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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 2022

FINANCIAL HIGHLIGHTS	2022	2021	CHANGE
	<i>HK\$'000</i>	<i>HK\$'000</i>	
REVENUE	417,077	715,093	(41.7%)
COST OF SALES	(343,805)	(593,335)	(42.1%)
GROSS PROFIT	73,272	121,758	(39.8%)
GROSS PROFIT MARGIN (%)	17.6%	17.0%	0.6 p.p.t.
LOSS FOR THE YEAR	(31,217)	(3,412)	814.9%
LOSS PER SHARE			
ATTRIBUTABLE TO			
OWNERS OF THE COMPANY			
BASIC AND DILUTED	HK\$(2.5) cents	HK(0.4) cent	525%

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 (“**FY2022**”), together with the comparative figures for the year ended 31 December 2021 (“**FY2021**”). These consolidated financial results for FY2022 have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE	5	417,077	715,093
Cost of sales		<u>(343,805)</u>	<u>(593,335)</u>
Gross profit		73,272	121,758
Other income and gains	5	28,757	15,142
Selling and distribution expenses		(30,225)	(34,059)
Administrative expenses		(50,703)	(50,455)
Research and development expenses	6	(45,100)	(52,803)
Other expenses		(5,674)	(1,834)
Share of profit/(loss) of an associate		104	(162)
Finance costs	7	<u>(1,578)</u>	<u>(1,870)</u>
LOSS BEFORE TAX	6	(31,147)	(4,283)
Income tax (expense)/credit	8	<u>(70)</u>	<u>871</u>
LOSS FOR THE YEAR		<u>(31,217)</u>	<u>(3,412)</u>
Attributable to:			
Owners of the Company		(23,983)	(3,853)
Non-controlling interests		<u>(7,234)</u>	<u>441</u>
		<u>(31,217)</u>	<u>(3,412)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	10	<u>HK(2.5) cent</u>	<u>HK(0.4) cent</u>
Diluted	10	<u>HK(2.5) cent</u>	<u>HK(0.4) cent</u>

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

Year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(31,217)</u>	<u>(3,412)</u>
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Exchange differences on translation of foreign operations	(19,222)	5,492
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: Changes in fair value of equity investment designated at fair value through other comprehensive income	<u>(5,991)</u>	<u>2,685</u>
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR, NET OF TAX	<u>(25,213)</u>	<u>8,177</u>
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR	<u>(56,430)</u>	<u>4,765</u>
Attributable to:		
Owners of the Company	(49,183)	4,261
Non-controlling interests	<u>(7,247)</u>	<u>504</u>
	<u>(56,430)</u>	<u>4,765</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		24,403	40,500
Provisional goodwill		161,217	–
Intangible assets		32,058	7,038
Right-of-use assets	<i>11</i>	21,584	28,278
Investment in an associate		2,449	2,395
Equity investment designated at fair value through other comprehensive income (“FVTOCI”)		21,081	27,072
		<hr/>	<hr/>
Total non-current assets		262,792	105,283
CURRENT ASSETS			
Inventories	<i>12</i>	139,873	200,684
Trade and factoring receivables	<i>13</i>	29,513	44,223
Financial asset at fair value through profit or loss (“FVTPL”)		5,222	5,022
Prepayments and other receivables		20,076	33,058
Restricted and pledged bank deposits		2,729	5,753
Cash and cash equivalents		81,447	96,188
		<hr/>	<hr/>
		278,860	384,928
Non-current asset classified as held for sale		–	4,032
		<hr/>	<hr/>
Total current assets		278,860	388,960
CURRENT LIABILITIES			
Interest-bearing bank borrowings	<i>14</i>	8,035	31,880
Trade payables	<i>15</i>	64,963	118,596
Other payables and accruals		95,050	92,252
Lease liabilities		14,771	14,028
		<hr/>	<hr/>
Total current liabilities		182,819	256,756
		<hr/>	<hr/>
NET CURRENT ASSETS		96,041	132,204
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		358,833	237,487
		<hr/>	<hr/>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	6,692	–
Contingent consideration	54,117	–
Lease liabilities	8,194	16,515
	<hr/>	<hr/>
Total non-current liabilities	69,003	16,515
	<hr/>	<hr/>
Net assets	289,830	220,972
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Share capital	9,536	9,528
Reserves	279,783	212,417
	<hr/>	<hr/>
	289,319	221,945
	<hr/>	<hr/>
Non-controlling interests	511	(973)
	<hr/>	<hr/>
Total equity	289,830	220,972
	<hr/> <hr/>	<hr/> <hr/>

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 and operation of artificial intelligence (AI) vending machines.

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 Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with the disclosure requirements of by the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

3. APPLICATION OF AMENDMENTS TO HKFRSs

(a) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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.

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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

² Effective for annual periods beginning on or after 1 January 2024.

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

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial in the foreseeable future.

4. OPERATING SEGMENT INFORMATION

The Group focuses primarily on the manufacture and distribution of home surveillance cameras, digital imaging products, other electronic products and operation of AI vending machines 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, contained profit or loss information of each product line and the Directors reviewed the financial results of the Group as a whole. At the end of the reporting year, the operations of the Group constitute two reportable segments: Manufacture and sales of camera products and related accessories business and operation of AI vending machines.

The CODM reviews the Group's result by the each of the business line in order to assess performance and allocation of resources. Other than segment results, no segment assets and liabilities are available for the assessment of performance and allocation of resources for the year as in the opinion of the directors, the cost to develop it would be excessive. The CODM reviews the segment results of the Group as a whole to make decisions.

	Manufacture and sales of camera products and related accessories business HK\$'000	Operation of AI vending machines HK\$'000	For the year ended 31 December 2022 HK\$'000
Revenue from external customers	416,836	241	417,077
Cost of sales	<u>(343,704)</u>	<u>(101)</u>	<u>(343,805)</u>
Segment results	73,132	140	73,272
Other income and gains			28,757
Share of profit of an associate			104
Finance costs			(1,578)
Unallocated expenses			(131,702)
Income tax expense			<u>(70)</u>
Loss for the year			<u><u>(31,217)</u></u>

	Manufacture and sales of camera products and related accessories business HK\$'000	Operation of AI vending machines HK\$'000	For the year ended 31 December 2021 HK\$'000
Revenue from external customers	715,093	–	715,093
Cost of sales	<u>(593,335)</u>	<u>–</u>	<u>(593,335)</u>
Segment results	121,758	–	121,758
Other income and gains			15,142
Share of loss of an associate			(162)
Finance costs			(1,870)
Unallocated expenses			(139,151)
Income tax credit			<u>871</u>
Loss for the year			<u><u>(3,412)</u></u>

Geographical information

(a) Revenue from external customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
United States of America	179,039	473,334
Mainland China	60,485	76,720
European Union	147,056	132,098
Hong Kong	368	1,571
Other countries/regions	30,129	31,370
	<u>417,077</u>	<u>715,093</u>

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

(b) Non-current assets

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mainland China	65,373	55,903
Hong Kong	1,580	1,814
Other countries/regions	11,092	18,099
	<u>78,045</u>	<u>75,816</u>

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

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	77,401	345,678
Customer B	96,516	92,116
Customer C	55,338	N/A ¹
	<u>55,338</u>	<u>N/A¹</u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers		
Types of goods or services		
Sale of industrial products	400,496	701,969
Sale of goods through AI vending machines	241	–
Provision of manufacturing services	16,340	13,124
	<u>417,077</u>	<u>715,093</u>
Total revenue from contracts with customers	<u>417,077</u>	<u>715,093</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>417,077</u>	<u>715,093</u>

The performance obligation for sale of industrial products 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.

The performance obligation for sale of goods through AI vending machines is satisfied upon delivery of the retail products and payment is due on delivery.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income and gains		
Deposit receipt in advance forfeited by customers	165	3,528
Foreign exchange differences, net	13,333	–
Trade and other payables written off	–	6,481
Bank interest income	120	153
Government grants:		
Related to income*	3,621	3,602
Change in financial assets measured at FVTPL	200	–
Gain on disposal of non-current asset classified as held for sale, net of expense	10,790	–
Early termination of right-of-use assets	299	–
Rental income	45	441
Others	184	937
	<u>28,757</u>	<u>15,142</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):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	320,349	539,989
Cost of services provided	23,456	53,346
Depreciation of investment property	–	160
Depreciation of property, plant and equipment	17,449	18,010
Depreciation of right-of-use assets	15,011	14,406
Depreciation of non-current asset classified as held for sale	13	–
Amortisation of intangible assets	1,669	1,842
Direct operating expenses of investment property that generate rental income	6	86
Research and development expenses	45,100	52,803
Auditors' remuneration	1,500	1,118
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	113,112	110,832
Pension scheme contributions	6,882	8,767
Equity-settled share option expense	–	313
	119,994	119,912
Foreign exchange differences, net	(13,333)	750
Allowance for inventories	14,856	14,342
Reversal of allowance for inventories	(46,873)	(40,179)
Reversal of allowance for inventories, net (included in cost of inventories sold)	(32,017)	(25,837)
Loss on disposal of property, plant and equipment	216	255
Early termination of right-of-use assets	(299)	–
Impairment losses/(reversal of impairment losses) of trade and factoring receivables	4,358	(475)
Reversal of impairment losses of prepayments and other receivables	–	(1,293)
Gain on disposal of non-current asset classified as held for sale, net of expense	(10,790)	–
Prepayments and other receivables written off	–	1,561
Trade and other payables written off	–	(6,481)
Deposit receipt in advance forfeited by customers	(165)	(3,528)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on:		
Bank borrowings	304	296
Lease liabilities	<u>1,274</u>	<u>1,574</u>
	<u><u>1,578</u></u>	<u><u>1,870</u></u>

8. INCOME TAX EXPENSE/(CREDIT)

Income tax expense/(credit) has been recognised in profit or loss as following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
Hong Kong	<u>70</u>	<u>–</u>
Deferred tax	<u>–</u>	<u>(871)</u>
	<u><u>70</u></u>	<u><u>(871)</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%. During the year ended 31 December 2022, there is one subsidiary (2021: Nil) of the Group qualified for the two-tiered Profit Tax rate regime.

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 two (2021: one) of the Group’s principal operating subsidiaries, Sky Light Electronic (Shenzhen) Limited and 西安天睿软件有限公司, since they were 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% (2021: 21%), and also subject to the statutory applicable state corporate income tax at a rate of 7% (2021: 7%).

The Group's subsidiary in the United Kingdom is subject to corporate income tax at a rate of 19% (2021: 19%).

The Group's subsidiary in Vietnam is subject to corporate income tax at a rate of 20% (2021: 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, United States and United Kingdom corporate income tax have been made in the consolidated financial statements since the Group has no assessable profits derived for the year.

The income tax expense/(credit) for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022	2021
	HK\$'000	HK\$'000
Loss before tax	<u>(31,147)</u>	<u>(4,283)</u>
Tax at the PRC CIT rate of 25% (2021: 25%)	(7,787)	(1,071)
Tax effect of income that is not taxable	(3,329)	(2,757)
Tax effect of expenses that are not deductible	2,062	2,720
Tax effect of super-deduction of research and development costs	(13,237)	(6,331)
Tax effect of temporary differences not recognised	240	(2)
Tax effect of utilisation of tax losses not previously recognised	–	(2,611)
Tax effect of tax losses not recognised	18,632	11,998
PRC dividend withholding tax previously recognised and reversed	–	(871)
Effect of different tax rates of subsidiaries	<u>3,489</u>	<u>(1,946)</u>
Income tax expense/(credit)	<u><u>70</u></u>	<u><u>(871)</u></u>

9. DIVIDENDS

The directors do not recommend any final dividends for the year ended 31 December 2022 (2021: 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 952,978,000 (2021: 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 2022 and 2021 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:

	2022 HK\$'000	2021 HK\$'000
Loss		
Loss attributable to owners of the Company used in the basic loss per share calculation	<u>(23,983)</u>	<u>(3,853)</u>
	Number of shares	
	2022	2021
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>952,978</u>	<u>952,739</u>
Basic	<u>HK(2.5) cent</u>	<u>HK(0.4) cent</u>
Diluted	<u>HK(2.5) cent</u>	<u>HK(0.4) cent</u>

11. RIGHT-OF-USE ASSETS

The Group has lease contracts for various items of buildings, leased properties and other equipment used in its operations. Except for short-term leases or leases of low-value assets, lease contracts generally have lease terms from 2 to 6 years (2021: 2 to 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>	Leased properties <i>HK\$'000</i>	Machines <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2021	34,080	–	–	34,080
Additions	7,847	–	–	7,847
Depreciation charge for the year	(14,406)	–	–	(14,406)
Exchange differences	757	–	–	757
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2021 and 1 January 2022	28,278	–	–	28,278
Acquired on acquisition of a subsidiary	3,430	514	3,281	7,225
Additions	5,452	385	–	5,837
Depreciation charge for the year	(14,881)	(27)	(103)	(15,011)
Termination of lease contracts	(3,600)	–	–	(3,600)
Exchange differences	(1,243)	1	97	(1,145)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2022	<u>17,436</u>	<u>873</u>	<u>3,275</u>	<u>21,584</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on lease liabilities	1,274	1,574
Depreciation charge of right-of-use assets	15,011	14,406
Expense relating to short-term leases and other leases with remaining lease terms ended on or before the end of reporting period	327	1,612
Expense relating to leases of low-value assets	10	36
	<u>16,622</u>	<u>17,628</u>
Total amount recognised in profit or loss	<u><u>16,622</u></u>	<u><u>17,628</u></u>
12. INVENTORIES		
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Raw materials	58,096	98,705
Work in progress	40,893	54,456
Finished goods	39,912	47,523
Retail products	972	–
	<u>139,873</u>	<u>200,684</u>
13. TRADE AND FACTORING RECEIVABLES		
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	25,779	30,318
Impairment losses	(7,538)	(2,992)
	<u>18,241</u>	<u>27,326</u>
Factoring receivables	11,423	17,242
Impairment losses	(151)	(345)
	<u>11,272</u>	<u>16,897</u>
	<u><u>29,513</u></u>	<u><u>44,223</u></u>

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 impairment losses, is as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	20,837	17,905
1 to 2 months	716	16,316
2 to 3 months	167	8,802
Over 3 months	7,793	1,200
	<u>29,513</u>	<u>44,223</u>

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	26,913	43,222
RMB	2,287	227
British Pounds (“ GBP ”)	310	753
Other currencies	3	21
	<u>29,513</u>	<u>44,223</u>

The movements in the impairment losses of trade and factoring receivables are as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	3,337	3,799
Impairment losses/(reversal of impairment losses)	4,358	(475)
Exchange differences	(6)	13
	<u>7,689</u>	<u>3,337</u>
At 31 December	7,689	3,337

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

As at 31 December 2022

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	2,662	7.16	2,662	100	–
Trade and factoring receivables for which impairment losses has been assessed by using a provision matrix	<u>34,540</u>	<u>92.84</u>	<u>5,027</u>	<u>14.55</u>	<u>29,513</u>
	<u><u>37,202</u></u>	<u><u>100</u></u>	<u><u>7,689</u></u>	<u><u>20.67</u></u>	<u><u>29,513</u></u>

As at 31 December 2021

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	2,646	5.56	2,646	100	–
Trade and factoring receivables for which impairment losses has been assessed by using a provision matrix	<u>44,914</u>	<u>94.44</u>	<u>691</u>	<u>1.54</u>	<u>44,223</u>
	<u><u>47,560</u></u>	<u><u>100</u></u>	<u><u>3,337</u></u>	<u><u>7.02</u></u>	<u><u>44,223</u></u>

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

As at 31 December 2022

	Current	Past due				Total
		Less than 3 months	3 to 6 months	6 months to 1 year	Over 1 year	
Expected credit loss rate (%)	1.32	4.23	12.01	35.36	–	–
Gross carrying amount (HK\$'000)	19,763	1,207	358	13,212	–	34,540
Expected credit losses (HK\$'000)	<u>261</u>	<u>51</u>	<u>43</u>	<u>4,672</u>	<u>–</u>	<u>5,027</u>

As at 31 December 2021

	Current	Past due				Total
		Less than 3 months	3 to 6 months	6 months to 1 year	Over 1 year	
Expected credit loss rate (%)	0.75	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>

14. INTEREST-BEARING BANK BORROWINGS

Current	Note	2022	HK\$'000	2021	HK\$'000
		Effective interest rate (%)		Effective interest rate (%)	
Bank loans — secured	(ii)	1.3–2.2	8,035	1.3–1.4	22,369
Factoring loans — secured	(iii)	–	–	1.7	9,511
			<u>8,035</u>		<u>31,880</u>

Note:

- (i) The Group's banking facilities amounting to HK\$46,390,000 (2021: HK\$46,394,000), of which HK\$8,035,000 (2021: HK\$31,880,000) had been utilised as at the end of the reporting period.
- (ii) The borrowings as at 31 December 2022 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) No factoring loan (2021: HK\$9,511,000) was secured by the pledge of the Group's trade and factoring receivables (2021: HK\$11,889,000).
- (iv) All borrowings are denominated in the US\$ and repayable within one year.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	31,030	47,774
1 to 2 months	13,022	42,843
2 to 3 months	8,486	12,883
Over 3 months	12,425	15,096
	<u>64,963</u>	<u>118,596</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
RMB	47,345	71,551
US\$	17,174	44,924
VND	267	1,917
Other currencies	177	204
	<u>64,963</u>	<u>118,596</u>

16. COMMITMENTS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contracted, but not provided for:		
Plant and machinery	<u>2,219</u>	<u>941</u>

17. ACQUISITION OF A SUBSIDIARY

On 30 November 2022, the Group acquired 51% of the issued share capital of Wuhan Show Life Convenience Store Co. Ltd (“Wuhan Show Life”) for a contingent consideration as at the reporting date fair value of approximately HK\$170,304,000. Wuhan Show Life was engaged in the business of unmanned convenience store operations during the year. The acquisitions are for the purpose of expand its business operation.

The fair value of the identifiable assets and liabilities recognised as at the date of acquisition are as follows:

Net assets acquired:	HK\$'000
Property, plant and equipment	461
Right-of-use assets	7,225
Intangible asset	26,767
Inventories	996
Trade and other receivables	2,970
Cash and cash equivalents	18
Trade and other payables	(6,618)
Deferred tax liabilities	(6,692)
Lease liabilities	(7,309)
	<hr/>
Total identifiable net assets at fair value	17,818
Non-controlling interests	(8,731)
	<hr/>
	9,087
Provisional goodwill	161,217
	<hr/>
	170,304
	<hr/> <hr/>
Satisfied by:	
Contingent consideration	170,304
	<hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid	–
Cash and cash equivalents acquired	18
	<hr/>
	18
	<hr/> <hr/>

As at 31 December 2022, the Group is still in process to gather certain information from the Vendor and other parties in order to conclude the measurement of the identifiable assets and liabilities, contingent consideration and also the provisional goodwill thereon. As of the end of the reporting date, the above fair values had been determined on a provisional basis, in which the fair value of the identifiable assets and liabilities, contingent consideration and also the provisional goodwill thereon presented is based on the best estimation of the management by referring to the information readily available. Management of the Company expects the measurement will be concluded within one year upon the date of acquisition.

The Group recognises non-controlling interests in an acquired entity at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets on provisional basis.

The contingent consideration is divided into two parts: promissory notes and the Company's own equity shares. Neither the promissory notes and/or the Company's own equity shares are in issue at the reporting date. The settlement is deferred to two allotment dates in which the amount of consideration to be settled is subject to a profit guarantee provided by the Vendor. The provisional goodwill is attributable to the anticipated future profit contribution of the Wuhan Show Life and the anticipated future synergies in business development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group is principally engaged in manufacturing and sale of camera products and related accessories, and operation of AI vending machines.

For the FY2022, the Group's total turnover was approximately HK\$417.1 million, which was about 41.7% lower compared to HK\$715.1 million for the FY2021. We recorded a loss of about HK\$31.2 million.

For the FY2022, our business of manufacturing was affected by the following reasons.

- (i) several waves of COVID-19 occurred in the world in the past few years. The governments of different countries had to implement lockdown measures, which caused disruptions to the supply chain and business activities of many enterprises including the Group and its business partners. Due to the instability of the supply chain, many customers' orders exceeded their demands in 2021. This led to their inventory backlog when their sales were slow in 2022; and
- (ii) there was high inflation and high interest rates in America and the European Union, being our Group's main markets, and deglobalization in the world in 2022. There was a material negative impact on the demand for our Group's electronics products.

Under this unfavorable economic situation, we strive to strengthen our sales force and do our best to reduce our cost. We estimate our manufacturing business will be improved in the second half of 2023.

In order to develop a business which is not be greatly affected by deglobalization, the Group acquired 51% of a company, Wuhan Show Life Convenience Store Co., Ltd.* (武漢秀生活便利店有限公司) (“**Wuhan Show Life**”), in November, 2022. Wuhan Show Life is principally engaged in the operation of AI vending machines which are placed in residential buildings, office buildings, hotels, schools, hospitals, sports centers and parks in China for selling food and beverage. These unmanned, autonomous AI vending machines are likely to replace the existing vending machines. In addition, the business is considered to be simple and non-labor intensive. It would potentially occupy part of the market of traditional convenience stores. We hope this business can bring growth and profit to the Group in future. Completion of the acquisition took place on 30 November 2022. For details of the acquisition, please refer to the announcements of the Company dated 23 September 2022, 17 November 2022 and 30 November 2022, respectively.

* For the purpose of identification only

Prospects

1. *Manufacturing business:*

In 2023, we believe that deglobalization in the world, high inflation and high interest rate in America and the European Union and economic recession are the main challenges for our business. In the first half of 2023, we will still be affected by the overstock of some of our customers. We estimate that situation will be improved in the second half of 2023. In addition, we will put some new products into mass production in the second half of 2023, which will help increase our revenue and improve our performance.

In order to improve our financial performance, 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.
- Work deeper in our main product lines by all aspect and strengthen our competitive advantages in the product categories.
- Strengthen our sales force.
- Optimize the Group's operation and provide efficient service to customers.

2. *Retailing business through AI vending machines*

Following the Covid-19 pandemic that occurred between 2020 and 2022, the recovery of all sectors is now underway, and there is a concerted effort to promote economic development at the national level. Consequently, new opportunities are being created for the retail sector. Despite the reduction in national income, the crucial role of new retail in the livelihood sector remains unshaken. This is expected to contribute significantly to the sector's recovery and growth.

Furthermore, the pandemic has prompted a shift towards contactless living in China, and this trend has created an expanded market for unmanned vending machines that cater to the immediate consumption needs of the populace.

To ensure steady progress, we are actively pursuing expansion into new markets while strengthening our existing property partnerships. This is complemented by the development of new service scenarios, such as office buildings, industrial parks, universities, hospitals, public transport subways, and parks. We are also optimizing our supply chain system, logistics and distribution systems, and enhancing our multi-channel, multi-species, and multi-scenario business model.

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. The following table sets out the breakdown of the revenue from sales of major products by product type for the periods indicated:

	2022 <i>HK\$'000</i>	% of total revenue	2021 <i>HK\$'000</i>	% of total revenue	Revenue change
Manufacturing business					
Sales of Products					
Home surveillance cameras	232,608	55.8%	494,780	69.2%	(53.0%)
Digital imaging products	68,054	16.3%	114,074	16.0%	(40.3%)
Other products	102,703	24.6%	93,115	13.0%	10.3%
	<u>403,365</u>	<u>96.7%</u>	<u>701,969</u>	<u>98.2%</u>	<u>(42.5%)</u>
Manufacturing service income	13,471	3.2%	13,124	1.8%	2.6%
SUB-TOTAL	<u>416,836</u>	<u>99.9%</u>	<u>715,093</u>	<u>100%</u>	<u>(41.7%)</u>
Retailing business through AI vending machines					
Retailing income	241	0.1%	–	0.0%	2.6%
TOTAL	<u><u>417,077</u></u>	<u><u>100.0%</u></u>	<u><u>715,093</u></u>	<u><u>100%</u></u>	<u><u>(41.7%)</u></u>

For FY2022, the Group recorded a turnover of approximately HK\$417.1 million (FY2021: approximately HK\$715.1 million), representing an decrease of approximately 41.7% as compared to FY2021. The decrease was mainly due to many customers' orders exceeded their demands in 2021. This led to their inventory backlog when their sales were slow in 2022, and decrease in the shipment units of manufacturing imaging products. This year, the combined business income of Wuhan Show Life Project only includes the data of December 2022. Since the AI vending machine business is all carried out in China, the combined income of this branch is HK \$241,000 due to the impact of the domestic epidemic spread in December 2022.

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:

	2022	2021
	HK\$'000	HK\$'000
United States of America	179,039	473,334
Mainland China	60,485	76,720
European Union	147,056	132,098
Hong Kong	368	1,571
Other countries/regions	30,129	31,370
	417,077	715,093

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 FY2022, cost of sales of the Group amounted to approximately HK\$343.8 million (FY2021: approximately HK\$593.3 million), representing an decrease of approximately 42.1% as compared to FY2021, and amounted to approximately 82.4% (FY2021: approximately 83.0%) of its turnover for FY2022. This decrease was mainly attributable to the shipment units of manufacturing imaging products decreased, the corresponding cost of sales has also decreased.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK\$73.3 million for FY2022 (FY2021: approximately HK\$121.8 million), representing an decrease of approximately 39.8% as compared to FY2021. The gross profit margin increased from approximately 17.0% for FY2021 to approximately 17.6% for FY2022. This increase was mainly attributable to the increase of reversal of allowance for inventories, net approximately HK\$6.2 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; (iii) foreign exchange differences, net; and (iv) gain on disposal of non-current asset classified as held for sale.

For FY2022, other income and gains of the Group significantly increased by approximately HK\$13.6 million to approximately HK\$28.8 million as compared to FY2021, which was primarily attributable to an increase of approximately HK\$10.8 million in gain on disposal of non-current asset classified as held for sale.

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 FY2022, selling and distribution expenses of the Group slightly decreased approximately 11.3% to approximately HK\$30.2 million from approximately HK\$34.1 million for FY2021, the decrease was mainly due to slightly decreased in marketing fee, salaries and allowances, and the Group's stringent cost control during FY2022.

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 FY2022, administrative expenses of the Group slightly increased by approximately 0.5% to approximately HK\$50.7 million (FY2021: approximately HK\$50.5 million). The increase was mainly due to an increase of salaries and allowances approximately HK\$0.9 million for FY2022.

R&D costs

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

For FY2022, the Group recorded R&D costs of approximately HK\$45.1 million, which slightly decreased by approximately 14.6% from approximately HK\$52.8 million for FY2021. The decrease was mainly due to the decrease of salaries and benefits of the Group's R&D and product planning staff approximately HK\$4.4 million for FY2022 and the Group's stringent cost control during FY2022.

Finance costs

For FY2022, the finance costs of the Group decreased to approximately HK\$1.6 million (FY2021: approximately HK\$1.9 million), representing a decrease by approximately 15.6% as compared to FY2021. This decrease was attributable to the reduction of the interest expense of lease liabilities.

Income tax credit

For FY2022, the income tax credit of the Group decreased to approximately HK\$70 thousand (FY2021: the income tax credit of approximately HK\$0.9 million).

Net loss

As a result of the foregoing, the Group recorded a loss of approximately HK\$31.2 million for FY2022 (FY2021: approximately HK\$3.4 million) (attributable to non-controlling interests is a loss of approximately HK\$7.2 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:

	2022	2021
	HK\$'000	HK\$'000
Net cash flows generated from operating activities	27,025	5,933
Net cash flows generated from/(used in) investing activities	11,425	(20,839)
Net cash flows (used in)/generated from financing activities	(39,176)	5,382
Net decrease in cash and cash equivalents	(726)	(9,524)
Cash and cash equivalents at beginning of year	96,188	97,486
Effect of foreign exchange rate changes, net	(14,015)	8,226
Cash and cash equivalents at end of year	81,447	96,188

Net cash flow generated from operating activities for FY2022 was approximately HK\$27.0 million, which primarily reflected (i) the adjusted loss before tax of approximately HK\$34.2 million; (ii) the decrease in trade and factoring receivables of approximately HK\$11.2 million; (iii) the decrease in inventory balances of approximately HK\$91.4 million; (iv) the decrease in prepayments and other receivables of approximately HK\$14.6 million; (v) the decrease in trade payable of approximately HK\$54.0 million; and (vi) the decrease in restricted and pledged bank deposits of approximately HK\$3.0 million.

Net cash flow generated from investing activities for FY2022 was approximately HK\$11.4 million. This mainly consisted of (i) payment of approximately HK\$5.3 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; and (ii) receipt of approximately HK\$14.8 million for disposal of asset held for sale.

Net cash flow used in the financing activities for FY2022 was approximately HK\$39.2 million, which was mainly reflected (i) the decrease in the use of interest-bearing bank borrowings to repay trade payable approximately HK\$23.8 million; and (ii) the principal portion of lease payments to approximately HK\$15.3 million.

The Group's cash and cash equivalents were denominated in US\$, HK\$, VN\$ and RMB as at 31 December 2022.

Borrowing and the pledge of assets

The Group's bank facilities amounting to approximately HK\$46.4 million (FY2021: approximately HK\$46.4 million), of which approximately HK\$8.0 million (FY2021: approximately HK\$31.9 million) had been utilized as at the 31 December 2022 and are repayable within one year.

As at 31 December 2022, the bank loans amounting to approximately HK\$8.0 million (FY2021: approximately HK\$22.4 million) 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. No factoring loan (FY2021: approximately HK\$9.5 million) was secured by the pledge of the Group's trade and factoring receivables (FY2021: approximately HK\$11.9 million).

As at 31 December 2022, the annual interest rate of secured bank loans ranged from 1.3% to 2.2% (FY2021: 1.3% to 1.4%) and annual interest rate of the factoring loans (FY2021: 1.7%).

The Group's bank borrowings are all denominated in US\$ and repayable within one year.

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 2021 and 31 December 2022 was approximately 28.3% and approximately 10.7%, respectively. The decrease in gearing ratio was mainly due to the significant increase in outstanding interest-bearing bank borrowings during FY2022.

Capital expenditure

During FY2022, the Group invested approximately HK\$32.1 million (FY2021: approximately HK\$20.5 million) in new molds for developing new projects of approximately HK\$5.3 million and in acquisition of a subsidiary of approximately HK\$26.8 million.

Off balance sheet transactions

During FY2022, 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 82.2% (FY2021: 86.8%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sales, whilst approximately 46.0% (FY2021: 36.9%) of costs were denominated in their functional currencies.

During FY2022, 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 FY2022 (FY2021: 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

On 4 January 2023, Mr. Tang Wing Fong Terry as the Vendor ("**Mr. Tang**"), Prime China Securities Limited as the placing agent of Mr. Tang (the "**Placing Agent**") and the Company entered into a placing agreement, pursuant to which Mr. Tang agreed to sell and the Placing Agent agreed to place a total of up to 25,000,000 existing ordinary shares of the Company (the "**Shares**") at the placing price of HK\$1.15 per Share. On the same date, Mr. Tang and the Company entered into a subscription agreement, pursuant to which Mr. Tang agreed to subscribe for up to 25,000,000 new Shares at the subscription price of HK\$1.15 per Share.

The placing of existing Shares and Top-up subscription for new Shares was completed on 9 January 2023 and 16 January 2023, respectively. The Company received total net proceeds of approximately HK\$27.6 million from the subscription and intends to use the same as the Group's general working capital. For details of the placing and subscription, please refer to the announcements of the Company dated 4 January 2023 and 16 January 2023, respectively.

Save as disclosed above, there are no significant events which have occurred after the reporting period of FY2022 up to the date of this announcement.

Treasury policies

During FY2022, 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 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 2022, the Group employed a total of 860 employees (31 December 2021: 1,448). The staff costs of the Group, excluding directors' emoluments and any contribution to pension scheme were approximately HK\$120.0 million for FY2022 (FY2021: approximately HK\$119.9 million), none (FY2021: 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 8.47% equity interest in a start-up company, Kandao Technology Co., Ltd (“**Kandao**”). The investment was acquired by the Group during the period from 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 FY2022, Kandao has strengthen the product promotion. It is expected that there will be a steady development trend next year.

As at 31 December 2022, the investment accounted for 3.9% of the Group's total assets and the fair value of this investment held by the Group was approximately HK\$21.1 million (31 December 2021: approximately HK\$27.1 million) presenting HK\$6.0 million unrealized loss as at 31 December 2022. No dividend was received from this investment during FY2022 (FY2021: 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.

As at 31 December 2022, there is no investment held by the Group with a value of 5% or more of the Company's total assets.

Commitment

As at 31 December 2022, the Group's capital commitment amounted to approximately HK\$2.2 million (31 December 2021: approximately HK\$0.9 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, associates and joint ventures

In order to develop a business which is not be greatly affected by deglobalization, in November 2022, the Group acquired 51% in Wuhan Show Life from 武漢秀生活電子商務有限公司 (Wuhan Show Life E-commerce Co., Ltd.*) (the "**Vendor**"). According to the acquisition agreement, the original consideration is HK\$194,242,883, which will be satisfied by (i) the allotment and issue of 111,607,143 new Shares ("**Consideration Shares**") under general mandate at an issue price of HK\$0.896 per Consideration Share, and (ii) the issuance of promissory notes (in two batches) for an aggregate principal amount of HK\$94,242,883 by the Company to the Vendor (or its nominee(s)). The acquisition was completed on 30 November 2022.

Save as disclosed herein, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during FY2022.

Contingent liabilities

As at 31 December 2022, the Group had no significant contingent liabilities (as at 31 December 2021: Nil).

* For the purpose of identification only

Annual general meeting

The annual general meeting of the Company (the “**AGM**”) is scheduled to be held on Wednesday, 31 May 2023. A notice convening the AGM will be issued and disseminated to the shareholders of the Company (the “**Shareholders**”) in due course.

Dividends

The Board do not recommend the payment of any final dividend for FY2022 (FY2021: Nil).

Financial position as at 31 December 2022

As at 31 December 2022, the Group’s total equity was approximately HK\$289.8 million (31 December 2021: approximately HK\$221.0 million), total assets amounted to approximately HK\$541.7 million (31 December 2021: approximately HK\$494.2 million) and total liabilities stood at approximately HK\$251.8 million (31 December 2021: approximately HK\$273.3 million).

Closure of register of members

The register of members of the Company will be closed from Thursday, 25 May 2023 to Wednesday, 31 May 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 May 2023.

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 FY2022.

Corporate governance practices

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

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules as the basis of the Company’s corporate governance practices. Throughout FY2022, the Company has complied with all applicable code provisions (the “**Code Provisions**”) of the CG Code in force except for Code Provision C.2.1.

Pursuant to Code Provision C.2.1, the role(s) of chairman and chief executive should be separate and should not be performed by the same individual. As the duties of chairman of the Board (“**Chairman**”) and chief executive of the Company are performed by Mr. Tang, the Company has deviated from Code Provision C.2.1. The Board considers that having Mr. Tang 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.

Non-compliance during FY2022

Pursuant to rule 3.10(1) of the Listing Rules, the Board shall have at least three independent non-executive Directors. In addition, rule 3.21 of the Listing Rules requires that the audit committee shall comprise only non-executive directors with a minimum of three members and the majority of which members must be independent non-executive directors. Rule 3.25 of the Listing Rules requires that the remuneration committee shall comprise a majority of independent non-executive directors and rule 3.27A of the Listing Rules requires that the nomination committee shall comprise a majority of independent non-executive directors.

Following the resignation of Mr. Chan Tsu Ming Louis as an independent non-executive Director with effect from 1 October 2022, the number of independent non-executive Directors was reduced to two and the Audit Committee had only two members, and both the remuneration committee and the nomination committee of the Company only comprised one independent non-executive Director.

Therefore, the Company has failed to comply with the relevant requirements under rules 3.10(1), 3.21, 3.25 and 3.27A of the Listing Rules at the relevant time until the appointment of Professor Jian Wang as an independent non-executive Director on 10 October 2022.

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 FY2022.

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 its 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 Ms. Lo Wan Man, Professor Jian Wang and Mr. Wong Wai Ming, all are independent non-executive Directors. Ms. Lo Wan Man currently serves as the chairlady 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 FY2022.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement for FY2022 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 2022 containing all the relevant information required by the Listing Rules and the relevant laws and regulations will be dispatched to the Shareholders 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, 30 March 2023

As at the date of this announcement, the executive Directors are Mr. Tang Wing Fong Terry and Mr. Shan Chuanlong; the non-executive Director is Ms. Tang Kam Sau; and the independent non-executive Directors are Mr. Wong Wai Ming, Professor Jian Wang and Ms. Lo Wan Man.