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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 2023

FINANCIAL HIGHLIGHTS			
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)	CHANGE
<b>REVENUE</b>	<b>321,676</b>	417,077	(22.9%)
<b>COST OF SALES</b>	<b>(255,791)</b>	(343,805)	(25.6%)
<b>GROSS PROFIT</b>	<b>65,885</b>	73,272	(10.1%)
<b>GROSS PROFIT MARGIN (%)</b>	<b>20.5%</b>	17.6%	2.9 p.p.t.
<b>LOSS FOR THE YEAR</b>	<b>(129,335)</b>	(32,368)	299.6%
Attributable to:			
<b>OWNERS OF THE COMPANY</b>	<b>(81,496)</b>	(25,134)	224.2%
<b>NON-CONTROLLING INTERESTS ("NCI")</b>	<b>(47,839)</b>	(7,234)	561.3%
	<b>(129,335)</b>	(32,368)	299.6%
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY BASIC AND DILUTED</b>	<b>HK\$(8.2)cents</b>	HK\$(2.6)cents	215.4%

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 (“**FY2023**”), together with the comparative figures for the year ended 31 December 2022 (“**FY2022**”). These consolidated financial results for FY2023 have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

		<b>2023</b>	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated) (Note 17)
<b>REVENUE</b>	5	<b>321,676</b>	417,077
Cost of sales		<u>(255,791)</u>	<u>(343,805)</u>
<b>Gross profit</b>		<b>65,885</b>	73,272
Other income and gains	5	<b>7,807</b>	28,757
Selling and distribution expenses		<b>(47,373)</b>	(30,225)
Administrative expenses		<b>(73,100)</b>	(50,703)
Research and development expenses	6	<b>(38,670)</b>	(45,100)
Impairment loss		<b>(36,430)</b>	(1,151)
Other expenses		<b>(5,187)</b>	(5,674)
Share of profit of an associate		<b>302</b>	104
Finance costs	7	<u>(2,569)</u>	<u>(1,578)</u>
<b>LOSS BEFORE TAX</b>	6	<b>(129,335)</b>	(32,298)
Income tax expense	8	<u>–</u>	<u>(70)</u>
<b>LOSS FOR THE YEAR</b>		<u><b>(129,335)</b></u>	<u>(32,368)</u>
<b>Attributable to:</b>			
Owners of the Company		<b>(81,496)</b>	(25,134)
Non-controlling interests		<u>(47,839)</u>	<u>(7,234)</u>
		<u><b>(129,335)</b></u>	<u>(32,368)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Basic	10	<u><b>HK(8.2) cent</b></u>	<u>HK(2.6) cent</u>
Diluted	10	<u><b>HK(8.2) cent</b></u>	<u>HK(2.6) cent</u>

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

*Year ended 31 December 2023*

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated) (Note 17)
<b>LOSS FOR THE YEAR</b>	<b><u>(129,335)</u></b>	<b><u>(32,368)</u></b>
<b>OTHER COMPREHENSIVE (EXPENSE)/INCOME</b>		
Exchange differences on translation of foreign operations	<b>(5,011)</b>	(19,222)
Other comprehensive expense 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	<b><u>(10,977)</u></b>	<u>(5,991)</u>
<b>OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX</b>	<b><u>(15,988)</u></b>	<u>(25,213)</u>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>	<b><u>(145,323)</u></b>	<b><u>(57,581)</u></b>
<b>Attributable to:</b>		
Owners of the Company	<b>(97,156)</b>	(50,334)
Non-controlling interests	<b><u>(48,167)</u></b>	<u>(7,247)</u>
	<b><u>(145,323)</u></b>	<b><u>(57,581)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Note</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated) (Note 17)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>16,064</b>	24,403
Goodwill		–	–
Intangible assets		<b>3,676</b>	5,291
Right-of-use assets	<i>11</i>	<b>28,046</b>	21,584
Investment in an associate		<b>2,681</b>	2,449
Equity investment designated at fair value through other comprehensive income (“FVTOCI”)		<b>10,104</b>	21,081
<b>Total non-current assets</b>		<b>60,571</b>	74,808
<b>CURRENT ASSETS</b>			
Inventories	<i>12</i>	<b>118,985</b>	139,873
Trade and factoring receivables	<i>13</i>	<b>56,826</b>	29,513
Financial asset at fair value through profit or loss (“FVTPL”)		<b>5,329</b>	5,222
Prepayments and other receivables		<b>38,145</b>	20,076
Restricted and pledged bank deposits		<b>2,735</b>	2,729
Cash and cash equivalents		<b>35,352</b>	81,447
<b>Total current assets</b>		<b>257,372</b>	278,860
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	<i>14</i>	<b>14,703</b>	8,035
Trade payables	<i>15</i>	<b>64,733</b>	64,963
Other payables and accruals		<b>116,531</b>	95,050
Lease liabilities		<b>16,346</b>	14,771
<b>Total current liabilities</b>		<b>212,313</b>	182,819

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated) (Note 17)
<b>NET CURRENT ASSETS</b>	<u>45,059</u>	<u>96,041</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>105,630</u>	<u>170,849</u>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	–	–
Contingent consideration	–	–
Lease liabilities	<u>20,481</u>	<u>8,194</u>
<b>Total non-current liabilities</b>	<u>20,481</u>	<u>8,194</u>
<b>Net assets</b>	<u>85,149</u>	<u>162,655</u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	10,086	9,536
Reserves	<u>132,561</u>	<u>162,445</u>
	<u>142,647</u>	<u>171,981</u>
<b>Non-controlling interests</b>	<u>(57,498)</u>	<u>(9,326)</u>
<b>Total equity</b>	<u>85,149</u>	<u>162,655</u>

## NOTES TO FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Sky Light Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 18 December 2013. The Company’s registered office address is Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The shares of the Company (the “**Share(s)**”) 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 HKFRSSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17 (including the October 2020 and February 2022 Amendment to HKFRS17)	Insurance Contracts

The application of the amendments to HKFRSSs 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 HKFRSSs in issue but not yet effective

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1	Non-current liabilities with Covenants <sup>1</sup>
Amendments to HKFRS 16	Lease Liabilities in a Sale and Leaseback <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> 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 HKFRSSs 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.

	<b>Manufacture and sales of camera products and related accessories business HK\$'000</b>	<b>Operation of AI vending machines HK\$'000</b>	<b>For the year ended 31 December 2023 HK\$'000</b>
Revenue from external customers	308,240	13,436	321,676
Cost of sales	(248,672)	(7,119)	(255,791)
Segment results	59,568	6,317	65,885
Other income and gains			7,807
Share of profit of an associate			302
Finance costs			(2,569)
Impairment loss on property, plant and equipment, intangible assets and right-of-use assets			(36,430)
Unallocated expenses			(164,330)
Income tax expense			—
Loss for the year			<u>(129,335)</u>



	Manufacture and sales of camera products and related accessories business <i>HK\$'000</i>	Operation of AI vending machines <i>HK\$'000</i>	For the year ended 31 December 2022 <i>HK\$'000</i> (Restated)
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)
Impairment loss on goodwill			(1,151)
Unallocated expenses			(131,702)
Income tax expense			<u>(70)</u>
Loss for the year			<u><u>(32,368)</u></u>

### Geographical information

(a) *Revenue from external customers*

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
United States of America	<b>89,058</b>	179,039
Mainland China	<b>63,532</b>	60,485
European Union	<b>134,052</b>	147,056
Hong Kong	<b>187</b>	368
Other countries/regions	<b>34,847</b>	30,129
	<u><b>321,676</b></u>	<u>417,077</u>

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

(b) *Non-current assets*

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000 (Restated)
Mainland China	<b>38,759</b>	38,606
Hong Kong	<b>1,484</b>	1,580
Other countries/regions	<b>7,543</b>	11,092
	<b><u>47,786</u></b>	<b><u>51,278</u></b>

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

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Customer A	<b>104,071</b>	77,401
Customer B	N/A <sup>1</sup>	96,516
Customer C	N/A <sup>1</sup>	55,338

<sup>1</sup> 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:

	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue from contracts with customers</b>		
<b>Types of goods or services</b>		
Sale of industrial products	<b>307,710</b>	403,365
Sale of goods through AI vending machines	<b>12,362</b>	174
Provision of manufacturing services	<b>530</b>	13,471
Provision of technical services	<b>1,074</b>	67
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>321,676</b>	417,077
	<hr/>	<hr/>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>321,676</b>	417,077
	<hr/>	<hr/>

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.

	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other income and gains</b>		
Bank interest income	<b>201</b>	120
Change in the fair value of the financial asset measured at FVTPL	<b>107</b>	200
Deposit receipt in advance forfeited by customers	–	165
Early termination of right-of-use assets	<b>71</b>	299
Foreign exchange differences, net	<b>3,853</b>	13,333
Government grants:		
Related to income*	<b>1,415</b>	3,621
Gain on disposal of property, plant and equipment	<b>383</b>	–
Gain on disposal of non-current asset classified as held for sale, net of expense	–	10,790
Rental income	<b>656</b>	45
Trade and other payables written off	<b>527</b>	–
Others	<b>594</b>	184
	<hr/>	<hr/>
	<b>7,807</b>	28,757
	<hr/>	<hr/>

\* 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):

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Auditors' remuneration	<b>1,600</b>	1,500
Cost of inventories sold	<b>220,144</b>	320,349
Cost of services provided	<b>35,647</b>	23,456
Depreciation of property, plant and equipment	<b>13,274</b>	17,449
Depreciation of right-of-use assets	<b>19,153</b>	15,011
Depreciation of non-current asset classified as held for sale	–	13
Amortisation of intangible assets ( <i>note (i)</i> )	<b>1,551</b>	1,669
Direct operating expenses of investment property that generate rental income	–	6
Research and development expenses	<b>38,670</b>	45,100
Employee benefit expense (excluding directors' and chief executive's remuneration:		
Wages and salaries	<b>106,247</b>	113,112
Pension scheme contributions ( <i>note (ii)</i> )	<b>6,262</b>	6,882
	<b>112,509</b>	119,994
Allowance for inventories	<b>18,363</b>	14,856
Reversal of allowance for inventories ( <i>note (iv)</i> )	<b>(16,097)</b>	(46,873)
Allowance for/(reversal of allowance for) inventories, net (included in cost of inventories sold)	<b>2,266</b>	(32,017)
Loss on disposal of property, plant and equipment ( <i>note (iii)</i> )	–	216
Impairment losses of trade and factoring receivables ( <i>note (iii)</i> )	<b>4,224</b>	4,358
Impairment loss on property, plant and equipment, intangible assets and right-of-use assets	<b>36,430</b>	–
Impairment loss on goodwill	–	1,151

*Note:*

- (i) The amortisation of software is included in “Research and development expenses” and the amortisation of other intangible assets is included in “Selling and distribution expenses” in the consolidated statement of profit or loss.
- (ii) The Group contributes to defined contribution retirement plans which are available for eligible employees in the PRC and Hong Kong.

Pursuant to the relevant laws and regulations in the People’s Republic of China, the Group has joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities (the “**PRC Retirement Schemes**”). The Group makes contributions to the PRC Retirement Schemes at the applicable rates based on the amounts stipulated by the local government organisations. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

The Group operates a Mandatory Provident Fund scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for employees employed under the jurisdiction of Hong Kong Employment Ordinance (Chapter 57 of the laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and the employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000.

During the years ended 31 December 2023 and 2022, the Group had no forfeited contributions under the PRC Retirement Scheme and MPF Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2023 and 2022 under the PRC Retirement Scheme and MPF Scheme which may be used by the Group to reduce the contribution payable in future years.

- (iii) The impairment losses of trade and factoring receivables, the impairment losses of prepayments and other receivables, loss on disposal of property, plant and equipment and prepayments and other receivables written off are included in “Other expenses” in the consolidated statement of profit or loss.
- (iv) The reversal of allowance for inventories for both years was mainly resulted from the utilisation of the inventories of which allowance had previously been provided.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on:		
Bank and other borrowings	<b>1,450</b>	304
Lease liabilities	<b>1,119</b>	1,274
	<b>2,569</b>	1,578

## 8. INCOME TAX EXPENSE

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
Hong Kong	–	70
Deferred tax	–	–
	–	70

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 2023, there is no subsidiary (2022: one) 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 (2022: two) of the Group’s principal operating subsidiaries, Sky Light Shenzhen 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% (2022: 21%), and also subject to the statutory applicable state corporate income tax at a rate of 7% (2022: 7%).

The Group's subsidiary in the United Kingdom is subject to corporate income tax at a rate of 19% (2022: 19%).

The Group's subsidiary in Vietnam is subject to corporate income tax at a rate of 20% (2022: 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 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:

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000 (Restated)
Loss before tax	<u>(129,335)</u>	<u>(32,298)</u>
Tax at the PRC CIT rate of 25% (2022: 25%)	<b>(32,334)</b>	(8,075)
Tax effect of income that is not taxable	<b>(611)</b>	(3,329)
Tax effect of expenses that are not deductible	<b>12,568</b>	2,350
Tax effect of super-deduction of research and development costs	<b>(4,646)</b>	(13,237)
Tax effect of temporary differences not recognised	<b>157</b>	240
Tax effect of utilisation of tax losses not previously recognised	<b>(1,490)</b>	–
Tax effect of tax losses not recognised	<b>26,931</b>	18,632
Effect of different tax rates of subsidiaries	<u>(575)</u>	<u>3,489</u>
Income tax expense	<u>–</u>	<u>70</u>

## 9. DIVIDENDS

The directors do not recommend any final dividends for the year ended 31 December 2023 (2022: 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 996,464,000 (2022: 952,978,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2023 and 2022 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:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
<b>Loss</b>		
Loss attributable to owners of the Company used in the basic loss per share calculation	<u><b>(81,496)</b></u>	<u>(25,134)</u>
	<b>Number of shares</b>	
	<b>2023</b> <i>'000</i>	2022 <i>'000</i> (Restated)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u><b>996,464</b></u>	<u>952,978</u>
Basic	<u><b>HK(8.2) cent</b></u>	<u>HK(2.6) cent</u>
Diluted	<u><b>HK(8.2) cent</b></u>	<u>HK(2.6) cent</u>



## 11. RIGHT-OF-USE ASSETS

The Group has lease contracts for various items of buildings, leased properties and machines 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 (2022: 2 to 6 years). Machines 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:

	<b>Buildings</b> <i>HK\$'000</i>	<b>Leased properties</b> <i>HK\$'000</i>	<b>Machines</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>As at 1 January 2022</b>	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>
<b>As at 31 December 2022 and 1 January 2023</b>	17,436	873	3,275	21,584
Additions	35,789	2,474	1,428	39,691
Depreciation charge for the year	(16,720)	(841)	(1,592)	(19,153)
Termination of lease contracts	(5,445)	(45)	–	(5,490)
Impairment loss	(2,800)	(2,455)	(3,087)	(8,342)
Exchange differences	(214)	(6)	(24)	(244)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>As at 31 December 2023</b>	<u>28,046</u>	<u>–</u>	<u>–</u>	<u>28,046</u>

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on lease liabilities	<b>1,119</b>	1,274
Depreciation charge of right-of-use assets	<b>19,153</b>	15,011
Expense relating to short-term leases and other leases with remaining lease terms ended on or before the end of reporting period	<b>3,567</b>	327
Expense relating to leases of low-value assets	<b>2,751</b>	10
	<u>          </u>	<u>          </u>
Total amount recognised in profit or loss	<u><b>26,590</b></u>	<u>16,622</u>

## 12. INVENTORIES

	2023 <i>HK\$'000</i>	2022 HK\$'000
Raw materials	52,523	58,096
Work in progress	31,031	40,893
Finished goods	31,387	39,912
Retail products	4,044	972
	<u>118,985</u>	<u>139,873</u>

## 13. TRADE AND FACTORING RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	51,026	25,779
Impairment losses	<u>(11,682)</u>	<u>(7,538)</u>
	<u>39,344</u>	<u>18,241</u>
Factoring receivables	17,707	11,423
Impairment losses	<u>(225)</u>	<u>(151)</u>
	<u>17,482</u>	<u>11,272</u>
	<u>56,826</u>	<u>29,513</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	42,841	20,837
1 to 2 months	2,911	716
2 to 3 months	4,575	167
Over 3 months	6,499	7,793
	<u>56,826</u>	<u>29,513</u>

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

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
US\$	<b>54,518</b>	26,913
RMB	<b>1,547</b>	2,287
British Pounds (“GBP”)	<b>761</b>	310
Other currencies	<b>–</b>	3
	<b><u>56,826</u></b>	<b><u>29,513</u></b>

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

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
At 1 January	<b>7,689</b>	3,337
Impairment losses	<b>4,224</b>	4,358
Exchange differences	<b>(6)</b>	(6)
	<b><u>11,907</u></b>	<b><u>7,689</u></b>

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

**As at 31 December 2023**

Category	Carrying amount		Impairment losses		Net book value
	Amount	Proportion	Amount	Proportion	
	HK\$'000	%	HK\$'000	%	HK\$'000
Trade and factoring receivables for which impairment losses has been assessed individually	7,620	11.09	7,620	100	–
Trade and factoring receivables for which impairment losses has been assessed by using a provision matrix	<b><u>61,113</u></b>	<b><u>88.91</u></b>	<b><u>4,287</u></b>	<b><u>7.01</u></b>	<b><u>56,826</u></b>
	<b><u>68,733</u></b>	<b><u>100</u></b>	<b><u>11,907</u></b>	<b><u>17.32</u></b>	<b><u>56,826</u></b>

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>	14.55	<u>29,513</u>
	<u>37,202</u>	<u>100</u>	<u>7,689</u>	20.67	<u>29,513</u>

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

**As at 31 December 2023**

	Current	Less than 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
Expected credit loss rate (%)	1.27	4.58	12.02	33.56	100	
Gross carrying amount (HK\$'000)	45,224	5,353	2,843	6,876	817	61,113
Expected credit losses (HK\$'000)	<u>575</u>	<u>245</u>	<u>342</u>	<u>2,308</u>	<u>817</u>	<u>4,287</u>

As at 31 December 2022

	Current	Less than 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
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>

#### 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

Current	Note	2023		2022	
		Effective interest rate (%)	HK\$'000	Effective interest rate (%)	HK\$'000
Bank loans — secured	(ii),(iii)	6.7-6.9	11,393	1.3-2.2	8,035
Other borrowing	(iv)	24	3,310	N/A	—
			<u>14,703</u>		<u>8,035</u>

*Notes:*

- (i) The Group's banking facilities amounting to HK\$47,947,000 (2022: HK\$46,390,000), of which HK\$11,393,000 (2022: HK\$8,035,000) had been utilised as at the end of the reporting period.
- (ii) The bank loans as at 31 December 2023 were secured by the pledge of the Group's life insurance policy and pledged bank deposits, personal guarantee executed by a controlling shareholder of the Company, corporate guarantee executed by two subsidiaries of the Group, respectively.
- (iii) All bank loans are denominated in the US\$ and repayable within one year.
- (iv) The other borrowing is denominated in RMB and repayable within one year.

During the year ended 31 December 2023, in respect of bank loans with a carrying amount of HK\$11,393,000 as at 31 December 2023, the Group breached certain terms of the bank loans, which are primarily related to the tangible net worth of the Group. The short-term bank loans have been classified as current liabilities as at 31 December 2023. In any event, should the lender call for immediate repayment of the borrowing, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group. The bank loans of HK\$11,393,000 were subsequently fully settled as at the reporting date.

## 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:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	<b>31,668</b>	31,030
1 to 2 months	<b>9,195</b>	13,022
2 to 3 months	<b>5,855</b>	8,486
Over 3 months	<b>18,015</b>	12,425
	<b>64,733</b>	64,963

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
RMB	<b>54,614</b>	47,345
US\$	<b>9,913</b>	17,174
VND	<b>204</b>	267
Other currencies	<b>2</b>	177
	<b>64,733</b>	64,963

## 16. COMMITMENTS

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contracted, but not provided for:		
Plant and machinery	<b>2,624</b>	2,219
Intangible assets	<b>27</b>	–
	<b>2,651</b>	2,219

## 17. ACQUISITION OF A SUBSIDIARY

On 30 November 2022, the Group acquired 51% of the issued share capital of Wuhan Show Life for zero contingent consideration. 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.

Following the completion of the review on fair value during the year, the Group made a retrospective adjustment to the provisional goodwill and intangible assets during the year ended 31 December 2022 arising from the acquisition of Wuhan Show Life. The retrospective adjustment is made as a result of finalising the fair value as at the acquisition date of the intangible assets and contingent consideration. Consequently, the amounts of deferred tax liabilities arising on fair value change on identified assets and assumed liabilities acquired, non-controlling interests and goodwill are restated accordingly. The fair value of identified assets and assumed liabilities as at the acquisition date are determined by an independent valuer in the initial recognition of the acquisition of Wuhan Show Life.

The effect of the adjustment made during the 12-month period from acquisition date (the “**Measurement Period**”) in the consolidated statement of financial position is set out below:

	Fair value recognised on the acquisition date-previously stated <i>HK\$'000</i>	Adjustment during the Measurement Period <i>HK\$'000</i>	Fair value recognised on the acquisition date <i>HK\$'000</i> (Restated)
<b>Net assets acquired:</b>			
Property, plant and equipment	461	–	461
Right-of-use assets	7,225	–	7,225
Intangible assets	26,767	(26,767)	–
Inventories	996	–	996
Trade and other receivables	2,970	–	2,970
Cash and cash equivalent	18	–	18
Trade and other payables	(6,618)	–	(6,618)
Deferred tax liabilities	(6,692)	6,692	–
Lease liabilities	(7,309)	–	(7,309)
	<hr/>	<hr/>	<hr/>
Total identifiable net assets/(liabilities) at fair value	17,818	(20,075)	(2,257)
Non-controlling interests	(8,731)	9,837	1,106
	<hr/>	<hr/>	<hr/>
Goodwill	9,087	(10,238)	(1,151)
	161,217	(160,066)	1,151
	<hr/>	<hr/>	<hr/>
	170,304	(170,304)	–
	<hr/>	<hr/>	<hr/>
<b>Satisfied by:</b>			
Contingent consideration (restated)	170,304	(170,304)	–
	<hr/>	<hr/>	<hr/>
<b>Net cash outflow arising on acquisition:</b>			
Cash consideration paid			–
Cash and cash equivalents acquired			18
			<hr/>
			18
			<hr/>

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. Details of the contingent consideration are set out in the Company's announcement dated 17 November 2022.

The 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.



## **SCOPE OF WORK OF D & PARTNERS ON THE PRELIMINARY ANNOUNCEMENT**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, D & Partners CPA Limited ("**D & Partners**"), to the amounts set out in the Group's consolidated financial statements for FY2023. The work performed by D & Partners in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by D & Partners on this preliminary announcement.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business review**

The Group is principally engaged in manufacturing and sale of camera products and related accessories, and operating of artificial intelligence ("**AI**") vending machines.

#### *1. Camera products and related accessories business:*

For the FY2023, the Group's camera products and related accessories business recorded a revenue of approximately HK\$308.2 million, representing a decrease of about 26.1% as compared to approximately HK\$416.8 million for the FY2022.

In 2023, the global demand for consumer electronics products remained weak. Amid rising inflation, people's daily expenses significantly increased and they reduced their purchases of consumer electronics products. In addition, some customers are still destocking inventory, which significantly impacts the performance of the Group.

After the anti-epidemic measures were lifted in early 2023, it became easier to communicate with overseas customers and more new projects were awarded. However, due to the poor global environment, most projects originally planned to start mass production in the fourth quarter of 2023 were postponed until the second quarter of 2024. These projects failed to contribute to the Group's performance in 2023.

## 2. *Retailing business through AI vending machines*

The Group acquired 51% of 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 engaged in retailing business through operation of AI vending machines for selling food and beverage and is still in the early stages of development.

For the FY2023, the Group recorded a revenue of approximately HK\$13.4 million from retailing business through operation of AI vending machines. Wuhan Show Life entered into strategic cooperation with one of the largest home appliance companies headquartered in China and one of the largest property management companies in China in April 2023 and June 2023, respectively, to promote and develop the business. In addition, Wuhan Show Life signed a business partnership agreement with Jingdong Logistics and Transportation Co., Ltd.\* (京東物流運輸有限公司) in December 2023 to provide warehousing, transportation and distribution services in order to improve operational efficiency and reduce costs.

In 2023, Wuhan Show Life introduced an intelligent management system to vending machines, including improve data analysis capabilities, improve user experience and operational efficiency. However, the domestic consumer market was weak, the performance of Wuhan Show Life was not meet the expectations and recorded a loss of approximately HK\$71.9 million.

\* *For identification purpose only*

## Prospects

### 1. *Camera products and related accessories business:*

In 2024, we believed that deglobalization in the world, high inflation and high interest rates in America and the European Union will still be the main challenge for the Group's camera products and related accessories business. It is expected that we will still be affected by weak demand in the first half of 2024.

New projects will begin mass production in the second quarter of 2024, and the Group estimates its Camera products and related accessories business will be significantly improved in the second half of 2024.

In order to improve its financial performance, the Group 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 and actively expand the products category;
- Work deeper in the main product lines of the Group in all aspect and strengthen the competitive advantages in the product categories;
- Strengthen the sales force; and
- Optimize the Group's operation and provide efficient service to customers.

### 2. *Retailing business through AI vending machines*

Wuhan Show Life will actively expand its business and place more AI vending machines in residential buildings, office buildings, hotels, schools, hospitals, sports centers and parks in China to increase sales revenue. In addition, the Company will also optimize the underperforming locations of the vending machines and sales categories, hoping to improve performance as soon as possible.

## Financial review

### Turnover

The Group's camera products and related accessories 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 Group is also generates retailing income from the retailing business through AI vending machines for selling food and beverage.

The following table sets out the breakdown of the revenue for the years indicated:

	<b>2023</b> <i>HK\$'000</i>	<b>% of total revenue</b>	2022 <i>HK\$'000</i>	<b>% of total revenue</b>	<b>Revenue change</b>
<b>Manufacturing business</b>					
<b>Sales of Products</b>					
Home surveillance cameras	<b>164,524</b>	<b>51.1%</b>	232,608	55.8%	(29.3)%
Digital imaging products	<b>85,800</b>	<b>26.7%</b>	68,054	16.3%	26.1%
Other products	<b>57,386</b>	<b>17.8%</b>	102,703	24.6%	(44.1)%
	<b>307,710</b>	<b>95.6%</b>	403,365	96.7%	(23.7)%
Manufacturing service income	<b>530</b>	<b>0.2%</b>	13,471	3.2%	(96.1)%
<b>SUB-TOTAL</b>	<b>308,240</b>	<b>95.8%</b>	416,836	99.9%	(26.1)%
<b>Retailing business through AI vending machines</b>					
Retailing income	<b>13,436</b>	<b>4.2%</b>	241	0.1%	5,475.0%
<b>TOTAL</b>	<b>321,676</b>	<b>100.0%</b>	417,077	100.0%	(22.9)%

For FY2023, the Group's manufacturing business recorded a turnover of approximately HK\$308.2 million (FY2022: approximately HK\$416.8 million), representing a decrease of approximately 26.1% as compared to FY2022. The decrease was mainly due to the significantly decrease in the shipment units of home surveillance cameras.

For FY2023, the turnover from retailing business through AI vending machines of approximately HK\$13.4 million (FY2022: approximately HK\$0.2 million) representing an increase of approximately 5,475.0% as compared to FY2022. The increase was mainly due to the number of AI vending machines was increased during 2023.

The Group sells its camera products mainly to customers in the US and European Union and retailing business through AI vending machines for selling food and beverage to customer in Mainland China. The following table sets out the breakdown of revenue by location of customers for the periods indicated:

	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
European Union	<b>134,052</b>	147,056
United States of America	<b>89,058</b>	179,039
Mainland China	<b>63,532</b>	60,485
Hong Kong	<b>187</b>	368
Other countries/regions	<b>34,847</b>	30,129
	<b><u>321,676</u></b>	<u>417,077</u>

#### *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 FY2023, cost of sales of the Group amounted to approximately HK\$255.8 million (FY2022: approximately HK\$343.8 million), representing a decrease of approximately 25.6% as compared to FY2022, and amounted to approximately 79.5% (FY2022: approximately 82.4%) of its turnover for FY2023. 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\$65.9 million for FY2023 (FY2022: approximately HK\$73.3 million), representing a decrease of approximately 10.1% as compared to FY2022. The gross profit margin increased from approximately 17.6% for FY2022 to approximately 20.5% for FY2023. This increase was mainly attributable to the increase of the gross profit margin of home surveillance cameras and the retailing business through AI vending machines.

### *Other income and gains*

Other income and gains mainly include (i) bank interest income; (ii) exchange gains arising mainly from fluctuations in exchange rate between the invoice and settlement dates of its sales and purchases and from translation of its US\$-denominated trade payables and receivables; (iii) government grants, which mainly consist of rewards and subsidies for research activities granted by the local government with no unfulfilled conditions or contingencies; and (iv) gains on the disposal of non-current asset classified as held for sales.

For FY2023, other income and other gains of the Group significantly decreased to approximately HK\$7.8 million as compared to FY2022 of approximately HK\$28.8 million, which was primarily attributable to the decrease of approximately HK\$10.8 million on the gain on disposal of non-current asset classified as held for sales and approximately HK\$9.5 million on exchange gains arising mainly from fluctuations in exchange rate between the invoice and settlement dates of its sales and purchases and from translation of its US\$-denominated trade payables and receivables.

### *Selling and distribution expenses*

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

For the FY2023, selling and distribution expenses of the Group significantly increased by approximately 56.7% to approximately HK\$47.4 million from approximately HK\$30.2 million for FY2022. The increase was mainly due to increase of approximately HK\$19.0 million used in the retailing business through AI vending machines during FY2023.

### *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; and (iv) entertainment expenses.

For FY2023, administrative expenses of the Group significantly increased by approximately 44.2% to approximately HK\$73.1 million (FY2022: approximately HK\$50.7 million). The increase was mainly due to the increase of approximately HK\$20.2 million used in the retailing business through AI vending machines during FY2023.

### *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 FY2023, the Group recorded R&D costs of approximately HK\$38.7 million, which slightly decreased by approximately 14.2% from approximately HK\$45.1 million for FY2022. The decrease was mainly due to the decrease of approximately HK\$6.1 million salaries and benefits of the Group's R&D staff for FY2023.

### *Impairment loss*

Impairment loss include principally impairment losses of non-current assets.

For FY2023, impairment loss of the Group significantly increased to approximately HK\$36.4 million from approximately HK\$1.2 million for FY2022. The increase mainly consisted of the increase of approximately HK\$35.3 million allowance for impairment losses of non-current assets attributable to the retailing business through AI vending machines during FY2023.

### *Other expenses*

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

For FY2023, other expenses of the Group decreased to approximately HK\$5.2 million from approximately HK\$5.7 million for FY2022. The decrease mainly consisted of the decrease of approximately HK\$0.9 million allowance for trade and other payables written off.

### *Finance costs*

For FY2023, the finance costs of the Group increased to approximately HK\$2.6 million (FY2022: approximately HK\$1.6 million), representing a increase by approximately 62.5% as compared to FY2022. This increase was attributable to the increasing of approximately HK\$0.6 million used in the retailing business through AI vending machines during FY2023.

### *Income tax expense*

For FY2023, there was no income tax expense due to the loss for the year (FY2022: approximately HK\$0.07 million).

### *Net loss*

As a result of the foregoing, the Group recorded a loss of approximately HK\$129.3 million for FY2023 (FY2022: approximately HK\$32.4 million) (attributable to non-controlling interests is a loss of approximately HK\$47.8 million (FY2022: 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:

	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows (used in)/generated from operating activities	<b>(76,722)</b>	27,025
Net cash flows (used in)/generated from investing activities	<b>(19,972)</b>	11,425
Net cash flows generated from/(used in) financing activities	<b>54,522</b>	(39,176)
Net decrease in cash and cash equivalents	<b>(42,172)</b>	(726)
Cash and cash equivalents at beginning of year	<b>81,447</b>	96,188
Effect of foreign exchange rate, net	<b>(3,923)</b>	(14,015)
Cash and cash equivalents at end of year	<b>35,352</b>	81,447

Net cash flow used in operating activities for FY2023 was approximately HK\$76.7 million, which primarily reflected (i) the adjusted loss before tax of approximately HK\$51.5 million; (ii) the increase in trade and factoring receivables of approximately HK\$31.5 million; (iii) the decrease in inventory balances of approximately HK\$18.6 million; (iv) the increase in prepayments and other receivables of approximately HK\$18.1 million; and (v) the increase in other payables and accruals of approximately HK\$8.0 million.

Net cash flow used in investing activities for FY2023 was approximately HK\$20.0 million. This mainly consisted of net payment of approximately HK\$20.0 million for disposals and 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.

Net cash flow generated from the financing activities for FY2023 was approximately HK\$54.5 million, which was mainly reflected (i) the increase in the use of interest-bearing bank borrowings to repay trade payables approximately HK\$6.7 million; (ii) the principal portion of lease payments to approximately HK\$20.0 million; and (iii) Proceeds from share subscription to approximately HK\$67.8 million.

The Group's cash and cash equivalents were mainly denominated in US dollar ("US\$"), Hong Kong dollar ("HK\$"), Vietnamese Dong ("VN\$") and Renminbi ("RMB") as at 31 December 2023.

### *Borrowing and the pledge of assets*

The Group's bank facilities amounting to approximately HK\$47.9 million (FY2022: approximately HK\$46.4 million), of which approximately HK\$11.4 million (FY2022: approximately HK\$8.0 million) had been utilised as at the end of FY2023.

As at 31 December 2023, the bank loan of approximately HK\$11.4 million (FY2022: approximately HK\$8.0 million) were secured by the pledge of the Group's life insurance policy and pledge bank deposits, personal guarantee executed by a controlling shareholder of the Company, corporate guarantees executed by two subsidiaries of the Group, respectively.

All bank loans are all denominated in US\$ and the other borrowing is denominated in RMB. The secured bank loan carry effective interest rates ranging from 6.7% to 6.9% (At 31 December 2022: 1.3% to 2.2%) per annum. All borrowings are repayable with 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. The Group's gearing ratio as at 31 December 2022 and 31 December 2023 was approximately 19.1% and approximately 60.5%, respectively. The increase in gearing ratio was primarily due to the significant increase in impairment loss of non-current assets attributable to the retailing business through AI vending machines during FY2023.

### *Capital expenditure*

During FY2023, the Group invested approximately HK\$34.8 million (FY2022: approximately HK\$5.3 million) in fixed assets and intangible assets.

### *Off balance sheet transactions*

During FY2023, 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 74.4% (FY2022: 82.2%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sales, whilst approximately 26.3% (FY2022: 46.0%) of costs were denominated in their functional currencies.

During FY2023, there was no material impact to the Group arising from the fluctuation in the exchange rates of these currencies. The Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its foreign exchange exposure during FY2023 (FY2022: 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*

There are no significant events affecting the Group which have occurred since the end of the reporting period of FY2023 and up to the date of this announcement.

### *Treasury policies*

During FY2023, the Group did not have any investment under its treasury policies.

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

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

The Group has an experienced management team and strict procedures in place to ensure the wealth management products are purchased in compliance with its internal policies and requirements under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). 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 2023, the Group employed a total of 848 employees (31 December 2022: 860). The staff costs of the Group, excluding directors’ emoluments and any contribution to pension scheme were approximately HK\$112.5 million for FY2023 (FY2022: approximately HK\$120.0 million), none (FY2022: Nil) 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 R&D 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.

As at 31 December 2023, the investment accounted for 3.2% of the Group's total assets and the fair value of this investment held by the Group was approximately HK\$10.1 million (31 December 2022: approximately HK\$21.1 million) representing HK\$11.0 million unrealized loss as at 31 December 2023. No dividend was received from this investment during FY2023 (FY2022: Nil).

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

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; and
- (ii) This investment has synergies with the Group's business and can widen sales channel.

As at 31 December 2023, 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 2023, the Group's capital commitment amounted to approximately HK\$2.7 million (31 December 2022: approximately HK\$2.2 million).

#### *Future plans for material investments or capital assets*

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

### *Material acquisitions and disposals of subsidiaries and associated companies*

In order to respond prudently and actively utilizing the current idle production capacity of Sky Light Electronic Joint Stock Company (“**JSC**”), on 1 June 2023, Sky Light International (Vietnam) Limited (“**SL Vietnam**”) (the holding company of JSC and an indirect wholly-owned subsidiary of the Company, Sky Light Electronic Limited (天彩電子有限公司) (“**SL Electronic**”) and Tech Idea Limited (奧信有限公司) (“**Tech Idea**”) entered into a subscription agreement (the “**Subscription Agreement**”), pursuant to which, SL Electronic and Tech Idea have conditionally agreed to subscribe for, and SL Vietnam has conditionally agreed to allot and issue, 5,099 new shares in SL Vietnam (“**SLV Shares**”) and 4,900 new SLV Shares, respectively, at the subscription price of HK\$1.00 per new SLV Share (the “**June Subscription**”).

Upon completion of the June Subscription on 1 June 2023, SL Vietnam was held as to 51% by SL Electronic and as to 49% by Tech Idea, respectively. SL Vietnam was remained as a non-wholly owned subsidiary of the Company.

The SLV Shares allotted and issued under the June Subscription represent 99.99% of the issued share capital of SL Vietnam as enlarged by the June Subscription. The Group’s interest in SL Vietnam was diluted from 100% to 51%, and the subscription of the 4,900 new SLV Shares by Tech Idea was regarded as a deemed disposal for the Company pursuant to Rule 14.29 of the Listing Rules.

Tech Idea is wholly-owned by Dr. Cheung Wah Keung (“**Dr. Cheung**”), who was an independent non-executive Director in the last 12 months from the date of the Subscription Agreement, and therefore a connected person of the Company pursuant to Rule 14A.07(2) of the Listing Rules.

Accordingly, Tech Idea is an associate of Dr. Cheung and thus a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules and the June Subscription therefore constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the June Subscription are all less than 25%, and the total consideration is less than HK\$10,000,000.00, the June Subscription is therefore subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

For details of the above deemed disposal, please refer to the announcement of the Company dated 1 June 2023.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during FY2023.

#### *Contingent liabilities*

As at 31 December 2023, the Group had no significant contingent liabilities (31 December 2022: Nil).

#### *Annual general meeting*

The annual general meeting of the Company (the “**AGM**”) is scheduled to be held on Thursday, 30 May 2024. 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 FY2023 (FY2022: Nil).

#### *Financial position as at 31 December 2023*

As at 31 December 2023, the Group’s total equity was approximately HK\$85.1 million (31 December 2022: approximately HK\$162.7 million), total assets amounted to approximately HK\$317.9 million (31 December 2022: approximately HK\$353.7 million) and total liabilities stood at approximately HK\$232.8 million (31 December 2022: approximately HK\$191.0 million).

#### *Closure of register of members*

The register of members of the Company will be closed from Friday, 24 May 2024 to Thursday, 30 May 2024 (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 Thursday, 23 May 2024.

## 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 listed securities of the Company during FY2023.

### 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 the Shareholders and to enhance corporate value, accountability and transparency of the Company.

The Company has adopted the principles and code provisions (the "**Code Provisions**") of the Corporate Governance Code (the "**CG Code**") set out in Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices. Throughout FY2023, the Company has complied with all applicable 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 the chairman of the Board (the "**Chairman**") and the chief executive of the Company are performed by Mr. Tang Wing Fong Terry, the Company has deviated from the Code Provision C.2.1. The Board considers that having Mr. Tang acting as both the Chairman 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 and the chief executive officer of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.



## **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its code of conduct governing its directors’ securities transactions. Specific enquiries have been made with all the Directors, they have confirmed that they have fully complied with the Model Code throughout FY2023.

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, Mr. Wong Wai Ming and Mr. Lau Wai Leung Alfred, 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 FY2023.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement for FY2023 has been published on the website of HKEXnews operated by the Stock Exchange (<https://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 2023 containing all the relevant information required by the Listing Rules and the relevant laws and regulations will be sent to the Shareholders in accordance with the Listing Rules 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, 26 March 2024

*As at the date of this announcement, the executive Directors are Mr. Tang Wing Fong Terry and Mr. Shan Chuanlong; and the independent non-executive Directors are Mr. Wong Wai Ming, Ms. Lo Wan Man and Mr. Lau Wai Leung Alfred.*