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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1305)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the announcement of Wai Chi Holdings Company Limited (the “**Company**”) dated 25 March 2022 in relation to the unaudited annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 (the “**Unaudited Annual Results Announcement**”). The Board of Directors of the Company is pleased to announce that the auditing process for the annual results of the Group for the year ended 31 December 2021 has been completed. The Group’s audited consolidated statement of comprehensive income and consolidated statement of financial position in this announcement is consistent with the unaudited annual results of the Group contained in the Unaudited Annual Results Announcement.

AUDITED FINANCIAL HIGHLIGHTS

	2021	2020
	HK\$’000	HK\$’000
Revenue	1,922,595	1,395,888
Gross profit	282,197	198,417
Gross profit margin	14.7%	14.2%
Profit for the year attributable to owners of the Company	51,469	30,958
Basic and diluted earnings per share	HK24 cents	HK14 cents

FINAL RESULTS

The Board of Company is pleased to announce the consolidated annual results of the Group for the year ended 31 December 2021, together with comparative figure for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	1,922,595	1,395,888
Cost of sales		<u>(1,640,398)</u>	<u>(1,197,471)</u>
Gross profit		282,197	198,417
Other income	4	23,239	20,707
Selling and distribution expenses		(36,437)	(25,356)
Administrative expenses		(98,748)	(84,934)
Other (losses) and gains		(8,303)	4,939
Research and development expenses		(65,100)	(54,978)
Finance costs	6	<u>(44,975)</u>	<u>(28,094)</u>
Profit before tax		51,873	30,701
Income tax credit	7	<u>69</u>	<u>329</u>
Profit for the year	8	<u>51,942</u>	<u>31,030</u>
Profit for the year attributable to:			
– Owners of the Company		51,469	30,958
– Non-controlling interest		<u>473</u>	<u>72</u>
		<u>51,942</u>	<u>31,030</u>
		<i>HK\$</i>	<i>HK\$</i>
Earnings per share			
Basic and diluted	13	<u>0.24</u>	<u>0.14</u>

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

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year	51,942	31,030
Other comprehensive (expense) income that will not be reclassified subsequently to profit or loss:		
Fair value (loss) gain on investment in equity instrument designated at fair value through other comprehensive income	(8)	448
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	<u>16,249</u>	<u>42,688</u>
Other comprehensive income for the year	<u>16,241</u>	<u>43,136</u>
Total comprehensive income for the year	<u>68,183</u>	<u>74,166</u>
Total comprehensive income for the year attributable to:		
– Owners of the Company	<u>68,626</u>	73,996
– Non-controlling interest	<u>(443)</u>	<u>170</u>
	<u>68,183</u>	<u>74,166</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		351,357	248,072
Right-of-use assets		54,562	62,304
Investment property		26,300	–
Financial assets at fair value through profit or loss		7,478	3,510
Financial asset at fair value through other comprehensive income		10,367	3,683
Deposit paid for acquisition of property, plant and equipment		6,115	52,898
Deposits with bank		183,464	178,223
Deferred taxation		8,052	8,312
		647,695	557,002
Current assets			
Inventories	9	312,029	220,710
Trade receivables	10	672,316	566,740
Bills receivables	10	265,827	157,675
Prepayments, deposits and other receivables	11	79,443	151,101
Pledged bank deposits		342,017	277,267
Bank balances and cash		112,312	101,520
		1,783,944	1,475,013
Current liabilities			
Trade payables	12	400,649	295,154
Bills payables	12	763,867	545,268
Other payables and accruals	12	58,418	35,967
Contract liabilities		22,499	6,210
Bank and other borrowings		325,429	346,569
Income tax payables		3,497	5,912
Lease liabilities		5,928	8,974
		1,580,287	1,244,054
Net current assets		203,657	230,959
Total assets less current liabilities		851,352	787,961

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities		
Deferred taxation	368	381
Corporate bond	1,936	1,896
Government grants	18,793	18,398
Lease liabilities	10,205	15,419
	<u>31,302</u>	<u>36,094</u>
Net assets	<u>820,050</u>	<u>751,867</u>
Capital and reserves		
Share capital	2,168	2,168
Reserves	816,313	747,687
	<u>818,481</u>	<u>749,855</u>
Equity attributable to owners of the Company	818,481	749,855
Non-controlling interests	1,569	2,012
	<u>820,050</u>	<u>751,867</u>
Total equity	<u>820,050</u>	<u>751,867</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL

Wai Chi Holdings Company Limited (the “**Company**”) is a company incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 16 August 2013 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 November 2014. Its ultimate controlling party is (the late) Mr. Yiu Chi To, who passed away on 28 January 2022. The address of the registered office of the Company is Offshore Incorporations (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is 6th Floor, Liven House, 63 King Yip Street, Kwun Tong, Kowloon, Hong Kong.

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

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

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

In the current year, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 January 2021:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, Hong Kong Accounting Standards (“ HKAS(s) ”) 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

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 did not have significant impact on the financial position and performance of the Group, as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments ³
Amendments to HKFRS 3	Reference to Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions ³
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle ²

¹ Effective for annual periods on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

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

3. BASIC OF PREPARATION

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique.

4. REVENUE AND OTHER INCOME

Revenue represented revenue arising on sales of goods for the year. An analysis of the Group's revenue for the year is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
Sales of goods		
LED backlight	1,454,015	988,091
LED lighting	149,435	74,360
Sourcing business	319,145	333,437
	<u>1,922,595</u>	<u>1,395,888</u>
	<u><u>1,922,595</u></u>	<u><u>1,395,888</u></u>
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Disaggregation of revenue from contracts with customers by timing of recognition		
Timing of revenue recognition		
At a point in time	1,922,595	1,395,888
	<u>1,922,595</u>	<u>1,395,888</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income		
Bank interest income	9,298	3,605
Government grants (<i>Note</i>)	5,442	11,707
Sales of scrapped materials	1,510	13
Gain on disposal of property, plant and equipment	58	–
Sundry income	6,931	5,382
	<u>23,239</u>	<u>20,707</u>
	<u><u>23,239</u></u>	<u><u>20,707</u></u>

Note: Included in the amount, there are government grants immediately recognised as other income during the year ended 31 December 2021 of HK\$5,296,000 (2020: HK\$10,436,000) which were received from PRC government in respect of certain research projects and salaries subsidies.

During the year ended 31 December 2020, the Group recognised government grants of HK\$1,135,000 (2021: Nil) in respect of COVID-19 related subsidies, which was related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund.

There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

During the year ended 31 December 2021, the amount of HK\$146,000 (2020: HK\$136,000) was government grant recognised as deferred income utilised during the year.

5. SEGMENT INFORMATION

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

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

1. LED backlight – Manufacture and trading of LED backlight products in different sizes and applications
2. LED lighting – Manufacture and trading of LED lighting products for public and commercial use
3. Sourcing business – Provision of high-tech electronic components and memory chips related products sourcing business

Segment revenues and results

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

For the year ended 31 December 2021

	LED backlight HK\$’000	LED lighting HK\$’000	Sourcing business HK\$’000	Total HK\$’000
REVENUE				
External sales	1,454,015	149,435	319,145	1,922,595
Segment profit	151,360	4,542	2,547	158,449
Unallocated income				16,287
Unallocated expenses				(79,060)
Unallocated finance costs				(43,803)
Profit before tax				51,873

For the year ended 31 December 2020

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

Revenue from major products

Analysis by type of products

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LED backlight		
– Small dimension	346,056	307,942
– Medium dimension	1,043,604	618,492
– Large dimension	64,355	61,657
Sub-total	1,454,015	988,091
LED lighting		
– Indoor lighting	143,334	71,801
– Outdoor lighting	6,101	2,559
Sub-total	149,435	74,360
Sourcing business		
– High-tech electronic components and products sourcing	–	88,987
– Memory chips related products sourcing	319,145	244,450
Sub-total	319,145	333,437
Total	1,922,595	1,395,888

Analysis by application of products

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LED backlight		
– Automobile displays	1,158,602	706,600
– Equipment displays	229,685	220,580
– Televisions	65,728	60,911
	<hr/>	<hr/>
Sub-total	1,454,015	988,091
	<hr/>	<hr/>
LED lighting		
– Commercial lighting	143,334	71,801
– Public lighting	6,101	2,559
	<hr/>	<hr/>
Sub-total	149,435	74,360
	<hr/>	<hr/>
Sourcing business		
– High-tech electronic components and products sourcing	–	88,987
– Memory chips related products sourcing	319,145	244,450
	<hr/>	<hr/>
Sub-total	319,145	333,437
	<hr/>	<hr/>
Total	1,922,595	1,395,888
	<hr/> <hr/>	<hr/> <hr/>

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on:		
– Bank and other borrowings	17,441	15,473
– Corporate bond	200	200
– Lease liabilities	1,181	1,241
– Bills payables	26,153	11,180
	<hr/>	<hr/>
	44,975	28,094
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX CREDIT

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax		
PRC Enterprise Income Tax		
– Current year	1,486	259
– Overprovision in prior years	<u>(2,036)</u>	<u>(1,616)</u>
	(550)	(1,357)
Deferred taxation	<u>481</u>	<u>1,028</u>
Total income tax credit for the year	<u><u>(69)</u></u>	<u><u>(329)</u></u>

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

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 2021 and 2020.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25% for the year ended 31 December 2021 (2020: 25%).

Pursuant to the relevant laws and regulations in the PRC, the Group’s subsidiaries, Wai Chi Opto Technology (Shenzhen) Limited* (偉志光電(深圳)有限公司) and Huizhou Wai Chi Electronics Company Limited* (惠州偉志電子有限公司), were accredited as high-tech enterprises which will be expired in 2024 and 2023 respectively. They are entitled to the preferential tax rate of 15% for both years.

Pursuant to circular issued by Ministry of Finance and National Tax Bureau on 17 January 2019, the small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 (RMB1,000,000 included) is entitled to a preferential tax treatment of 75% exemption of taxable income and application of income tax rate as 20% from 1 January 2019 to 31 December 2022. Certain PRC subsidiaries of the Group were qualified during the years ended 31 December 2021 and 2020.

* *The English name is for identification purpose only*

8. PROFIT FOR THE YEAR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Directors' emoluments	5,628	6,082
Salaries and allowances (excluding directors)	253,248	183,402
Retirement benefits schemes contributions (excluding directors)	<u>20,132</u>	<u>11,625</u>
Total staff costs	<u>279,008</u>	<u>201,109</u>
Auditor's remuneration	1,097	1,045
Net foreign exchange losses	926	505
Cost of inventories recognised as expenses (included in cost of sales) (<i>Note a</i>)	1,463,786	1,197,471
Research and development costs recognised as an expense	65,100	45,978
Depreciation of property, plant and equipment	48,274	45,261
Depreciation of right-of-use-assets	10,186	7,710
Loss on write-off of property, plant and equipment	702	123
Lease expenses for short-term leases	<u>4,415</u>	<u>3,521</u>

Note:

- (a) Cost of inventories recognised as expenses included depreciation of property, plant and equipment and staff costs of HK\$35,609,000 (2020: HK\$41,515,000) and HK\$200,410,000 (2020: HK\$127,037,000) respectively. The amounts were also included in the respective amounts disclosed above.

9. INVENTORIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Raw materials	42,968	20,621
Work-in-progress	100,952	84,148
Finished goods	<u>168,109</u>	<u>115,941</u>
	<u>312,029</u>	<u>220,710</u>

10. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Receivables at amortised cost comprise:		
Trade receivables	704,879	592,182
Less: allowance for impairment of trade receivables	<u>(32,563)</u>	<u>(25,442)</u>
	672,316	566,740
Bills receivables	<u>265,827</u>	<u>157,675</u>
Total trade and bills receivables	<u>938,143</u>	<u>724,415</u>

As at 1 January 2020, the gross amount of trade receivables from contracts with customers amounted to HK\$484,539,000.

As at 31 December 2021, the gross amount of trade receivables arising from contracts with customers amounted to HK\$704,879,000 (2020: HK\$592,182,000).

The Group allows an average credit period of 15 to 180 days (2020: 15 to 180 days) to its trade customers.

The following is an aged analysis of trade receivables (net of allowance for impairment of trade receivables) presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 90 days	633,131	554,649
91 to 180 days	33,276	8,369
181 to 365 days	2,058	3,722
Over 365 days	<u>3,851</u>	<u>–</u>
	<u>672,316</u>	<u>566,740</u>

All the bills receivables are aged within 365 days.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Deposits and other receivables	64,282	75,779
Less: allowance for impairment of other receivables	<u>(6,927)</u>	<u>(2,652)</u>
	57,355	73,127
Value added tax receivables	10,876	3,831
Prepayments	<u>11,212</u>	<u>74,143</u>
	<u>79,443</u>	<u>151,101</u>

12. TRADE, BILLS AND OTHER PAYABLES AND ACCRUALS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables (<i>Note a</i>)	400,649	295,154
Bills payables (<i>Note a</i>)	763,867	545,268
	<u>1,164,516</u>	<u>840,422</u>
Other payables	27,971	6,848
Accrued expenses	25,863	21,906
Value added tax payables	4,584	7,213
	<u>58,418</u>	<u>35,967</u>
	<u><u>1,222,934</u></u>	<u><u>876,389</u></u>

Note:

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 90 days	319,546	264,392
91 to 180 days	72,788	22,850
181 to 365 days	1,415	1,500
Over 365 days	6,900	6,412
	<u>400,649</u>	<u>295,154</u>

The average credit period on purchase of goods is from 30 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

All the bills payables are aged within 365 days.

13. EARNINGS PER SHARE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	<u>51,469</u>	<u>30,958</u>
	2021	2020
Number of ordinary shares for the purpose of basic and diluted earnings per share	<u>216,825,000</u>	<u>216,825,000</u>
Basic and diluted earnings per share (<i>HK\$ per share</i>)	<u>0.24</u>	<u>0.14</u>

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

14. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

COVID-19 disease was declared a pandemic in the second year since its onset, its far-reaching impacts still dominated all aspects of the world in 2021. But with the vaccine rates reaching high levels in many countries and policymakers learning from past years' experience, the world achieved a remarkable recovery during the year. The global economy expanded 5.6% in 2021, an impressive turnaround from the 3.1% decline that the total GDP suffered in 2020, also the strongest post-recession pace in 80 years.

As with the case of vaccination rates, the economic recovery speed was not even. In low-income countries, just over 7% of the population is receiving a vaccine dose, and the social-economic scene is still chaotic. On the contrary, for the world's biggest economy, the US, the economy grew 5.7% in 2021, a reversal from a 3.4% decline in 2020. The Eurozone GDP also advanced at a record 5.2% in 2021, following a 6.4% contraction in 2020. China's 8.1% GDP growth in 2021 made it the only major economy to register two consecutive years of expansion since the pandemic hit.

According to the World Bank and WTO report, trade played a crucial role in economic recovery during the year. After the pandemic severely disrupted global trade, 2021 witnessed a robust rebound, with China leading the way in trade recovery for its largely undisrupted supply chains and production operations throughout the year.

Along with the economic expansion, China's automobile sales rose 3.8% year-on-year in 2021, boosted partly by a jump of about 1.6 times in sales of new energy vehicles. It was the first growth registered in China's car market since it started contracting in 2018. Driven by the domestic automobile market boom and China's unique role in world trade, its LED displays market enjoyed robust growth in 2021, with export reaching record highs and domestic demands remaining strong. In fact, China's LED lighting market also benefited from the post-pandemic demand. According to the China Association of Lighting Industry, the country's LED lighting product export was valued at US\$47.45 billion, an increase of 33.3% year on year.

As the pandemic boosted demand for electronic appliances but disturbed the supply of essential materials and logistic arrangements, the global semiconductor chip shortage had been the bottleneck limiting the development of multiple industries. During the year, business activities started to stabilise, and end-product manufacturers increased their chip stockpiles ahead of production expansions, prompting a rise in semiconductor prices. The semiconductor market as a whole grew 25.1% in 2021 to US\$583.5 billion, according to a US research firm Gartner. Samsung Electronics also published record yearly revenue with a 31.6% surge from the semiconductor segment.

Business Review

During the year ended 31 December 2021, demand for all of the Group's core products surged. As a seasoned player in the market with top-notch production techniques and a sound reputation, the Group fully grasped the opportunities and achieved a year of growth in sales, successfully recovering from the disrupted year of 2020.

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

The total revenue for the year ended 31 December 2021 was approximately HK\$1,922,595,000, representing an increase of 37.7% compared to approximately HK\$1,395,888,000 for the year ended 31 December 2020. Disregarding the high-tech electronic components and product sourcing business, which was intended to fund the Group's transitional period temporarily, revenue from the core business sectors was approximately HK\$1,603,450,000, representing an increase of 50.9% as compared to approximately HK\$1,062,451,000 of the year ended 31 December 2020. Revenue from the sales of LED backlight products was approximately HK\$1,454,015,000 (2020: approximately HK\$988,091,000), representing an increase of 47.2%. Such increase was mainly contributed by the record-high sales of the automobile onboard display backlights and the steady increase from television and other industrial equipment displays, which grew 7.9% and 4.1%, respectively. Revenue from the sales of LED lighting products was approximately HK\$149,435,000 (2020: approximately HK\$74,360,000), representing an increase of 101.0%, attributable to an increase in revenue from both public and commercial lighting segments, which amounted to approximately HK\$6,101,000 (2020: approximately HK\$2,559,000) and HK\$143,334,000 (2020: approximately HK\$71,801,000), respectively. For the year ended 31 December 2021, along with the increase in revenue, the Group's gross profit also increased to approximately HK\$282,197,000 (2020: approximately HK\$198,417,000).

LED Backlight Business

The three types of the Group's LED backlight products are: 1) automobile onboard displays; 2) television displays; and 3) other industrial equipment displays. For the year ended 31 December 2021, revenue derived from LED backlight products in automobile onboard displays, television displays and industrial equipment displays were approximately HK\$1,158,602,000, HK\$65,728,000 and HK\$229,685,000, respectively.

Amid a surge in car sales in China, the demand for automobile displays was high during the year, and the Group's automobile onboard displays recorded a 64.0% increase in sales for the year ended 31 December 2021. It continued to be the largest contributor to the Group's LED backlight business during the year ended 31 December 2021, representing approximately 79.7% of total LED backlight products sales (2020: approximately 71.5%).

The LED television market also enjoyed a comeback, reversing from the unfavorable market conditions in the previous years. As a result, the Group's LED backlight for television displays recorded an 7.9% increase in sales, amounting to approximately HK\$65,728,000 (2020: approximately HK\$60,911,000). Equipment displays backlight products recorded an increase of 4.1% in revenue for the year ended 31 December 2021.

LED Backlight Revenue Breakdown	For the year ended 31 December			
	2021		2020	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Automobile Displays	1,158,602	79.7	706,600	71.5
Televisions	65,728	4.5	60,911	6.2
Equipment Displays	229,685	15.8	220,580	22.3
	<u>1,454,015</u>	<u>100.0</u>	<u>988,091</u>	<u>100.0</u>

Lighting Service Business

The Group's LED lighting Service business is classified into two categories, namely public lighting and commercial lighting. The Group provides various services including products, lighting solutions design, installation, and maintenance etc. During the year ended 31 December 2021, revenues from public lighting and commercial lighting were approximately HK\$6,101,000 and HK\$143,334,000, respectively (2020: approximately HK\$2,559,000 and HK\$71,801,000), observing the increase of 138.4% and 99.6%, respectively.

The increase in the Group's public lighting business was mainly due to an increase in the education lighting projects during the year. At the same time, the commercial lighting segment was driven primarily by orders from overseas, especially European clients, who increased order volume to strengthen their stockpile to be fully prepared for any possible supply disruptions.

LED Lighting Service Revenue Breakdown	For the year ended 31 December			
	2021		2020	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Public Lighting	6,101	4.1	2,559	3.4
Commercial Lighting	143,334	95.9	71,801	96.6
	<u>149,435</u>	<u>100.0</u>	<u>74,360</u>	<u>100.0</u>

Sourcing Business

The group engaged in sourcing high-tech electronic components and products as a temporary source of income to fund the transitional period when it focused on optimising its product mix. As part of the Group's plan to enter the semiconductor market, starting from the year ended 31 December 2020, the Group added semiconductor memory chips to this segment. As the Group's semiconductor packaging and testing facility launched in late 2021, the sourcing business started to phase out, and memory chips were the only remaining products in this segment during the year.

Sourcing Business	For the year ended 31 December			
	2021		2020	
Revenue Breakdown	HK\$'000	%	HK\$'000	%
High-tech electronic components and products sourcing	N/A	N/A	88,987	26.7
Memory chips related products sourcing	<u>319,145</u>	<u>100.0</u>	<u>244,450</u>	<u>73.3</u>
	<u>319,145</u>	<u>100.0</u>	<u>333,437</u>	<u>100.0</u>

Quality Control

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

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

Research And Development

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

The Group’s R&D centre is located in its production plant in Huizhou. The Group engages in various R&D activities, including (i) concurrent development of new product designs with our customers; (ii) improvement of product quality, efficiency and functionality of existing products; (iii) in-project calibration and optimization of the production processes and capability of the equipment; (iv) introduction and promotion of the use of new production technologies and new production materials; and (v) assessment of the future prospect and development trend of the LED industry. The Group has achieved a number of technological advancements and breakthroughs over the years, and, as of 31 December 2021, the Group held 209 patents registered in the PRC. Looking forward, the Group will continue to enhance its R&D capabilities and prepare itself for the up-and-coming opportunities.

Awards for Corporate Responsibility

During the year ended 31 December 2021, Wai Chi Opto Technology Limited, a subsidiary of the Group, has received the Green Office Label awarded under the Green Office Awards Labelling Scheme (“**GOALS**”) organised by the World Green Organization (“**WGO**”) for the sixth year, in recognition of the Group’s continued efforts in aiding environmental protection.

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

Prospects

Despite the tremendous full-year performances, China, the world's second-largest economy grew by just 4% in the last three months of 2021, at a much slower pace than the previous quarters, showing the underlying slowdown that is to be expected in the coming year. As the effects of monetary and fiscal stimuli began to subside and major supply-chain disruptions emerged amid new COVID-19 waves, inflationary pressures in many economies, including China, are rising, posing headwinds against further recovery. In view of the fierce Russian-Ukraine war in an already uncertain global environment, the US and European stock indexes tumbled, with investors unsure of what will be happening next in the capital markets. Oil prices rose so much that the US and the International Energy Agency had to release barrels from their stockpiles to ease the worries over the ripple effects the price surge might have on the global economy.

The macroeconomic trends are unpredictable, but China's automobile industry demand is undoubtedly lasting. Production and sales are expected to be better in 2022 on the prospect that issues such as chip shortage and high prices of raw materials may ease, according to a statement from the China Association of Automobile Manufacturers. This provides an opportunity for the LED display makers. In fact, shifts in business models in the market also gave the Group more bargaining power and a chance to broaden its client base.

After the loss of Mr. Yiu Chi To, former chairman of the Company, the management team of the Group grew stronger together and vowed to continue the path towards a profitable future. Given the bolstered market demand, the Group is determined to leverage its technological advantages fully and utilise its LED backlight production capacities to benefit from the demand arising from the automobile onboard display market, which is the direction foreseen by (the late) Mr. Yiu Chi To. The Group shall strengthen its cooperation with various brands and create more value-added products with its advanced techniques.

Apart from the backlight segment, the Group's lighting segment is also receiving an increasing amount of orders from trusting clients worldwide amid the uncertainties in the international supply chains. This trend is expected to last and boost the Group's income in the coming year. The Group shall prioritise the education lighting projects and reinforce its brand image in the specialised markets.

As for the newly set up semiconductor memory chip lines, the Group grasped the opportunity in the semiconductor market and started laying the foundations for this business line a few years ago, before the chip demand became an international hit topic. With the undoubtedly strong demand for semiconductor chips, the Group actively optimises risk control and production capacity. The production commencement has been successful, picking up momentum currently. The management team and the Board are confident that this line of business will grow into a significant income stream shortly.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2021, the sources of revenue for the Group were the sales of LED backlight, providing LED lighting services and the business of high-tech electronic components and products sourcing. The Group's LED backlight products sales were approximately HK\$1,454,015,000, representing an increase of approximately 47.2% from 2020, which was mainly attributable to the increase of sales of all products lines, especially the record-high amount of automotive display LED backlight products. The sales of the Group's LED lighting products were approximately HK\$149,435,000, representing an increase of 101.0%, attributable to an increase in revenue from both public and commercial lighting segments. The revenue from the high-tech electronic components and products sourcing segment was approximately HK\$319,145,000 (2020: HK\$333,437,000), which further declined as the Group phases out this temporary income stream.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2021, gross profit from the sales of LED backlight and LED lighting products was approximately HK\$275,166,000, representing an increase of 52.2% from approximately HK\$180,835,000 in 2020. Gross profit margin for these two segments increased by 0.2 percentage points from 17.0% in 2020 to 17.2% in 2021. Gross profit and gross profit margin from high-tech electronic components and products sourcing were HK\$7,031,000 and 2.2% (2020: HK\$17,582,000 and 5.3%), respectively. For the year ended 31 December 2021, the Group's overall gross profit was approximately HK\$282,197,000, representing an increase of 42.2% from approximately HK\$198,417,000 in 2020. Overall gross profit margin was 14.7% in 2021, representing an increase of 0.5 percentage points from 14.2% in 2020.

Selling and Distribution Expenses

Labour costs, sales commissions and transportation costs were the Group's major selling and distribution expenses. For the year ended 31 December 2021, the Group's selling and distribution expenses was approximately HK\$36,437,000, representing an increase of 43.7% from approximately HK\$25,356,000 in 2020, which was in line with the increase in the overall revenue.

Administrative Expenses

Administrative expenses refer to the general expenses incurred in offices and factories. The Group focuses on effective management by means of resource consolidation in the Shenzhen and Huizhou factories. For the year ended 31 December 2021, the Group's administrative expenses was approximately HK\$98,748,000, which has increased by 16.3% compared to approximately HK\$84,934,000 for the year 2020. The increase was mainly attributable to the expansion in business scale.

Other Income

During the year ended 31 December 2021, other income was approximately HK\$23,239,000, representing an increase of 12.2% in comparison with approximately HK\$20,707,000 for the year 2020, mainly due to increase in bank interest income.

Taxation

Taxation consisted of current tax and movements in deferred tax assets and liabilities. Two of the Group's subsidiaries, Wai Chi Opto Technology (Shenzhen) Limited (“**Shenzhen Wai Chi**”) and Huizhou Wai Chi Electronics Company Limited, are qualified as “High-Tech Enterprises” in the PRC and granted certain tax benefits, including a preferential enterprise income tax rate of 15% instead of the statutory rate of 25%. During the year ended 31 December 2021, the Group's tax credit was approximately HK\$69,000 (2020: HK\$329,000), as a result of the rise in sales.

Inventories

As at 31 December 2021, the Group's inventories was approximately HK\$312,029,000, representing an increase of 41.4% as compared to approximately HK\$220,710,000 as at 31 December 2020. The increase in inventory was part of the Group's strategies to offset the current and anticipated increase in raw material prices by purchasing more materials at a relatively low rate. The newly launched memory chip testing and packaging business also contributed to the Group's inventory strategies.

Trade Receivables

As at 31 December 2021, the Group's net trade receivables amounted to approximately HK\$672,316,000, which increased by 18.6% as compared to approximately HK\$566,740,000 as at 31 December 2020. This was attributable to the increase in sales.

Trade Payables

As at 31 December 2021, the Group's trade payables amounted to approximately HK\$400,649,000, which increased by 35.7% as compared to approximately HK\$295,154,000 as at 31 December 2020. The increase was attributable to the increase in purchase of raw materials.

Placing of New Shares and Full Use of the Net Proceeds from the Placing

On 6 May 2016, the Company completed a placing of new shares (the “**Placing**”), allotted and issued 16,825,000 new shares of the Company to not less than six individuals who are independent third parties at the price of HK\$2.00 per share. Net proceeds from the Placing amounted to approximately HK\$31,134,000, which are intended to be used for financing any potential investment opportunities such as mergers and acquisition that may arise from time to time.

On 11 November 2020, Wai Chi Huizhou had entered into an agreement with Victoria Ultra Business Co., Ltd. to acquire the equipment at a cash consideration of approximately USD5.9 million (equivalent to approximately HK\$45.9 million) (as set out in the announcement of the Company dated 11 November 2020). Completion of the said acquisition took place after the fulfilment of the conditions precedent set out in the agreement on 31 March 2021. Wai Chi Huizhou paid the cash consideration in full to Victoria Ultra Business Co., Ltd., and the equipment was delivered to Wai Chi Huizhou in March 2021 and is currently being used for the semiconductor memory chips testing and packing business of the Group. With the completion of this acquisition, 100% of the net proceeds from the Placing had been used for the funding of the acquisition.

Major Acquisition

On 11 November 2021, Techwide Management Company Limited, an indirect wholly-owned subsidiary of the Company, as Purchaser, and Ms. Yiu Kwan Yu (being an executive Director), Mr. Yiu Kwan Lok (being brother of Ms. Yiu Kwan Yu and an associate thereof) and Ms. Yiu Oi Tung (being sister of Ms. Yiu Kwan Yu and an associate thereof), as the Vendors, entered into an agreement for the acquisition of the entire equity interest held by the Vendors in Maxtone Electronics Limited, a company incorporated in Hong Kong with limited liability, being the Target Company, at the consideration of HK\$91.0 million which shall be settled by way of cash. The Target Company held three units of industrial premises in Hong Kong, one being leased to the Company as office and warehouse, one being leased to a third party, and the other vacant. On 10 January 2022, in accordance with the terms and conditions of the said agreement, the said acquisition was completed and the Target Company became an indirect wholly-owned subsidiary of the Company. The acquisition was financed by internal resources of the Group.

For details regarding the acquisition, please refer to the Company’s announcements dated 11 November 2021 and 10 January 2022.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased or redeemed any of the listed shares of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company and its management are committed to maintaining good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders. The Company believes that good corporate governance is essential for continual growth and enhancement of shareholders' value. For the year ended 31 December 2021, the Company has applied the code provisions stipulated in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 (the "CG Code") to the Listing Rules. Section C.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Former Chairman of the Company, Mr. Yiu Chi To, passed away on 28 January 2022, currently the role of the chairman of the Company is performed by the Chief Executive Officer, Mr. Chen Chung Po. Besides the above, the Company has complied with all the other applicable code provisions of the CG Code. The Company periodically reviews its corporate governance practices with reference to the latest development in corporate governance.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the Group's consolidated financial statements for the year ended 31 December 2021, the accounting principles and practices adopted and discussed auditing, internal controls and financial reporting matters.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company will be held on 22 June 2022. The notice of the annual general meeting will be published in the Company's website and sent to the shareholders of the Company in the manner required by the Listing Rules in due course.

PUBLICATION OF ANNUAL REPORT

The 2021 annual report of the Company containing all applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the Company's website at www.waichiholdings.com and HKEx news website at www.hkexnews.hk on or before 30 April 2022.

APPRECIATION

The Board would like to thank all who contributed to the Group's growth. First and foremost, we take this opportunity to express our sincere gratitude to Mr. Yiu Chi To for his excellent leadership in the past decades. Then, we would like to thank shareholders of the Company who have placed strong confidence in the Group's management and our business partners and bank enterprises who have supported and stood by us at all times. Last but not least, we also like to thank all employees for their dedicated and diligent work and performance.

By order of the Board
Wai Chi Holdings Company Limited
Chen Chung Po
Chairman

Hong Kong, 27 April 2022

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