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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 2021

FINANCIAL HIGHLIGHTS	2021	2020	CHANGE
	<i>HK\$'000</i>	<i>HK\$'000</i>	
REVENUE	715,093	437,111	63.6%
COST OF SALES	(593,335)	(376,040)	57.8%
GROSS PROFIT	121,758	61,071	99.4%
GROSS PROFIT MARGIN (%)	17.0%	14.0%	3.0 p.p.t.
LOSS FOR THE YEAR	(3,412)	(71,063)	(95.2%)
LOSS PER SHARE			
ATTRIBUTABLE TO			
OWNERS OF THE COMPANY			
BASIC AND DILUTED	HK(0.4) cent	HK(6.7) cents	(94.0%)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 (“**FY2021**”), together with the comparative figures for the year ended 31 December 2020 (“**FY2020**”). These consolidated financial results for FY2021 have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
REVENUE	5	715,093	437,111
Cost of sales		<u>(593,335)</u>	<u>(376,040)</u>
Gross profit		121,758	61,071
Other income and gains	5	15,142	17,397
Selling and distribution expenses		(34,059)	(32,795)
Administrative expenses		(50,455)	(49,407)
Research and development expenses	6	(52,803)	(50,119)
Other expenses		(1,834)	(15,038)
Share of loss of an associate		(162)	–
Finance costs	7	<u>(1,870)</u>	<u>(2,172)</u>
LOSS BEFORE TAX	6	(4,283)	(71,063)
Income tax credit	8	<u>871</u>	<u>–</u>
LOSS FOR THE YEAR		<u>(3,412)</u>	<u>(71,063)</u>
Attributable to:			
Owners of the Company		(3,853)	(64,021)
Non-controlling interests		<u>441</u>	<u>(7,042)</u>
		<u>(3,412)</u>	<u>(71,063)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic		<u>HK(0.4) cent</u>	<u>HK(6.7) cents</u>
Diluted		<u>HK(0.4) cent</u>	<u>HK(6.7) cents</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

Year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(3,412)</u>	<u>(71,063)</u>
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	5,492	14,721
Other comprehensive income 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>2,685</u>	<u>(1,689)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>8,177</u>	<u>13,032</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>4,765</u>	<u>(58,031)</u>
Attributable to:		
Owners of the Company	4,261	(50,569)
Non-controlling interests	<u>504</u>	<u>(7,462)</u>
	<u>4,765</u>	<u>(58,031)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		40,500	40,967
Intangible assets		7,038	8,754
Right-of-use assets	<i>11</i>	28,278	34,080
Investment property		–	4,192
Investment in an associate		2,395	–
Equity investments designated at fair value through other comprehensive income (“ FVTOCI ”)		27,072	24,387
Prepayments and other receivables		–	3,016
		<hr/>	<hr/>
Total non-current assets		105,283	115,396
CURRENT ASSETS			
Inventories	<i>12</i>	200,684	147,924
Trade and factoring receivables	<i>13</i>	44,223	64,697
Financial asset at fair value through profit or loss (“ FVTPL ”)		5,022	5,022
Prepayments and other receivables		33,058	23,566
Restricted and pledged bank deposits		5,753	4,498
Cash and cash equivalents		96,188	97,486
		<hr/>	<hr/>
		384,928	343,193
Non-current asset classified as held for sale		4,032	–
		<hr/>	<hr/>
Total current assets		388,960	343,193
CURRENT LIABILITIES			
Interest-bearing bank borrowings	<i>14</i>	31,880	12,003
Trade payables	<i>15</i>	118,596	131,220
Other payables and accruals		92,252	62,101
Lease liabilities		14,028	12,300
		<hr/>	<hr/>
Total current liabilities		256,756	217,624
		<hr/>	<hr/>
NET CURRENT ASSETS		132,204	125,569
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		237,487	240,965
		<hr/>	<hr/>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	–	871
Lease liabilities	<u>16,515</u>	<u>24,264</u>
Total non-current liabilities	<u>16,515</u>	<u>25,135</u>
Net assets	<u><u>220,972</u></u>	<u><u>215,830</u></u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	9,528	9,528
Reserves	<u>212,417</u>	<u>207,779</u>
	<u>221,945</u>	<u>217,307</u>
Non-controlling interests	<u>(973)</u>	<u>(1,477)</u>
Total equity	<u><u>220,972</u></u>	<u><u>215,830</u></u>

NOTES TO FINANCIAL STATEMENTS

1. GENERAL 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. The principal activities of its subsidiaries are mainly include the manufacture and sale of camera products and related accessories.

These consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$’000), unless otherwise stated.

In the opinion of the directors of the Company, the ultimate holding company of the Company is Fortune Six Investment Ltd., a company incorporated in the British Virgin Islands, and Mr. Tang Wing Fong, Terry is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and with the disclosure requirements of the Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, Interest Rate Benchmark Reform — Phase 2
HKFRS 7, HKFRS 4 and HKFRS 16

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”).

The amendments do not have an impact on these consolidated financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Business Combination	1 January 2022
— Reference to the Conceptual Framework	
Amendments to HKAS 16 Property, Plant and Equipment	1 January 2022
— Proceeds before Intended Use	
Amendments to HKAS 37 Onerous Contracts	1 January 2022
— Cost of Fulfilling a Contract	
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements	1 January 2023
— Disclosure of Accounting Policies	
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
United States of America	473,334	265,059
Mainland China	76,720	46,009
European Union	132,098	93,242
Hong Kong	1,571	3,028
Other countries/regions	31,370	29,773
	<u>715,093</u>	<u>437,111</u>

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

(b) *Non-current assets*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mainland China	55,903	66,284
Hong Kong	1,814	5,087
Other countries/regions	18,099	19,638
	<u>75,816</u>	<u>91,009</u>

The non-current assets information above is based on the locations of the assets and excludes financial instruments and investment in an associate.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	345,678	68,492
Customer B	92,116	47,008
Customer C	N/A ¹	90,513

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers		
Types of goods or services		
Sale of industrial products	701,969	432,427
Provision of manufacturing services	13,124	4,684
Total revenue from contracts with customers	<u>715,093</u>	<u>437,111</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>715,093</u>	<u>437,111</u>

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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income and gains		
Compensation income from a customer	–	8,208
Deposit receipt in advance forfeited by customers	3,528	–
Trade and other payables written off	6,481	–
Bank interest income	153	718
Government grants:		
Related to income*	3,602	7,548
Gain on derecognition of financial assets measured at FVTPL	–	144
Rental income	441	499
Others	937	280
	<u>15,142</u>	<u>17,397</u>

* The amount mainly represents rewards or subsidies for research and financing activities received from the local government without unfulfilled conditions.

6. LOSS BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold	539,989	371,123
Cost of services provided	53,346	4,917
Depreciation of investment property	160	158
Depreciation of property, plant and equipment	18,010	20,224
Depreciation of right-of-use assets	14,406	14,626
Amortisation of intangible assets	1,842	1,740
Direct operating expenses of investment property that generate rental income	86	46
Research and development expenses	52,803	50,119
Auditors' remuneration	1,118	2,339
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	110,832	92,185
Pension scheme contributions	8,767	4,191
Equity-settled share option expense	313	339
	119,912	96,715
Foreign exchange differences, net	750	10,698
Allowance for inventories	14,342	25,208
Reversal of allowance for inventories	(40,179)	(26,941)
Reversal of allowance for inventories, net (included in cost of inventories sold)	(25,837)	(1,733)
Loss on disposal of property, plant and equipment	255	922
(Reversal of impairment losses)/Impairment losses of trade and factoring receivables	(475)	566
(Reversal of impairment losses)/Impairment losses of prepayments and other receivables	(1,293)	1,207
Gain on disposal of right-of-use assets	–	(47)
Gain on disposal of financial assets at FVTPL	–	(144)
Prepayments and other receivables written off	1,561	–
Trade and other payables written off	(6,481)	–
Deposit receipt in advance forfeited by customers	(3,528)	–

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on:		
Bank borrowings	296	258
Lease liabilities	1,574	1,914
	1,870	2,172

8. INCOME TAX CREDIT

Income tax credit has been recognised in profit or loss as following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Deferred tax	<u>(871)</u>	<u>–</u>

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.

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 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 (2020: 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% (2020: 21%), and also subject to the statutory applicable state corporate income tax at a rate of 7% (2020: 7%).

The Group’s subsidiary in the United Kingdom is subject to corporate income tax at a rate of 19% (2020: 19%).

The Group’s subsidiary in Vietnam is subject to corporate income tax at a rate of 20%. Pursuant to the relevant laws and regulations in Vietnam, entities in Vietnam engaged in qualified investment projects are eligible for Vietnam CIT exemption for the first year to the second year, and a 50% reduction for the third year to the sixth year starting from the year in which the entities first generate income from the investment projects, on the assessable profits from such investment projects.

No provisions for Mainland China, Vietnam, the United States and the United Kingdom corporate income tax have been made in the consolidated financial statements since the Group has no assessable profits derived for the year.

No provision for Hong Kong corporate income tax has been made in the consolidated financial statements since the Group has sufficient tax losses brought forward to set off against current year’s assessable profit.

The reconciliation between the income tax credit and the product of loss before tax multiplied by the PRC CIT rate is as follows:

	2021	2020
	HK\$'000	HK\$'000
Loss before tax	<u>(4,283)</u>	<u>(71,063)</u>
Tax at the PRC CIT rate of 25% (2020: 25%)	(1,071)	(17,766)
Tax effect of income that is not taxable	(2,757)	(810)
Tax effect of expenses that are not deductible	2,720	1,491
Tax effect of super-deduction of research and development costs	(6,331)	(3,488)
Tax effect of temporary differences not recognised	(2)	–
Tax effect of utilisation of tax losses not previously recognised	(2,611)	(4,510)
Tax effect of tax losses not recognised	11,998	21,709
PRC dividend withholding tax previously recognised and reversed	(871)	–
Effect of different tax rates of subsidiaries	<u>(1,946)</u>	<u>3,374</u>
Income tax credit	<u>(871)</u>	<u>–</u>

9. DIVIDENDS

The directors do not recommend any final dividends for the year ended 31 December 2021 (2020: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 952,739,000 (2020: 952,739,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 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:

	2021	2020
	HK\$'000	HK\$'000
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation:	<u>(3,853)</u>	<u>(64,021)</u>

	Number of shares	
	2021	2020
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	952,739	952,739
	<u>HK(0.4) cent</u>	<u>HK(6.7) cents</u>
Basic		
	<u>HK(0.4) cent</u>	<u>HK(6.7) cents</u>
Diluted		

11. RIGHT-OF-USE ASSETS

The Group has lease contracts for various items of buildings and other equipment used in its operations. Buildings generally have lease terms between 2 and 9 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value.

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

	Buildings
	<i>HK\$'000</i>
As at 1 January 2020	44,949
Additions	3,042
Depreciation charge for the year	(14,626)
Disposals	(836)
Exchange realignment	1,551
	<u>34,080</u>
As at 31 December 2020 and 1 January 2021	34,080
Additions	7,847
Depreciation charge for the year	(14,406)
Exchange realignment	757
	<u>28,278</u>
As at 31 December 2021	28,278

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on lease liabilities (included in finance costs)	1,574	1,914
Depreciation charge of right-of-use assets	14,406	14,626
Expense relating to short-term leases and other leases with remaining lease terms ended on or before the end of reporting period (included in administrative expenses)	1,612	19
Expense relating to leases of low-value assets (included in administrative expenses)	36	9
Covid-19-related rent concessions from lessors	–	(239)
	<u>17,628</u>	<u>16,329</u>
Total amount recognised in profit or loss	<u>17,628</u>	<u>16,329</u>

12. INVENTORIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Raw materials	98,705	62,942
Work in progress	54,456	46,555
Finished goods	47,523	38,427
	<u>200,684</u>	<u>147,924</u>

13. TRADE AND FACTORING RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	30,318	68,496
Impairment losses	(2,992)	(3,799)
	<u>27,326</u>	<u>64,697</u>
Factoring receivables	17,242	–
Impairment losses	(345)	–
	<u>16,897</u>	<u>–</u>
	<u>44,223</u>	<u>64,697</u>

The Group requires most of its customers to make payments in advance, however, the Group grants certain credit periods range from 30 to 90 days 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 has entered into receivable purchase arrangements with a bank for the factoring of trade receivables on a full recourse basis with a designated customer. As at 31 December 2021, trade receivables factored to the bank aggregated to HK\$17,242,000 (2020: Nil). As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the amount of the receivables and has recognised the cash received on the transfer as secured factoring loans of HK\$9,511,000 (2020: Nil) (note 14), with a net position of HK\$7,731,000 (2020: Nil). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

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.

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	17,905	38,188
1 to 2 months	16,316	19,001
2 to 3 months	8,802	4,047
Over 3 months	1,200	3,461
	44,223	64,697

The carrying amounts of the Group's trade and factoring receivables are denominated in the following currencies:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
US\$	43,222	57,868
RMB	227	6,678
GBP	753	144
Other currencies	21	7
Total	44,223	64,697

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

	2021	2020
	HK\$'000	HK\$'000
At 1 January	3,799	3,229
Impairment losses (reversed)/recognised (<i>note 6</i>)	(475)	566
Exchange adjustments	13	4
	<hr/>	<hr/>
At 31 December	<u>3,337</u>	<u>3,799</u>

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 and factoring receivables:

As at 31 December 2021

Category	Carrying amount		Impairment losses		Net book value
	Amount	Proportion	Amount	Proportion	
	HK\$'000	%	HK\$'000	%	HK\$'000
Trade and factoring receivables for which impairment losses has been assessed individually	2,646	5.56	2,646	100	–
Trade and factoring receivables for which impairment losses has been assessed by using a provision matrix	44,914	94.44	691	1.54	44,223
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>47,560</u>	<u>100</u>	<u>3,337</u>	<u>7.02</u>	<u>44,223</u>

As at 31 December 2020

Category	Carrying amount		Impairment losses		Net book value HK\$'000
	Amount HK\$'000	Proportion %	Amount HK\$'000	Proportion %	
Trade and factoring receivables for which impairment losses has been assessed individually	2,635	3.85	2,635	100	–
Trade and factoring receivables for which impairment losses 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>

Trade and factoring receivables for which impairment losses has been assessed by using a provision matrix are as follows:

As at 31 December 2021

	Current	Less than 3 months	Past due		Over 1 year	Total
			3 to 6 months	6 months to 1 year		
Expected credit loss rate (%)	0.75	3.12	9.23	30.36	100	–
Gross carrying amount (HK\$'000)	34,475	9,090	1,288	44	17	44,914
Expected credit losses (HK\$'000)	<u>258</u>	<u>284</u>	<u>119</u>	<u>13</u>	<u>17</u>	<u>691</u>

As at 31 December 2020

	Current	Less than 3 months	Past due		Over 1 year	Total
			3 to 6 months	6 months to 1 year		
Expected credit loss rate (%)	0.50	2.54	9.51	28.92	100	–
Gross carrying amount (HK\$'000)	54,764	7,816	1,492	1,744	45	65,861
Expected credit losses (HK\$'000)	<u>274</u>	<u>199</u>	<u>142</u>	<u>504</u>	<u>45</u>	<u>1,164</u>

14. INTEREST-BEARING BANK BORROWINGS

Current	<i>Note</i>	2021 Effective interest rate (%)	HK\$'000	2020 Effective interest rate (%)	HK\$'000
Bank loans — unsecured		–	–	1.0	714
Bank loans — secured	<i>(ii)</i>	1.3~1.4	22,369	1.4~1.5	11,289
Factoring loans — secured	<i>(iii)</i>	1.7	9,511	–	–
			<u>31,880</u>		<u>12,003</u>

	2021 HK\$'000	2020 HK\$'000
The borrowings are repayable as follows:		
Within one year	31,880	11,289
Within two years	–	714
	<u>–</u>	<u>714</u>

Notes:

- (i) The Group's banking facilities amounting to HK\$46,394,000 (2020: HK\$23,000,000), of which HK\$31,880,000 (2020: HK\$11,289,000) had been utilised as at the end of the reporting period.
- (ii) The borrowings as at 31 December 2021 were secured by the pledge of the life insurance policy and pledged bank deposits, personal guarantee executed by a controlling shareholder of the Company, corporate guarantee executed by a company controlled by the controlling shareholder of the Company and two subsidiaries of the Group respectively.
- (iii) Factoring loan of HK\$9,511,000 (2020: Nil) was secured by the pledge of the Group's trade and factoring receivables of HK\$11,889,000 (2020: Nil).
- (iv) All borrowings are denominated in the US\$.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	47,774	48,403
1 to 2 months	42,843	34,184
2 to 3 months	12,883	14,867
Over 3 months	15,096	33,766
	<u>118,596</u>	<u>131,220</u>

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
RMB	71,551	86,171
US\$	44,924	44,024
VND	1,917	1,003
Other currencies	204	22
Total	<u>118,596</u>	<u>131,220</u>

16. COMMITMENTS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contracted, but not provided for:		
Plant and machinery	<u>941</u>	<u>204</u>

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.

For FY2021, the Group’s total turnover was approximately HK\$715.1 million, which was about 63.6% higher compared to approximately HK\$437.1 million for FY2020. We recorded a loss of approximately HK\$3.4 million for FY2021, a significantly decrease of about 95.2% compared with FY2020.

The improvement in financial performance is mainly attributed to the following reasons:

- (i) Although the epidemic of Covid-19 in Vietnam was rather serious, the performance of our factory in Vietnam improved quite a lot during the year. Due to the travel restrictions, we hired the local Vietnamese to undertake most of the management and technical work of our factory in Vietnam. With the continuous improvement of their work quality, this helped us to fulfill the orders of American customers and significantly increased our sales revenue.
- (ii) The Group has been dedicated to improving its internal operation and pursuing higher efficiency.
- (iii) We have achieved positive results in optimizing the customer portfolio.

For FY2021, our revenue mainly came from the manufacture of home surveillance cameras, police cameras, baby monitors and remote learning devices. These businesses are expected to continue growing in 2022.

Prospects

In 2022, we believe that deglobalization, high inflation, semiconductor chip shortage and Vietnam epidemic are the main challenges for our business. We will monitor closely and reduce the risks by taking effective measures. On the basis of the past two years, we will further speed up the operation and provide better service to our customers.

Because of the pandemic of Covid-19, more people are used to working from home and using video conferencing to communicate. We believe that the demand for the video conference devices will increase. Therefore, we will put more effort into developing more products in this category.

In order to improve our financial performance and achieve a profit turnaround as soon as possible, we will strive to increase 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 other Asian countries.
- We will work deeper in our main product lines by all aspect. We believe that we can strengthen our competitive advantages in the product categories.
- 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:

	2021		2020		Revenue change
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
Sale of Products					
Home surveillance cameras	494,780	69.2%	180,299	41.2%	174.4%
Digital imaging products	114,074	16.0%	165,327	37.8%	(31.0%)
Other products	93,115	13.0%	86,801	19.9%	7.3%
SUB-TOTAL	701,969	98.2%	432,427	98.9%	62.3%
Manufacturing service income	13,124	1.8%	4,684	1.1%	180.2%
Total	715,093	100%	437,111	100%	63.6%

For FY2021, the Group recorded a turnover of approximately HK\$715.1 million (FY2020: approximately HK\$437.1 million), representing an increase of approximately 63.6% as compared to FY2020. The increase was mainly due to the significant rise in the shipment units of home surveillance cameras.

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 following table sets out the breakdown of revenue by location of customers for the periods indicated:

	2021	2020
	HK\$'000	HK\$'000
United States of America	473,334	265,059
Mainland China	76,720	46,009
European Union	132,098	93,242
Hong Kong	1,571	3,028
Other countries/regions	31,370	29,773
	715,093	437,111

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 FY2021, cost of sales of the Group amounted to approximately HK\$593.3 million (FY2020: approximately HK\$376.0 million), representing an increase of approximately 57.8% as compared to FY2020, and amounted to approximately 83.0% (FY2020: approximately 86.0%) of its turnover for FY2021. This increase was mainly attributable to the turnover increased, the corresponding cost of sales has also increased.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK\$121.8 million for FY2021 (FY2020: approximately HK\$61.1 million), representing an increase of approximately 99.4% as compared to FY2020. The gross profit margin increased from approximately 14.0% for FY2020 to approximately 17.0% for FY2021. This increase was mainly attributable to the reduction of the impairment losses for inventories amounted approximately HK\$24.1 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) written-off of trade and other payable and contract liabilities.

For FY2021, other income and gains of the Group significantly decreased by approximately HK\$2.3 million to approximately HK\$15.1 million as compared to FY2020, which was primarily attributable to a decrease of approximately HK\$3.9 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 FY2021, selling and distribution expenses of the Group slightly increased approximately 3.9% to approximately HK\$34.1 million from approximately HK\$32.8 million for FY2020, mainly due to the increase of transportation expenses approximately HK\$3.8 million for FY2021.

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 FY2021, administrative expenses of the Group slightly increased by approximately 2.1% to approximately HK\$50.5 million (FY2020: approximately HK\$49.4 million). The increase was mainly due to the government reduced the company's social security for employees of approximately HK\$1.2 million during FY2020, but there was no relevant reduction policy during FY2021.

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 FY2021, the Group recorded research and development costs of approximately HK\$52.8 million, which slightly increased by approximately 5.4% from approximately HK\$50.1 million for FY2020. The increase was mainly due to the increase of salaries and benefits of the Group's research and development and product planning staff approximately HK\$4.6 million for FY2021.

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 FY2021, other expenses of the Group significantly decreased to approximately HK\$1.8 million from approximately HK\$15.0 million for FY2020. The decrease mainly consisted of the decrease of exchange loss of approximately HK\$9.9 million caused by the depreciation of RMB against US dollar during FY2021.

Finance costs

For FY2021, the finance costs of the Group decreased to approximately HK\$1.9 million (FY2020: approximately HK\$2.2 million), representing a decrease by approximately 13.9% as compared to FY2020. This decrease was attributable to the reduction of the interest expense of lease liabilities.

Income tax credit

For FY2021, the income tax credit of the Group increased to approximately HK\$0.9 million (FY2020: Nil). This increase was attributable to the reduction in deferred income tax liabilities.

Net loss

As a result of the foregoing, the Group recorded a loss of approximately HK\$3.4 million for FY2021 (attributable to non-controlling interests is a profit of approximately HK\$0.4 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:

	2021 HK\$'000	2020 <i>HK\$'000</i>
Net cash flows generated from/(used in) operating activities	5,933	(11,200)
Net cash flows (used in)/generated from investing activities	(20,839)	2,916
Net cash flows generated from/(used in) financing activities	5,382	(18,316)
Net decrease in cash and cash equivalents	(9,524)	(26,600)
Cash and cash equivalents at beginning of year	97,486	106,899
Effect of foreign exchange rate changes, net	8,226	17,187
Cash and cash equivalents at end of year	96,188	97,486

Net cash flow generated from operating activities for FY2021 was approximately HK\$5.9 million, which primarily reflected (i) the adjusted loss before tax of approximately HK\$3.4 million; (ii) the decrease in trade and factoring receivables of approximately HK\$20.9 million; (iii) the increase in inventory balances of approximately HK\$29.2 million; (iv) the increase in prepayments and other receivables of approximately HK\$6.7 million; (v) the decrease in trade payables of approximately HK\$6.3 million; and (vi) the increase in other payables and accruals of approximately HK\$33.9 million.

Net cash flow used in investing activities for FY2021 was approximately HK\$20.8 million. This mainly consisted of (i) payment of approximately HK\$20.5 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\$2.0 million for disposal of items of property, plant and equipment, and (iii) payment of approximately HK\$2.6 million for acquisition of an associate.

Net cash flow generated from the financing activities for FY2021 was approximately HK\$5.4 million, which was mainly reflected (i) the increase in the use of interest-bearing bank borrowings to repay trade payables approximately HK\$19.9 million; and (ii) the principal portion of lease payments to approximately HK\$14.5 million.

The Group's cash and cash equivalents were denominated in US\$, HK\$, VN\$ and RMB as at 31 December 2021.

Borrowing and the pledge of assets

The Group's bank facilities amounting to approximately HK\$46.4 million (FY2020: approximately HK\$23.0 million), of which approximately HK\$31.9 million (FY2020: approximately HK\$11.3 million) had been utilised as at the 31 December 2021 and are repayable within one year.

As at 31 December 2021, the bank loan were secured by the pledge of the life insurance policy and pledged bank deposits, personal guarantee executed by a controlling shareholder of the Company, corporate guarantee executed by a company controlled by the controlling shareholder of the Company and two subsidiaries of the Group respectively. The factoring loan of approximately HK\$9.5 million was secured by the pledge of the Group's trade and factoring receivables of approximately HK\$11.9 million.

As at 31 December 2021, the annual interest rate of secured bank loans ranged from 1.3% to 1.4% (FY2020: 1.4% to 1.5%) and the annual interest rate of the factoring loans around 1.7% (FY2020: Nil).

The Group's bank borrowings are all denominated in US\$.

Gearing ratio

Gearing ratio is calculated by dividing total debt (which equals interest-bearing bank borrowings and lease liabilities) by total equity as at the end of the each period end. The Group's gearing ratio as at 31 December 2020 and 31 December 2021 was approximately 22.5% and approximately 28.2%, respectively. The increase in gearing ratio was mainly due to the significant increase in outstanding interest-bearing bank borrowings during FY2021.

Capital expenditure

During FY2021, the Group invested approximately HK\$20.5 million (FY2020: approximately HK\$3.9 million) in fixed assets and intangible assets in order to meet the increased production capacity of factory in Vietnam.

Off balance sheet transactions

During FY2021, 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 86.8% (FY2020: 83.1%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sales, whilst approximately 36.9% (FY2020: 47.0%) of costs were denominated in their functional currencies.

During the year, there was no material impact on 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 FY2021 (FY2020: Nil). In addition, the Group did not have any foreign currency net investments which have been hedged by currency borrowing and other hedging investments.

Events after the reporting period

As disclosed in the Company's announcements dated 5 January 2022 and 6 January 2022, on 5 January 2022, Sky Light Digital Limited, an indirect wholly-owned subsidiary of the Company, as vendor, and King Lai Hua Limited, as purchaser, entered into a sale and purchase agreement, pursuant to which, Sky Light Digital Limited has agreed to sell, and King Lai Hua Limited has agreed to purchase, the property situated at Room 1009, 10/F, Kwong Sang Hong Centre, 151-153 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong at a cash consideration of HK\$15,000,000.

At the date of this announcement, the disposal of the abovementioned property has been completed.

Save as disclosed above, there are no significant events affecting the Group which occurred after the reporting period of FY2021 and up to the date of this announcement.

Treasury policies

During FY2021, the Group did not have any investment under its 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 of Hong Kong Limited (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.

Employees and emoluments policy

As at 31 December 2021, the Group employed a total of 1,448 employees (31 December 2020: 1,482). The staff costs of the Group, excluding directors’ emoluments and any contribution to pension scheme were approximately HK\$119.9 million for FY2021 (FY2020: approximately HK\$96.7 million), approximately HK\$0.3 million (FY2020: approximately HK\$0.3 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 8.60% 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.

For FY2021, Kandao has strengthen the product promotion and turn losses into profits. It is expected that there will be a steady development trend in the year.

As at 31 December 2021, the investment accounted for 5.5% of the Group’s total assets and the fair value of this investment held by the Group was approximately HK\$27.1 million (31 December 2020: approximately HK\$24.4 million) presenting HK\$2.7 million unrealized profit as at 31 December 2021. No dividend was received from this investment during FY2021 (FY2020: 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 2021.

Commitment

As at 31 December 2021, the Group’s capital commitment amounted to approximately HK\$0.9 million (31 December 2020: approximately HK\$0.2 million).

Future plans for material investments or capital assets

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

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 FY2021.

Contingent liabilities

As at 31 December 2021, 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 Thursday, 26 May 2022. A notice convening the AGM will be issued and disseminated to the shareholders of the Company in due course.

Dividends

The Board do not recommend the payment of any final dividend for FY2021 (FY2020: Nil).

Financial position as at 31 December 2021

As at 31 December 2021, the Group’s total equity was approximately HK\$221.0 million (31 December 2020: approximately HK\$215.8 million), total assets amounted to approximately HK\$494.2 million (31 December 2020: approximately HK\$458.6 million) and total liabilities stood at approximately HK\$273.3 million (31 December 2020: approximately HK\$242.8 million).

Closure of register of members

The register of members of the Company will be closed from Monday, 23 May 2022 to Thursday, 26 May 2022 (both days inclusive) during which period 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 Friday, 20 May 2022.

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 and the applicable laws of the Cayman Islands. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during FY2021.

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 its 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 2021 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 (which has been re-numbered as C.2.1 since 1 January 2022) (the “**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.

Mode 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 throughout FY2021.

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 FY2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement for FY2021 has been published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.sky-light.com.hk>) respectively. The annual report of the Company for the year ended 31 December 2021 containing all the relevant information required by the Listing Rules and the relevant laws and regulations will be dispatched to the shareholders of the Company and available on above websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank all our stakeholders and business partners for their ongoing support, and our Directors, management and employees for their dedication and contribution to our progress.

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

Hong Kong, 29 March 2022

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.