mainly from fluctuations in exchange rates between the invoice and settlement dates of its sales and purchases and from translation of its US\$-denominated trade payables and receivables; and (ii) impairment losses of assets.

For FY2020, other expenses of the Group significantly increased to approximately HK\$15.0 million from approximately HK\$7.7 million for FY2019. The increase mainly consisted of the increase of exchange loss approximately HK\$10.7 million caused by the appreciation of RMB against US dollar during FY2020.

Finance costs

For FY2020, the finance costs of the Group decreased to approximately HK\$2.2 million (FY2019: approximately HK\$3.0 million), representing a decrease by approximately 27.2% as compared to FY2019. This decrease was attributable to the reduction of the interest expense of bank loan.

Income tax expense

For FY2020, there was no income tax expense due to the loss for the year.

Net loss

As a result of the foregoing, the Group recorded a loss of approximately HK\$71.1 million for FY2020 (attributable to non-controlling interests is a loss of approximately HK\$7.0 million).

Liquidity and capital resources

The Group's principal cash requirements are to pay for working capital needs, capital expenditures for the expansion and upgrade of production facilities. The Group meets these cash requirements by relying on cash flows generated from operating activities and proceeds from issue of shares as its principal sources of funding. The following table sets out its selected consolidated cash flow for the periods indicated:

	2020	2019
	HK\$'000	HK\$'000
Net cash flows (used in)/from operating activities	(6,314)	44,924
Net cash flows from/(used in) investing activities	2,916	(5,400)
Net cash flows used in financing activities	(20,488)	(21,028)
Net (decrease)/increase in cash and cash equivalents	(23,886)	18,496
Cash and cash equivalents at beginning of year	106,899	95,132
Effect of foreign exchange rate changes, net	17,187	(6,729)
Cash and cash equivalents at end of year	100,200	106,899

Net cash flow used in operating activities for FY2020 was approximately HK\$6.3 million, which primarily reflected (i) the adjusted loss before tax of approximately HK\$4.9 million; (ii) the decrease in trade receivables of approximately HK\$15.9 million; (iii) the increase in inventory balances of approximately HK\$44.0 million; (iv) the increase in prepayments and other receivables of approximately HK\$3.9 million; and (v) the increase in trade payables of approximately HK\$24.7 million.

Net cash flow from investing activities for FY2020 was approximately HK\$2.9 million. This mainly consisted of (i) payment of approximately HK\$3.9 million for purchases of property, plant and equipment and intangible assets primarily for the upgrade of certain equipment and software to support the production of high-quality products; (ii) receipt of approximately HK\$3.3 million for disposal of items of property, plant and equipment, and (iii) receipt of approximately HK\$2.8 million for disposal of financial assets at fair value through profit.

Net cash flow used in the financing activities for FY2020 was approximately HK\$20.5 million, which was mainly reflected (i) the decrease in the use of interest-bearing bank borrowings to repay trade payable resulting in repayment of bank borrowings of approximately HK\$4.7 million; and (ii) the principal portion of lease payments to approximately HK\$15.6 million.

The Group's cash and cash equivalents were denominated in US\$, HK\$, VN\$ and RMB as at 31 December 2020.

Borrowing and the pledge of assets

The Group's bank facilities amounting to HK\$23.0 million (FY2019: HK\$23.0 million), of which HK\$11.3 million (FY2019: HK\$16.7 million) had been utilised as at the 31 December 2020.

As at 31 December 2020, a keyman insurance purchased from the bank was pledged to secure certain banking facilities for the Group (31 December 2019: an insurance and a wealth management product purchased from the bank was pledged to secure certain banking facilities for the Group).

The Group's bank borrowings are all denominated in US\$. As at 31 December 2020, the annual interest rate of secured bank borrowings ranged from 1.4% to 1.5% (FY2019: 3.1% to 4.0%).

Gearing ratio

Gearing ratio is calculated by dividing total debt (which equals interest-bearing bank borrowings) by total equity as at the end of the each period end. The Group's gearing ratio as at 31 December 2019 and 31 December 2020 was approximately 6.1% and approximately 5.6%, respectively. The decrease in gearing ratio was mainly due to the significant decrease in outstanding interest-bearing bank borrowings during FY2020.

Capital expenditure

During FY2020, the Group invested approximately HK\$5.2 million (FY2019: approximately HK\$19.4 million) in fixed assets and intangible assets, which was mainly due to the decrease of renovation costs from Vietnam factory.

Off balance sheet transactions

During FY2020, the Group did not enter into any material off balance sheet transactions.

Foreign exchange exposure and exchange rate risk

The Group has transactional currency exposure, which arises from sales or purchase by operating units in currencies other than the units' functional currencies. Approximately 83.1% (FY2019: 89.7%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sales, whilst approximately 47.0% (FY2019: 50.6%) of costs were denominated in their functional currencies.

During the year, there was no material impact to the Group arising from the fluctuation in the exchange rates of these currencies. The Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its foreign exchange exposure during FY2020 (FY2019: Nil).

Events after the reporting period

There are no significant events occurring after the reporting period of FY2020 up to the date of this announcement.

Treasury policies

The Group has implemented its internal treasury investment policies since January 2015 (updated in December 2015), which provide the guidelines, requirements and approval process with respect to its treasury investment activities. It regularly evaluates the risks and returns of its wealth management products.

Under its treasury investment policies, the Group is only allowed to invest in wealth management products with the two lowest risk rating classified by the banks and debentures with ratings above "BBB" or "baa" or similar ratings. All the treasury products must also meet the following criteria: (i) be issued by well-recognised publicly-listed banks, (ii) no default history, and (iii) have a maturity term of less than one year or can be easily converted into cash in the market. Such treasury investment policies also provide that the outstanding balance of the Group's wealth management products shall not exceed 50% of its total amount of cash and cash equivalents and wealth management products. Any plan to increase this limit must be approved by the Board. No single investment can exceed 35% of the total amount invested.

The Group has an experienced management team and strict procedures in place to ensure the wealth management products are purchased in compliance with its internal policies and requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The management, internal auditors and the Board (including the independent non-executive Directors) regularly review its compliance with the treasury investment policies and assess the risks associated with these investments.

During FY2020, the Group did not have any investment under its treasury policies.

Employees and emoluments policy

As at 31 December 2020, the Group employed a total of 1,482 employees (31 December 2019: 1,200). The staff costs of the Group, excluding directors’ emoluments were approximately HK\$96.7 million for FY2020 (FY2019: approximately HK\$118.8 million), approximately HK\$0.3 million (FY2019: approximately HK\$2.4 million) of which are expenses for the Group’s share option schemes. All of the Group’s employees are paid a fixed salary and a bonus depending on their performance as determined by quarterly assessments. The Group seeks to provide compensation for its research and development staff at above-market levels to attract and retain talents. It regularly reviews compensation and benefit policies to ensure that its practices are in line with the market and in compliance with relevant labour regulations. To provide its employees, among others, additional incentives to enhance its business performance, the Group has adopted the pre-IPO share option scheme and the share option scheme, under which grantees are entitled to exercise the options to subscribe for shares subject to the terms and conditions of the respective schemes.

Significant investments held

The Group held 9.82% equity interest in a start-up company, Kandao Technology Co., Ltd (“**Kandao**”). The investment was acquired by the Group from the period November 2016 to January 2017 at an initial amount of HK\$45.4 million.

Kandao was established on January 2016, which focuses on the technology and development of software and hardware for imaging electronics products. The main products includes 6-eye 8K resolution three-dimensional professional panoramic camera, 8K resolution consumer panoramic camera and 360-degree smart conference video.

Kandao’s products have won the best innovation award in the Consumer Electronics Show of digital imaging category.

As at 31 December 2020, the investment accounted for 5.3% of the Group’s total assets and the fair value of this investment held by the Group was approximately HK\$24.4 million (31 December 2019: approximately HK\$26.1 million) presenting HK\$1.7 million unrealized loss as at 31 December 2020. No dividend was received from this investment during FY2020 (FY2019: Nil).

The Board believe that imaging products and solutions will be widely used with different applications, especially in the upcoming 5G era.

The Group will continue to hold this unlisted equity investment for the following reasons:

- (i) This investment still has potential for growth in the future;
- (ii) This investment has synergies with the Group's business and can widen sales channel.

Saved as disclosed above, there is no investment held by the Group with a value of 5% or more of the Company's total assets as at 31 December 2020.

Commitment

As at 31 December 2020, the Group's capital commitment amounted to approximately HK\$0.2 million (31 December 2019: approximately HK\$1.1 million).

Future plans for material investments or capital assets

In the near term, the Group did not have any plans for material investments or capital assets as at the date of this announcement.

Material acquisitions and disposals of subsidiaries and associated companies

The Group did not have any material acquisitions and disposals of subsidiaries, associated companies and joint ventures during FY2020.

Contingent liabilities

As at 31 December 2020, the Group had no significant contingent liabilities.

Annual general meeting

The annual general meeting of the Company (the "AGM") is scheduled to be held on Wednesday, 26 May 2021. A notice convening the AGM will be issued and disseminated to the Shareholders in due course.

Dividends

The Board do not recommend the payment of any final dividend for FY2020 (FY2019: Nil).

Financial position as at 31 December 2020

As at 31 December 2020, the Group's total equity was approximately HK\$215.8 million (31 December 2019: approximately HK\$273.3 million), total assets amounted to HK\$458.6 million (31 December 2019: approximately HK\$499.7 million) and total liabilities stood at HK\$242.8 million (31 December 2019: approximately HK\$226.4 million).

Closure of register of members

The register of members of the Company will be closed from Friday, 21 May 2021 to Wednesday, 26 May 2021 (both days inclusive) during which no transfers of shares shall be effected. In order to determine the entitlement to attend and vote at the forthcoming AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 May 2021.

OTHER INFORMATION

Purchase, sale or redemption of listed securities

The Company is empowered by the applicable Companies Law, Cap 22 of the Cayman Islands and the articles of association of the Company to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during FY2020.

Corporate governance practices

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard the interests of Shareholders and to enhance corporate value, accountability and transparency of the Company.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. Throughout the period from 1 January 2020 up to the date of this announcement, the Company has complied with all applicable code provisions of the CG Code except for code provision A.2.1.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. As Mr. Tang Wing Fong Terry is the chairman of the Board and chief executive officer of the Company, the Company has deviated from the code provision A.2.1. The Board considers that having Mr. Tang Wing Fong Terry acting as both the chairman of the Board and the chief executive officer of the Company will provide a strong and consistent leadership to the Company and allow for more effective planning and management for the Group. In view of Mr. Tang's extensive experience in the industry, personal profile and critical role in the Group and its historical development, the Board considers that it is beneficial to the business prospects of the Group that Mr. Tang continues to act as both the chairman of the Board and the chief executive officer of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

Model code for securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct governing its directors' securities transactions. Specific enquiries have been made with all Directors and they have confirmed that they had fully complied with the Model Code during FY2020.

The Company has also established written guidelines on terms no less exacting than the Model Code (the "**Employees Written Guidelines**"), for securities transactions by relevant employees (including directors or employees of a subsidiary or holding company of the Company) who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company. In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

Audit Committee

The Company established Audit Committee on 12 June 2015 with its written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial information and reporting process, risk management and internal control systems and effectiveness of internal audit function, to monitor scope of audit and nominate and monitor external auditors and provide advice and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, being Mr. Tse Yat Hong, Dr. Cheung Wah Keung and Mr. Chan Tsu Ming Louis, all are independent non-executive Directors. Mr. Tse Yat Hong currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management on the internal control, financial reporting and risk management matters, including the review of annual results and annual report for FY2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement for FY2020 has been published on the HKEXnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.sky-light.com.hk>). The annual report of the Company for the year ended 31 December 2020 containing information required by the Listing Rules will be dispatched to the Shareholders and published on the HKEXnews website of the Stock Exchange and the website of the Company in due course

By order of the Board
Sky Light Holdings Limited
Tang Wing Fong Terry
Chairman

Hong Kong, 29 March 2021

As at the date of this announcement, the executive Directors are Mr. Tang Wing Fong Terry and Mr. Lu Yongbin; the non-executive Director is Ms. Tang Kam Sau; and the independent non-executive Directors are Mr. Chan Tsu Ming Louis, Dr. Cheung Wah Keung and Mr. Tse Yat Hong.