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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 2024

FINANCIAL HIGHLIGHTS			
	2024	2023	CHANGE
	<i>HK\$'000</i>	<i>HK\$'000</i>	
CONTINUING OPERATIONS			
REVENUE	296,408	308,240	(3.8%)
COST OF SALES	(237,208)	(248,672)	(4.6%)
GROSS PROFIT	59,200	59,568	(0.6%)
GROSS PROFIT MARGIN (%)	20.0%	19.3%	0.7 p.p.t.
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	(67,450)	(54,215)	24.4%
DISCONTINUED OPERATIONS			
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	(19,144)	(75,120)	(74.5%)
LOSS FOR THE YEAR	(86,594)	(129,335)	(33.0%)
Attributable to:			
OWNERS OF THE COMPANY	(65,996)	(81,496)	(19.0%)
NON-CONTROLLING INTERESTS (“NCI”)	(20,598)	(47,839)	(56.9%)
	(86,594)	(129,335)	(33.0%)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY BASIC AND DILUTED	HK\$(6.5) cents	HK\$(8.2) cents	(20.7%)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

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 2024 (“**FY2024**”), together with the comparative figures for the year ended 31 December 2023 (“**FY2023**”). These consolidated financial results for FY2024 have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
CONTINUING OPERATIONS			
REVENUE	5	296,408	308,240
Cost of sales		<u>(237,208)</u>	<u>(248,672)</u>
Gross profit		59,200	59,568
Other income and gains	5	7,188	7,519
Selling and distribution expenses		(21,997)	(28,042)
Administrative expenses		(47,089)	(48,909)
Research and development expenses	6	(30,446)	(38,670)
Impairment loss on property, plant and equipment, intangible assets and right-of-use assets		(3,248)	–
Other expenses		(9,480)	(4,249)
Share of (loss)/profit of an associate		(221)	302
Loss on disposal of subsidiaries, net		(18,837)	–
Finance costs	7	<u>(2,519)</u>	<u>(1,734)</u>
LOSS BEFORE TAX	6	(67,449)	(54,215)
Income tax expense	8	<u>(1)</u>	<u>–</u>
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		<u>(67,450)</u>	<u>(54,215)</u>
DISCONTINUED OPERATIONS			
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	9	<u>(19,144)</u>	<u>(75,120)</u>
LOSS FOR THE YEAR		<u>(86,594)</u>	<u>(129,335)</u>

	<i>Note</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Attributable to:			
Owners of the Company		(65,996)	(81,496)
Non-controlling interests		(20,598)	(47,839)
		<u>(86,594)</u>	<u>(129,335)</u>
Attributable to:			
Owners of the Company			
– from continuing operations		(55,957)	(41,589)
– from discontinued operations		(10,039)	(39,907)
		<u>(65,996)</u>	<u>(81,496)</u>
Non-controlling interests			
– from continuing operations		(11,493)	(12,626)
– from discontinued operations		(9,105)	(35,213)
		<u>(20,598)</u>	<u>(47,839)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	<i>11</i>		
– from continuing and discontinued operations		HK(6.5) cent	HK(8.2) cent
– from continuing operations		HK(5.5) cent	HK(4.2) cent
Diluted	<i>11</i>		
– from continuing and discontinued operations		HK(6.5) cent	HK(8.2) cent
– from continuing operations		HK(5.5) cent	HK(4.2) cent

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(86,594)</u>	<u>(129,335)</u>
OTHER COMPREHENSIVE EXPENSE		
Exchange differences on translation of foreign operations	(3,760)	(5,011)
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	<u>(3,515)</u>	<u>(10,977)</u>
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX	<u>(7,275)</u>	<u>(15,988)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u>(93,869)</u>	<u>(145,323)</u>
Attributable to:		
Owners of the Company	(71,305)	(97,156)
Non-controlling interests	<u>(22,564)</u>	<u>(48,167)</u>
	<u>(93,869)</u>	<u>(145,323)</u>
Attributable to:		
Owners of the Company		
– from continuing operations	(61,060)	(56,059)
– from discontinued operations	<u>(10,245)</u>	<u>(41,097)</u>
	<u>(71,305)</u>	<u>(97,156)</u>
Non-controlling interests		
– from continuing operations	(13,385)	(12,751)
– from discontinued operations	<u>(9,179)</u>	<u>(35,416)</u>
	<u>(22,564)</u>	<u>(48,167)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		11,236	16,064
Intangible assets		2,024	3,676
Right-of-use assets	<i>12</i>	15,250	28,046
Investments in associates		2,293	2,681
Equity investment designated at fair value through other comprehensive income (“FVTOCI”)		6,589	10,104
Total non-current assets		37,392	60,571
CURRENT ASSETS			
Inventories	<i>13</i>	79,847	118,985
Trade and factoring receivables	<i>14</i>	70,012	56,826
Financial asset at fair value through profit or loss (“FVTPL”)		5,382	5,329
Prepayments and other receivables		22,118	38,145
Restricted and pledged bank deposits		2,717	2,735
Cash and cash equivalents		38,450	35,352
Total current assets		218,526	257,372
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>15</i>	25,759	14,703
Trade payables	<i>16</i>	68,028	64,733
Other payables and accruals		87,225	116,531
Lease liabilities		8,119	16,346
Total current liabilities		189,131	212,313

	2024	2023
	HK\$'000	HK\$'000
NET CURRENT ASSETS	29,395	45,059
TOTAL ASSETS LESS CURRENT LIABILITIES	66,787	105,630
NON-CURRENT LIABILITIES		
Deferred tax liabilities	–	–
Lease liabilities	9,299	20,481
Total non-current liabilities	9,299	20,481
Net assets	57,488	85,149
EQUITY		
Equity attributable to owners of the Company		
Share capital	10,086	10,086
Reserves	82,454	132,561
	92,540	142,647
Non-controlling interests	(35,052)	(57,498)
Total equity	57,488	85,149

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 P.O. Box 31119 Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, 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 2024 for the preparation of the consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 the following new and amendments to HKFRSSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11 ³
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ⁴

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

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.

During the year ended 31 December 2024, the AI Vending Machines Business was disposed and classified as discontinued operations. Details of discontinued operations are set out in note 9.

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. During 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. Upon the completion of disposal of the AI Vending Machines Business, the operating segment ceased.

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.

	<u>Continuing operations</u>	<u>Discontinued operations</u>	For the year ended 31 December 2024 HK\$'000
	Manufacture and sales of camera products and related accessories business HK\$'000	Operation of AI vending machines HK\$'000	
Revenue from external customers	296,408	3,542	299,950
Cost of sales	<u>(237,208)</u>	<u>(3,505)</u>	<u>(240,713)</u>
Segment results	59,200	37	59,237
Other income and gains			7,209
Share of loss of an associate			(221)
Finance costs			(3,330)
Impairment loss on property, plant and equipment, intangible assets and right-of-use assets			(10,551)
Loss on disposal of subsidiaries, net			(18,837)
Unallocated expenses			(120,100)
Income tax expense			<u>(1)</u>
Loss for the year			<u>(86,594)</u>

	Continuing operations	Discontinued operations	
	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 2023 <i>HK\$'000</i>
Revenue from external customers	308,240	13,436	321,676
Cost of sales	<u>(248,672)</u>	<u>(7,119)</u>	<u>(255,791)</u>
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			<u>–</u>
Loss for the year			<u>(129,335)</u>

Geographical information

(a) Revenue from external customers

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
United States of America	80,113	89,058
Mainland China	40,900	63,532
European Union	137,615	134,052
Hong Kong	9,517	187
Other countries/regions	<u>31,805</u>	<u>34,847</u>
	<u>299,950</u>	<u>321,676</u>

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

(b) *Non-current assets*

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mainland China	23,445	38,759
Hong Kong	127	1,484
Other countries/regions	4,938	7,543
	<u>28,510</u>	<u>47,786</u>

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

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:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	81,347	104,071
Customer B	45,452	N/A ¹

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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Continuing operations		
Revenue from contracts with customers		
Types of goods or services		
Sale of industrial products	295,584	307,710
Provision of manufacturing services	824	530
	<u>296,408</u>	<u>308,240</u>
Total revenue from contracts with customers	<u>296,408</u>	<u>308,240</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>296,408</u>	<u>308,240</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.

Revenue from discontinued operations of operation of AI vending machines amounted to HK\$3,542,000 (2023: HK\$13,436,000). 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.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Continuing operations		
Other income and gains		
Bank interest income	410	180
Change in the fair value of the financial asset at FVTPL	53	107
Early termination of right-of-use assets	152	71
Foreign exchange differences, net	1,551	3,626
Government grants:		
Related to income*	1,371	1,415
Gain on disposal of property, plant and equipment	2,376	383
Gain on disposal of scrap materials	453	–
Rental income	–	656
Trade and other payables written off	158	527
Others	664	554
	<u>7,188</u>	<u>7,519</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):

	2024	2023
	HK\$'000	HK\$'000
Continuing operations		
Auditors' remuneration	1,550	1,600
Cost of inventories sold	220,725	213,025
Cost of services provided	16,483	35,647
Depreciation of property, plant and equipment	5,113	11,246
Depreciation of right-of-use assets	11,910	12,332
Amortisation of intangible assets (<i>note (i)</i>)	1,497	1,551
Research and development expenses	30,446	38,670
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	61,149	95,271
Pension scheme contributions (<i>note (ii)</i>)	5,209	5,989
	66,358	101,260
Allowance for inventories	13,327	17,893
Reversal of allowance for inventories (<i>note (iv)</i>)	(17,550)	(16,097)
(Reversal of allowance for)/allowance for inventories, net (included in cost of inventories sold)	(4,223)	1,796
Impairment loss of trade and factoring receivables (<i>note (iii)</i>)	9,444	3,729
Impairment loss on property, plant and equipment, intangible assets and right-of-use assets	3,248	–

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 People’s Republic of China (the “**PRC**” or “**China**” or “**Mainland China**”) 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 2024 and 2023, 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 2024 and 2023 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 is 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Continuing operations		
Interest on:		
Bank and other borrowings	1,651	1,216
Lease liabilities	868	518
	<u>2,519</u>	<u>1,734</u>

8. INCOME TAX EXPENSE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Continuing operations		
Current tax:		
Hong Kong	–	–
Under-provision in prior year:		
– PRC CIT	1	–
Deferred tax	–	–
	<u>1</u>	<u>–</u>

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

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

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. During the year ended 31 December 2024, there is no subsidiary (2023: 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 (2023: 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% (2023: 21%), and also subject to the statutory applicable state corporate income tax at a rate of 7% (2023: 7%).

The Group's subsidiary in the United Kingdom is subject to corporate income tax at a rate of 19% (2023: 19%).

The Group's subsidiary in Vietnam is subject to corporate income tax at a rate of 20% (2023: 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:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax from continuing operations	(67,449)	(54,215)
Tax at the PRC CIT rate of 25% (2023: 25%)	(16,862)	(13,554)
Tax effect of income that is not taxable	(493)	(534)
Tax effect of expenses that are not deductible	10,435	2,967
Tax effect of super-deduction of research and development costs	(6,752)	(4,646)
Tax effect of temporary differences not recognised	46	157
Tax effect of utilisation of tax losses not previously recognised	(447)	(1,490)
Tax effect of tax losses not recognised	13,190	17,675
Effect of different tax rates of subsidiaries	883	(575)
Under provisions in prior years	1	–
Income tax expense	1	–

9. DISCONTINUED OPERATIONS

On 31 July 2024, the Company entered into a sale and purchase agreement with a third party to sell its entire equity interests in Hugo Investment Limited and its subsidiaries which were engaged in the AI Vending Machines Business, for a cash consideration of HK\$500,000. The disposal has been completed on 31 July 2024. Comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to disclose separately the profit or loss from discontinued operations.

The loss for the year from the discontinued operations is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to represent AI Vending Machines Business as discontinued operations.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss from the discontinued operations for the year	(19,144)	(75,120)
Loss on disposal of subsidiaries	(26,869)	–
	<u>(46,013)</u>	<u>(75,120)</u>

During the year ended 31 December 2024, the discontinued operations of the Group generated cashflow of HK\$1,986,000 (2023: HK\$21,054,000) in respect of operating activities, used cashflow of HK\$1,098,000 (2023: HK\$16,394,000) in respect of investing activities and used cashflow of HK\$1,861,000 (2023: HK\$3,362,000) in respect of financing activities.

The results of the discontinued operations, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
REVENUE	3,542	13,436
Cost of sales	(3,505)	(7,119)
Gross profit	37	6,317
Other income and gains	21	288
Selling and distribution expenses	(4,016)	(19,331)
Administrative expenses	(6,253)	(24,191)
Impairment loss on property, plant and equipment, intangible assets and right-of-use assets	(7,303)	(36,430)
Other expenses	(819)	(938)
Finance costs	(811)	(835)
LOSS BEFORE TAX	(19,144)	(75,120)
Income tax expense	–	–
LOSS FOR THE YEAR	<u>(19,144)</u>	<u>(75,120)</u>

Loss for the year from discontinued operations has been arrived after charging:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	3,505	7,119
Depreciation of property, plant and equipment	45	2,028
Depreciation of right-of-use assets	1,429	6,821
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	4,019	10,976
Pension scheme contributions	161	273
	4,180	11,249
Allowance for inventories	2,112	470
Impairment loss of trade receivables	403	495
Impairment loss on property, plant and equipment, intangible assets and right-of-use assets	7,303	36,430

10. DIVIDENDS

The directors do not recommend any final dividends for the year ended 31 December 2024 (2023: Nil).

11. 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 1,008,587,000 (2023: 996,464,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2024 and 2023 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.

(a) From continuing and discontinued operations

The calculations of basic loss per share are based on:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company used in the basic loss per share calculation	<u>(65,996)</u>	<u>(81,496)</u>
	Number of shares	
	2024 <i>'000</i>	2023 <i>'000</i>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>1,008,587</u>	<u>996,464</u>
Basic	<u>HK(6.5) cent</u>	<u>HK(8.2) cent</u>
Diluted	<u>HK(6.5) cent</u>	<u>HK(8.2) cent</u>

(b) From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year from continuing operations	<u>(55,957)</u>	<u>(41,589)</u>

The denominators used are the same as those detailed above for both basic and diluted loss per share.

(c) **From discontinued operations**

For the year ended 31 December 2024, basic loss per share from discontinued operations was HK1.0 cent (2023: HK4.0 cent), which were calculated based on the loss from discontinued operations for the year of HK\$10,039,000 (2023: HK\$39,907,000) and the denominators detailed above.

12. 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 5 years (2023: 2 to 6 years). Machines generally has lease terms of 12 months or less and/or is individually of low value.

As at 31 December 2024, one new lease contract has been entered by the Group which have not yet commenced (2023: Nil).

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

	Buildings	Leased properties	Machines	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2023	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)
As at 31 December 2023 and 1 January 2024	28,046	–	–	28,046
Additions	9,337	192	–	9,529
Depreciation charge for the year	(13,281)	(58)	–	(13,339)
Termination of lease contracts	(655)	–	–	(655)
Impairment loss	(7,792)	(134)	–	(7,926)
Exchange differences	(405)	–	–	(405)
As at 31 December 2024	15,250	–	–	15,250

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on lease liabilities	1,219	1,119
Depreciation charge of right-of-use assets	13,339	19,153
Expense relating to short-term leases and other leases with remaining lease terms ended on or before the end of reporting period	1,105	3,567
Expense relating to leases of low-value assets	486	2,751
	<hr/>	<hr/>
Total amount recognised in profit or loss	16,149	26,590
	<hr/>	<hr/>

13. INVENTORIES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Raw materials	35,835	52,523
Work in progress	25,000	31,031
Finished goods	19,012	31,387
Retail products	–	4,044
	<hr/>	<hr/>
	79,847	118,985
	<hr/>	<hr/>

14. TRADE AND FACTORING RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	62,005	51,026
Impairment loss	(20,192)	(11,682)
	<hr/>	<hr/>
	41,813	39,344
	<hr/>	<hr/>
Factoring receivables	28,751	17,707
Impairment loss	(552)	(225)
	<hr/>	<hr/>
	28,199	17,482
	<hr/>	<hr/>
	70,012	56,826
	<hr/>	<hr/>

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 loss, is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 1 month	33,029	42,841
1 to 2 months	8,941	2,911
2 to 3 months	9,977	4,575
Over 3 months	18,065	6,499
	70,012	56,826

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
US\$	57,911	54,518
RMB	7,130	1,547
British Pounds (“ GBP ”)	429	761
Other currencies	4,542	–
	70,012	56,826

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At 1 January	11,907	7,689
Impairment loss	9,847	4,224
Disposal of subsidiaries	(993)	–
Exchange differences	(17)	(6)
At 31 December	20,744	11,907

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

As at 31 December 2024

Category	Carrying amount		Impairment loss		Net book value HK\$'000
	Amount HK\$'000	Proportion %	Amount HK\$'000	Proportion %	
Trade and factoring receivables for which impairment loss has been assessed individually	17,148	18.89	17,148	100	–
Trade and factoring receivables for which impairment loss has been assessed by using a provision matrix	<u>73,608</u>	<u>81.11</u>	<u>3,596</u>	<u>4.89</u>	<u>70,012</u>
	<u>90,756</u>	<u>100</u>	<u>20,744</u>	<u>22.86</u>	<u>70,012</u>

As at 31 December 2023

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

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

As at 31 December 2024

	Current	Less than 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
Expected credit loss rate (%)	1.92	7.20	14.82	39.75	100	
Gross carrying amount (HK\$'000)	58,462	1,244	13,496	37	369	73,608
Expected credit losses (HK\$'000)	<u>1,122</u>	<u>90</u>	<u>2,000</u>	<u>15</u>	<u>369</u>	<u>3,596</u>

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>

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

Current	Note	2024 <i>Effective interest rate (%)</i>	HK\$'000	2023 <i>Effective interest rate (%)</i>	HK\$'000
Bank loans — secured	(ii),(iii)	3.0-6.6	25,759	6.7-6.9	11,393
Other borrowing	(iv)	—	—	24	<u>3,310</u>
			<u>25,759</u>		<u>14,703</u>

Notes:

- (i) The Group's banking facilities with banks in Hong Kong and the PRC amounting to HK\$54,887,000 (2023: HK\$47,947,000), of which HK\$25,759,000 (2023: HK\$11,393,000) had been utilised as at the end of the reporting period.
- (ii) The bank loans as at 31 December 2024 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 two subsidiaries of the Group respectively.
- (iii) All bank loans are denominated in the US\$ and RMB and repayable within one year.
- (iv) The other borrowing is denominated in RMB and repayable within one year.

During the year ended 31 December 2024, in respect of bank loans with a carrying amount of HK\$17,660,000 (2023: HK\$11,393,000) as at 31 December 2024, 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 2024. 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\$3,309,000 (2023: HK\$11,393,000) were subsequently settled as at the reporting date.

16. 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 1 month	40,152	31,668
1 to 2 months	13,988	9,195
2 to 3 months	5,229	5,855
Over 3 months	8,659	18,015
	68,028	64,733

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
RMB	49,368	54,614
US\$	16,621	9,913
VND	2,037	204
Other currencies	2	2
	68,028	64,733

17. COMMITMENTS

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Contracted, but not provided for:		
Plant and machinery	2,048	2,624
Intangible assets	–	27
	2,048	2,651

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 2024 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 FY2024. 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 AI vending machines.

1. Camera products and related accessories business:

For FY2024, the Group's camera products and related accessories business recorded a revenue of approximately HK\$296.4 million, representing a decrease of about 3.8% as compared to approximately HK\$308.2 million in FY2023.

Although we improved efficiency and reduced costs in all aspects, the global demand for consumer electronics products remained weak. The Group's continuing operations recorded a loss of around HK\$67.5 million compared to loss of HK\$54.2 million in FY2023.

Due to the weak worldwide economics, most of our customers were very conservative about launching new products. The Group initiated several new projects in 2024, but the progress and the result of the projects was below the expectation of the Group.

2. *Retailing business through AI vending machines*

On 31 July 2024, the Group announced to dispose the 51% shares of Wuhan Show Life Convenience Store Co., Ltd* (武漢秀生活便利店有限公司) (“**Wuhan Show Life**”) (held by Hugo Investment Limited) which the Group acquired in November 2022. Wuhan Show Life was principally engaged in retailing business through 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. As (a) Wuhan Show Life has continued to incur loss since the Group acquired its business in November 2022, (b) the signs of recovery of the domestic consumer market in China are uncertain in short to medium term and (c) the continued downturn in the real estate industry created more challenge for Wuhan Show Life to cooperate with the property developers and property management companies and expand its business. The management expected that it would need to further investing significant capital to maintain its normal operation and difficult to generate profit in near future. Considering the current resource of the Group, the Group discontinued and disposed the retailing business through AI vending machines business (“**AI Vending Machines Business**”) during FY2024. For details of the disposal, please refer to the Company’s announcements dated 31 July 2024 and 6 September 2024, respectively.

In FY2024, the loss of AL Vending Machines Business recorded of approximately HK\$19.1 million.

3. *Last-mile distribution system for supermarket and hypermarket chains*

On December 2024, the Group has decided to launch a new business segment in relation to last-mile distribution system (new energy electric motorbike (“**E-Bike**”) system) for supermarket and hypermarket chains (“**Superstore Chains**”). This new business segment will provide last-mile distribution system services for Superstore Chains in the PRC.

The Group has established Fengcai Intelligent Digital Technology (Shenzhen) Co., Ltd.* (豐彩智能數字技術(深圳)有限公司), a wholly foreign-owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of the Group, to conduct this new business segment.

* For identification purpose only

The on-demand retail delivery sector of Superstore Chains in the PRC is growing rapidly each year, as consumers developed a new consumption habit during the COVID-19 pandemic: on-demand retail delivery. Based on this change in consumer habit, the on-demand retail delivery industry is in a phase of rapid growth, the ancillary equipment, being E-Bikes and new energy charging equipment, are still in a dividend period and rapid development, in particular, the dedicated E-Bikes and new energy charging equipment used by dedicated delivery riders (“**Delivery Riders**”) of Superstore Chains with strong brand name effect.

The Group will provide last-mile distribution system services to Superstore Chains through the supply of smart management software and hardware and ancillary equipment. With the retail sector as an entry point, a one-stop solution for on-demand retail delivery as a selling point and based on the dedicated delivery scenario of the Delivery Riders of Superstore Chains, the Group will provide a one-stop integrated intelligent operational service including dedicated E-Bikes, new energy batteries, new energy charging equipment and a corresponding smart management software to Superstore Chains.

For details of the new business segment, please refer to the Company’s announcement dated 27 December 2024.

Prospects

For the financial year ending 2025 (“**FY2025**”), the Group believes that deglobalization, high inflation, US tariff and weak worldwide economics are the main challenges for our business.

The Board is of the view that the provision of last-mile distribution system services for various Superstore Chains is still a blue ocean market and is confident that this new line business segment of the Group has great business potential. The Group will be able to broaden and diversify its business by venturing into this new business segment in relation to last-mile distribution system services for Superstore Chains and to increase its source of income.

Currently, one of the Group's major products is surveillance cameras and digital imaging related products, which has significant synergy with the new business segment of last mile distribution system services for Superstore Chains. Surveillance cameras are one of the most important features in the smart helmets to be used by dedicated Delivery Riders of Superstore Chains and the smart monitoring of the delivery process, of which the Group will produce the relevant surveillance camera components. The development of the new business segment will also provide growth opportunity for the digital imaging products business segment of the Group.

In FY2024, the Group developed some ODM products to promote to customers. The Group expected the new products to contribute to its revenue from FY2025. The Group will continue working hard to improve its efficiency and lower its costs in all respects.

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 product category;
- Deepen all aspects of the Group's core product lines and strengthen the competitive advantages in the product categories;
- Strengthening the sales force; and
- Optimize the Group's operations and provide efficient service to customers.

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

	2024 <i>HK\$'000</i>	% of total revenue	2023 <i>HK\$'000</i>	% of total revenue	Revenue change
Manufacturing business					
Sales of Products					
Home surveillance cameras	168,679	56.9%	164,524	53.4%	2.5%
Digital imaging products	87,901	29.7%	85,800	27.8%	2.4%
Other products	39,004	13.1%	57,386	18.6%	(32.0)%
	<u>295,584</u>	<u>99.7%</u>	<u>307,710</u>	<u>99.8%</u>	<u>(3.9)%</u>
Manufacturing service income	824	0.3%	530	0.2%	55.4%
TOTAL	<u>296,408</u>	<u>100%</u>	<u>308,240</u>	<u>100%</u>	<u>(3.8)%</u>

For FY2024, the Group's manufacturing business recorded a turnover of approximately HK\$296.4 million (FY2023: approximately HK\$308.2 million), representing a decrease of approximately 3.8% as compared to FY2023. The decrease was mainly due to the decrease in the shipment units of other products.

The Group sells its camera products mainly to customers in the US and European Union. The following table sets out the breakdown of revenue for continuing operations by location of customers for the periods indicated:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
European Union	137,615	134,052
United States of America	80,113	89,058
Mainland China	37,358	50,096
Hong Kong	9,517	187
Other countries/regions	31,805	34,847
	<u>296,408</u>	<u>308,240</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 FY2024, cost of sales of the Group's continuing operations amounted to approximately HK\$237.2 million (FY2023: approximately HK\$248.7 million), representing a decrease of approximately 4.6% as compared to FY2023, and amounted to approximately 80.0% (FY2023: approximately 80.7%) of its turnover for FY2024. This decrease was mainly attributable to the shipment units of manufacturing other products decreased, the corresponding cost of sales has also decreased.

Gross profit and gross profit margin

The Group recorded a gross profit for continuing operations of approximately HK\$59.2 million for FY2024 (FY2023: approximately HK\$59.6 million), representing a decrease of approximately 0.6% as compared to FY2023. The gross profit margin increased from approximately 19.3% for FY2023 to approximately 20.0% for FY2024. This increase was mainly attributable to the increase of approximately HK\$6.0 million in reversal of allowance for inventories, net (included in cost of inventories sold) during FY2024.

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 property, plant and equipment.

For FY2024, other income and other gains of the Group's continuing operations slightly decreased to approximately HK\$7.2 million as compared to FY2023 of approximately HK\$7.5 million, which was primarily attributable to the decrease of approximately HK\$0.4 million in trade and other payables written off during FY2024.

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 FY2024, selling and distribution expenses of the Group's continuing operations significantly decreased by approximately 21.6% to approximately HK\$22.0 million from approximately HK\$28.0 million for FY2023. The decrease was mainly due to decrease of approximately HK\$2.0 million in salaries and benefits of its sales and marketing staff and the Group's stringent cost control during FY2024.

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 FY2024, administrative expenses of the Group's continuing operations slightly decreased by approximately 3.7% to approximately HK\$47.1 million (FY2023: approximately HK\$48.9 million). The decrease was mainly due to the Group's stringent cost control during FY2024.

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 FY2024, the Group recorded R&D costs for continuing operations of approximately HK\$30.4 million, which significantly decreased by approximately 21.3% from approximately HK\$38.7 million for FY2023. The decrease was mainly due to the decrease of approximately HK\$6.4 million in salaries and benefits of the Group's R&D staff for FY2024.

Impairment loss

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

For FY2024, impairment loss of the Group's continuing operations was approximately HK\$3.2 million (FY2023: Nil). The increase mainly consisted of the increase of approximately HK\$3.2 million in allowance for impairment losses of non-current assets during FY2024.

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 FY2024, other expenses of the Group's continuing operations increased to approximately HK\$9.5 million from approximately HK\$4.2 million for FY2023. The increase mainly consisted of the increase of approximately HK\$5.7 million for impairment losses of trade and factoring receivables.

Loss on disposal of subsidiaries, net

For FY2024, the net loss on disposal of subsidiaries was approximately HK\$18.8 million (FY2023: Nil). The increase mainly due to the loss of approximately HK\$26.9 million on disposal of Hugo Investment Limited and its subsidiaries which were engaged in the AI Vending Machines Business and the gain of approximately HK\$8.0 million on disposal of partial equity interests in Shenzhen Liudian Zuoye Technology Limited* (深圳六點作業科技有限公司), a non wholly-owned subsidiary of the Company, during FY2024.

Finance costs

For FY2024, the finance costs of the Group's continuing operations increased to approximately HK\$2.5 million (FY2023: approximately HK\$1.7 million), representing an increase by approximately 45.3% as compared to FY2023. This increase was attributable to the increase of approximately HK\$0.4 million used in the interest expense of bank borrowings during FY2024.

Net loss

As a result of the foregoing, the Group recorded a loss of approximately HK\$86.6 million for FY2024 (FY2023: approximately HK\$129.3 million) (attributable to non-controlling interests is a loss of approximately HK\$20.6 million (FY2023: approximately HK\$47.8 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:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows generated from/(used in) operating activities	8,942	(76,722)
Net cash flows (used in) investing activities	(1,159)	(19,972)
Net cash flows (used in)/generated from financing activities	(1,526)	54,522
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	6,257	(42,172)
Cash and cash equivalents at beginning of year	35,352	81,447
Effect of foreign exchange rate, net	(3,159)	(3,923)
	<hr/>	<hr/>
Cash and cash equivalents at end of year	38,450	35,352

Net cash flow generated from operating activities for FY2024 was approximately HK\$8.9 million, which primarily reflected (i) the adjusted loss before tax of approximately HK\$29.1 million; (ii) the increase in trade and factoring receivables of approximately HK\$26.9 million; (iii) the decrease in inventory balances of approximately HK\$39.1 million; (iv) the decrease in prepayments and other receivables of approximately HK\$6.0 million; and (v) the increase in trade payables of approximately HK\$15.3 million.

Net cash flow used in investing activities for FY2024 was approximately HK\$1.2 million. This mainly consisted of net payment of approximately HK\$1.6 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 used in the financing activities for FY2024 was approximately HK\$1.5 million, which was mainly reflected (i) the increase in the use of interest-bearing bank borrowings to repay trade payables of approximately HK\$14.3 million; and (ii) the principal portion of lease payments of approximately HK\$15.9 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 2024.

Borrowings and the pledge of assets

The Group's bank facilities with banks in Hong Kong and the PRC amounting to approximately HK\$54.9 million (FY2023: approximately HK\$47.9 million), of which approximately HK\$25.8 million (FY2023: approximately HK\$11.4 million) had been utilised as at the end of FY2024.

The bank loans as at 31 December 2024 were secured by the pledge of the life insurance policy and pledged bank deposits as set out in the consolidated financial statements contained in this announcement, personal guarantee executed by a controlling shareholder of the Company, corporate guarantee executed by two subsidiaries of the Group respectively.

All bank loans are denominated in the US\$ and RMB and repayable within one year. The other borrowing is denominated in RMB and repayable within one year. The secured bank loan carry effective interest rates ranging from 3.0% to 6.6% (At 31 December 2023: 6.7% to 6.9%) per annum.

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 2023 and 31 December 2024 was approximately 60.5% and approximately 75.1%, respectively. The increase in gearing ratio was mainly due to increase in outstanding interest-bearing bank borrowings during FY2024.

Capital expenditure

During FY2024, the Group invested approximately HK\$5.0 million (FY2023: approximately HK\$34.8 million) in fixed assets and intangible assets.

Off balance sheet transactions

During FY2024, 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 80.2% (FY2023: 74.4%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sales, whilst approximately 29.5% (FY2023: 26.3%) of costs were denominated in their functional currencies.

During FY2024, 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 FY2024 (FY2023: 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

In February 2025, a company filed a claim against the subsidiaries, Sky Light Electronic (Shenzhen) Limited and Sky Light Electronic Limited, regarding to a business service cooperation agreement. Based on and after consideration of legal advice obtained and the possible business and financial impacts, the directors are of the view that Sky Light Electronic (Shenzhen) Limited and Sky Light Electronic Limited have meritorious defenses against the claim asserted and the legal proceeding is not of material importance to the Group.

Treasury policies

During FY2024, 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 2024, the Group employed a total of 764 employees (31 December 2023: 848). The staff costs of the Group’s continuing operations, excluding directors’ emoluments and any contribution to pension scheme were approximately HK\$66.4 million for FY2024 (FY2023: approximately HK\$101.3 million), none (FY2023: 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 of the Company (the “**Shares**”) subject to the terms and conditions of the respective schemes.

Significant investments held

There was no investment held by the Group with a value of 5% or more of the Company's total assets during the FY2024.

Commitment

As at 31 December 2024, the Group's capital commitment amounted to approximately HK\$2.0 million (31 December 2023: approximately HK\$2.7 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

On 31 July 2024, the Company entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with a third party to sell its entire equity interests in Hugo Investment Limited and its subsidiaries which were engaged in the AI Vending Machines Business, for a cash consideration of HK\$500,000.

Under the Sale and Purchase Agreement, the purchaser has unconditionally and irrevocably undertaken that upon completion, he shall take up all the unperformed payment obligations of the Company (if any) under an equity transfer agreement dated 23 September 2022 and a supplemental agreement dated 17 November 2022, respectively, both entered into by the Company (as purchaser), Wuhan Show Life E-commerce Co., Ltd* (武漢秀生活電子商務有限公司) (as vendor), Wuhan Show Online E-commerce Co., Ltd* (武漢秀在線電子商務有限公司) and Wuhan Show Life in relation to the previous acquisition of 51% equity interest in Wuhan Show Life. For details of the payment obligations, please refer to the announcements of the Company dated 23 September 2022, 17 November 2022, 30 November 2022 and 10 July 2024, respectively.

For details of the above disposal, please refer to the announcements of the Company dated 31 July 2024 and 6 September 2024, respectively.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during FY2024.

Contingent liabilities

As at 31 December 2024, the Group had no significant contingent liabilities (31 December 2023: Nil).

Annual general meeting

The annual general meeting of the Company (the “**AGM**”) is scheduled to be held on Friday, 30 May 2025. 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 FY2024 (FY2023: Nil).

Financial position as at 31 December 2024

As at 31 December 2024, the Group’s total equity was approximately HK\$57.5 million (31 December 2023: approximately HK\$85.1 million), total assets amounted to approximately HK\$255.9 million (31 December 2023: approximately HK\$317.9 million) and total liabilities stood at approximately HK\$198.4 million (31 December 2023: approximately HK\$232.8 million).

Closure of register of members

The register of members of the Company will be closed from Monday, 26 May 2025 to Friday, 30 May 2025 (both days inclusive) during which period no transfers of Shares shall be effected. In order to determine the entitlement of the Shareholders 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 Friday, 23 May 2025.

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, including sale of treasury shares (as defined in the Listing Rules), during FY2024.

As at the end of FY2024, there were no treasury shares held by the Company.

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 Part 2 of Appendix C1 to the Listing Rules as the basis of the Company’s corporate governance practices. Throughout FY2024, the Company has complied with all applicable Code Provisions of the CG Code 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 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 FY2024.

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 FY2024.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement for FY2024 has been published on the website of HKEXnews operated by Hong Kong Exchanges and Clearing Limited (<https://www.hkexnews.hk>) and the website of the Company (<http://www.sky-light.com.hk>), respectively. The annual report of the Company for FY2024 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, 27 March 2025

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