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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1305)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

	2024	2023
	HK\$'000	HK\$'000
Revenue	2,372,277	1,985,768
Gross profit	346,106	268,601
Gross profit margin	14.6%	13.5%
Profit for the year attributable to owners of the Company	46,679	36,417
Basic earnings per share	HK21.2 cents	HK16.8 cents
Diluted earnings per share	HK21.2 cents	HK16.6 cents

FINAL RESULTS

The Board of Directors (the “**Board**”) of Wai Chi Holdings Company Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the year ended 31 December 2024, together with comparative figures for the year ended 31 December 2023, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
Revenue	4	2,372,277	1,985,768
Cost of sales		<u>(2,026,171)</u>	<u>(1,717,167)</u>
Gross profit		346,106	268,601
Other income	4	77,313	72,543
Other losses, net	6	(58,014)	(33,676)
Selling and distribution expenses		(42,805)	(37,880)
Administrative expenses		(130,484)	(115,673)
Research and development expenses		(85,546)	(77,172)
Finance costs	7	<u>(52,036)</u>	<u>(37,848)</u>
Profit before tax		54,534	38,895
Income tax expense	8	<u>(7,577)</u>	<u>(2,164)</u>
Profit for the year	9	<u>46,957</u>	<u>36,731</u>
Profit for the year attributable to:			
– Owners of the Company		46,679	36,417
– Non-controlling interests		<u>278</u>	<u>314</u>
		<u>46,957</u>	<u>36,731</u>
		HK\$	HK\$
Earnings per share			
Basic	14	<u>0.212</u>	<u>0.168</u>
Diluted	14	<u>0.212</u>	<u>0.166</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 HK\$'000	2023 HK\$'000
Profit for the year	46,957	36,731
Other comprehensive (expense) income that will not be reclassified subsequently to profit or loss:		
Fair value (loss) gain on investment in equity instrument designated at fair value through other comprehensive income	(3,693)	5,627
Other comprehensive expense that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	(18,479)	(2,016)
Release of exchange reserve upon disposal of a subsidiary	–	(4,820)
Other comprehensive expense for the year	(22,172)	(1,209)
Total comprehensive income for the year	24,785	35,522
Total comprehensive income for the year attributable to:		
– Owners of the Company	24,347	34,951
– Non-controlling interests	438	571
	24,785	35,522

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

		2024	2023
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		292,557	331,093
Right-of-use assets		57,795	27,435
Investment property		20,000	23,700
Financial assets at fair value through profit or loss (“FVTPL”)		7,983	7,809
Financial asset at fair value through other comprehensive income (“FVTOCI”)		13,626	17,319
Deferred taxation assets		10,701	11,927
		402,662	419,283
Current assets			
Inventories	10	254,828	265,803
Trade receivables	11	980,962	880,858
Bills receivables	11	170,361	110,769
Prepayments, deposits and other receivables	12	79,318	71,785
Amount due from a related party		–	7,614
Income tax recoverable		1,470	1,694
Derivative financial assets		21,166	–
Pledged bank deposits		516,846	283,709
Bank balances and cash		328,878	357,208
		2,353,829	1,979,440
Current liabilities			
Trade payables	13	570,854	539,744
Bills payables	13	796,634	637,557
Other payables and accruals	13	75,797	67,215
Amount due to a related party		1,080	–
Contract liabilities		1,639	993
Bank and other borrowings		347,604	271,400
Derivative financial liability		14,255	–
Income tax payable		13,368	5,372
Lease liabilities		7,147	4,165
		1,828,378	1,526,446

	2024 HK\$'000	2023 HK\$'000
Net current assets	525,451	452,994
Total assets less current liabilities	928,113	872,277
Non-current liabilities		
Deferred taxation liabilities	390	390
Government grants	497	508
Lease liabilities	30,665	3,175
	31,552	4,073
Net assets	896,561	868,204
Capital and reserves		
Share capital	2,197	2,197
Reserves	891,174	864,322
Equity attributable to owners of the Company	893,371	866,519
Non-controlling interests	3,190	1,685
Total equity	896,561	868,204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL

Wai Chi Holdings Company Limited (the “**Company**”) is a company incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 16 August 2013 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 November 2014. Its parent and ultimate parent is Rexell Technology Company Limited (incorporated in the British Virgin Islands). Its ultimate controlling party is Ms. Luk Fong.

The address of the registered office of the Company is Offshore Incorporations (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the address of the principal place of business of the Company is 6th Floor, Liven House, 63 King Yip Street, Kwun Tong, Kowloon, Hong Kong.

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

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

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

Application of amendments to HKFRSs

In the current year, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning on 1 January 2024:

Amendments to HKFRS 16	Lease liability in a Sale and Leaseback
Amendments to Hong Kong Accounting Standards (“ HKAS ”) 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020)
	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

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

Application of amendments to HKFRSs (Continued)

Impact on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related Amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”); and HKAS 1 – Non-current Liabilities with Covenants (the “2022 Amendments”)

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

Upon adoption of the amendments, the Group has reassessed the terms and conditions of its loan arrangements. The application of the amendments has no material impact on the classification of the Group’s liabilities.

Impact on application of Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

The amendments clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk.

New and amendments to HKFRSs issued but not yet effective

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

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

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

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

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

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

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

New and amendments to HKFRSs issued but not yet effective (Continued)

HKFRS 18 – Presentation and Disclosure in Financial Statements

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace HKAS 1 Presentation of Financial Statements. HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to HKAS 7 “Statement of Cash Flows” and HKAS 33 “Earnings per Share” are also made.

HKFRS 18, and the consequential amendments to other HKFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of HKFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial statements. The Group will continue to assess the impact of HKFRS 18 on the consolidated financial statements of the Group.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated annual results set out in this announcement do not constitute the Group’s consolidated financial statements for the year ended 31 December 2024 but are extracted from those financial statements.

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

The consolidated financial statements have been prepared on the historical cost basis except for investment property, financial assets at fair value through profit or loss, financial asset at fair value through other comprehensive income and derivative financial instrument that are measured at fair values at the end of each reporting period.

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

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

4. REVENUE AND OTHER INCOME

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

	2024 HK\$'000	2023 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
<i>Disaggregated by major products lines</i>		
Sales of goods		
LED backlight	1,958,443	1,656,359
LED lighting	125,757	120,442
Semiconductor memory chips	288,077	208,967
	<u>2,372,277</u>	<u>1,985,768</u>

	2024 HK\$'000	2023 HK\$'000
Disaggregation of revenue from contracts with customers by timing of recognition		
Timing of revenue recognition		
At a point in time	<u>2,372,277</u>	<u>1,985,768</u>

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

	2024 HK\$'000	2023 HK\$'000
Other income		
Bank interest income	43,967	29,162
Government grants	24,960	37,913
Sales of scrapped materials	2,214	2,035
Rental income	1,097	1,179
Penalty income	3,350	–
Sundry income	1,725	2,254
	<u>77,313</u>	<u>72,543</u>

5. SEGMENT INFORMATION

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

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

- | | |
|-------------------------------|---|
| 1. LED backlight | – Manufacture and trading of LED backlight products in different sizes and applications |
| 2. LED lighting | – Manufacture and trading of LED lighting products for public and commercial use |
| 3. Semiconductor memory chips | – Provision of packaging and testing services and related products sourcing business |

Segment revenues and results

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

For the year ended 31 December 2024

	LED backlight HK\$'000	LED lighting HK\$'000	Semiconductor memory chips HK\$'000	Total HK\$'000
REVENUE				
External sales	1,958,443	125,757	288,077	2,372,277
Segment profit (loss)	122,897	9,727	(38,279)	94,345
Unallocated income				53,975
Unallocated expenses				(42,148)
Unallocated finance costs				(51,638)
Profit before tax				54,534

5. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (Continued)

For the year ended 31 December 2023

	LED backlight HK\$'000	LED lighting HK\$'000	Semiconductor memory chips HK\$'000	Total HK\$'000
REVENUE				
External sales	1,656,359	120,442	208,967	1,985,768
Segment profit	67,212	2,301	465	69,978
Unallocated income				37,068
Unallocated expenses				(30,722)
Unallocated finance costs				(37,429)
Profit before tax				38,895

Analysis by type of products

	2024 HK\$'000	2023 HK\$'000
LED backlight		
– Small dimension	178,287	192,504
– Medium dimension	1,690,559	1,413,067
– Large dimension	89,597	50,788
Sub-total	1,958,443	1,656,359
LED lighting		
– Indoor lighting	123,699	118,616
– Outdoor lighting	2,058	1,826
Sub-total	125,757	120,442
Semiconductor memory chips	288,077	208,967
Total	2,372,277	1,985,768

5. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (Continued)

Analysis by application of products

	2024 HK\$'000	2023 HK\$'000
LED backlight		
– Automobile displays	1,827,836	1,491,407
– Equipment displays	102,577	140,193
– Televisions	28,030	24,759
Sub-total	1,958,443	1,656,359
LED lighting		
– Commercial lighting	100,242	118,616
– Public lighting	25,515	1,826
Sub-total	125,757	120,442
Semiconductor memory chips	288,077	208,967
Total	2,372,277	1,985,768

6. OTHER LOSSES, NET

	2024 HK\$'000	2023 HK\$'000
Provision of inventories	(17,200)	(15,975)
Provision of trade and other receivables and written-off of prepayment, net	(37,613)	(20,975)
Net foreign exchange (loss) gain	(1,674)	4,297
Loss on fair value changes of investment property	(3,700)	(1,000)
Loss on disposal of a subsidiary	–	(199)
Gain on fair value changes of financial assets at FVTPL	174	176
Loss on disposal of property, plant and equipment	(4,770)	–
Unrealised gain on derivative financial instruments, net	7,012	–
Others	(243)	–
	(58,014)	(33,676)

7. FINANCE COSTS

	2024 HK\$'000	2023 HK\$'000
Interest on:		
– Bank and other borrowings	20,095	25,156
– Corporate bond	–	123
– Lease liabilities	398	419
– Bills payables	31,543	12,150
	<u>52,036</u>	<u>37,848</u>

8. INCOME TAX EXPENSE

	2024 HK\$'000	2023 HK\$'000
Current income tax		
Hong Kong Profits Tax		
– Current year	253	347
PRC Enterprise Income Tax		
– Current year	6,335	4,545
	<u>6,588</u>	<u>4,892</u>
Deferred taxation	989	(2,728)
Income tax expense	<u>7,577</u>	<u>2,164</u>

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

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the year ended 31 December 2024 and 2023, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong do not qualify for the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Pursuant to the relevant laws and regulations in the PRC, the Group’s subsidiaries, Wai Chi Opto Technology (Shenzhen) Limited* (偉志光電(深圳)有限公司) and Huizhou Wai Chi Electronics Company Limited* (惠州偉志電子有限公司), were accredited as high-tech enterprises which will expire in 2027 and 2026 respectively. They are entitled to the preferential tax rate of 15% for both years.

8. INCOME TAX EXPENSE (CONTINUED)

Pursuant to circular issued by Ministry of Finance and National Tax Bureau on 17 January 2019 and 2 August 2023 respectively, the small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 (RMB1,000,000 included) is entitled to a preferential tax treatment of 75% exemption of taxable income and application of income tax rate as 20% from 1 January 2019 to 31 December 2023 and further extended from 1 January 2023 to 31 December 2027, respectively. Certain PRC subsidiaries of the Group were qualified during the years ended 31 December 2024 and 2023.

* *The English name is for identification purpose only.*

9. PROFIT FOR THE YEAR

	2024 HK\$'000	2023 HK\$'000
Profit for the year has been arrived at after charging:		
Directors' and Chief Executive's emoluments	4,639	9,158
Salaries and allowances (excluding Directors and Chief Executive of the Company)	343,616	282,258
Retirement benefits schemes contributions (excluding Directors and Chief Executive of the Company)	29,228	28,986
Share-based payment expenses (excluding Directors and Chief Executive of the Company)	115	1,346
Total staff costs	377,598	321,748
Auditor's remuneration	1,200	1,200
Cost of inventories recognised as expenses (included in cost of sales)	1,645,664	1,628,366
Research and development costs recognised as expenses	85,546	77,172
Depreciation of property, plant and equipment	51,824	49,430
Loss on disposal of property, plant and equipment	4,770	1,624

10. INVENTORIES

	2024 HK\$'000	2023 HK\$'000
Raw materials	18,717	20,979
Work-in-progress	96,962	86,105
Finished goods	139,149	158,719
	254,828	265,803

11. TRADE AND BILLS RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	1,019,791	890,181
Less: allowance for impairment of trade receivables	<u>(38,829)</u>	<u>(9,323)</u>
	980,962	880,858
Bills receivables	<u>170,361</u>	<u>110,769</u>
Total trade and bills receivables	<u><u>1,151,323</u></u>	<u><u>991,627</u></u>

The Group allows an average credit period of 15 to 180 days (2023: 15 to 180 days) to its trade customers.

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 90 days	875,005	810,416
91 to 180 days	83,002	18,825
181 to 365 days	<u>22,955</u>	<u>51,617</u>
	<u><u>980,962</u></u>	<u><u>880,858</u></u>

All the bills receivables are aged within 180 days (2023: 180 days).

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Deposits and other receivables	62,204	56,181
Less: allowance for impairment of other receivables	<u>(12,128)</u>	<u>(11,740)</u>
	50,076	44,441
VAT receivables	<u>24,320</u>	<u>18,175</u>
Prepayments	<u>4,922</u>	<u>9,169</u>
	<u><u>79,318</u></u>	<u><u>71,785</u></u>

13. TRADE, BILLS AND OTHER PAYABLES AND ACCRUALS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables (<i>Note a</i>)	570,854	539,744
Bills payables (<i>Note b</i>)	796,634	637,557
	<u>1,367,488</u>	<u>1,177,301</u>
Other payables	37,250	36,087
Accrued expenses	38,547	31,128
	<u>75,797</u>	<u>67,215</u>
Total trade and other payables	<u><u>1,443,285</u></u>	<u><u>1,244,516</u></u>

Notes:

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 90 days	437,121	450,958
91 to 180 days	115,076	71,885
181 to 365 days	6,721	7,991
Over 365 days	11,936	8,910
	<u>570,854</u>	<u>539,744</u>

The average credit period on purchase of goods is from 30 days to 90 days (2023: 30 days to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

- (b) All the bills payables are aged within 180 days (2023: 180 days).

14. EARNINGS PER SHARE

	2024 HK\$'000	2023 HK\$'000
Earnings for the purpose of basic and diluted earnings per share	<u>46,679</u>	<u>36,417</u>
	2024	2023
Weighted average number of ordinary shares for the purpose of basic earnings per share	219,672,397	216,871,575
Effect of dilutive potential ordinary shares:		
Share awards	<u>52,603</u>	<u>2,805,479</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>219,725,000</u>	<u>219,677,054</u>
Basic earnings per share (HK\$ per share)	<u>0.212</u>	<u>0.168</u>
Diluted earnings per share (HK\$ per share)	<u>0.212</u>	<u>0.166</u>

The weighted average number of ordinary shares shown above has been arrived at after deducting shares held by share award scheme trust.

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price of shares for the years ended 31 December 2024 and 2023.

15. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2024, nor has any dividend been proposed since the end of the reporting period (2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The global LED backlight market continued its steady expansion in 2024, driven by increasing adoption across a range of applications, including televisions, IT equipment, and automotive displays. As an upstream supplier of LED backlight products, the Group's performance is closely tied to trends in these industries, where evolving consumer preferences and technological advancements are shaping market demand.

In recent years, the Group has placed significant emphasis on LED backlight panels for cars, especially new energy vehicles (NEVs), making this sector particularly relevant to its business. The NEV industry has not only garnered significant consumer interest in the domestic market but has also become a symbol of China's presence in the international trade arena. According to China Association of Automobile Manufacturers (“中國汽車工業協會”), the penetration rate of NEVs reached 40.9% in 2024, a year-on-year increase of 9.3 percentage points. Furthermore, NEVs have become a cornerstone of China's exports, with a total of 5.859 million units exported in 2024, marking a substantial 19.3% year-on-year increase. As total production and sales of NEVs in China surpassed 12.8 million units, demand for automotive LED backlight panels remained robust.

Within the automotive sector, demand for high-quality displays has grown as manufacturers integrate advanced smart cockpit technology into their vehicles. Modern smart cockpits, equipped with AI-powered interfaces, interactive control systems, and seamless connectivity, have redefined in-vehicle experiences. Companies such as Huawei, Geely, NIO, Li Auto, and Changan have introduced their own proprietary cockpit solutions, accelerating the adoption of large, high-resolution displays. This push for digitalisation and enhanced human-machine interaction has led to a notable upsurge in the demand for larger screens, creating new growth opportunities for LED backlight manufacturers.

However, the industry is not without challenges. Intensifying competition among NEV manufacturers has led to continuous price reductions, squeezing profit margins across the supply chain. Component suppliers face increasing pressure to reduce costs while maintaining high-quality production standards. Despite these obstacles, the Group's strong market position and economies of scale allow it to remain resilient, securing stable order volumes while reinforcing its competitive edge. As the industry evolves, display technologies are becoming more modular and standardised, making large-scale manufacturing an increasingly crucial success factor. Companies that can balance innovation with cost efficiency will be best positioned to thrive in this dynamic environment. In the semiconductor industry, in which the Group is also involved, overall profit margins have been under pressure due to high inventory levels and intense competition, despite strong global demand throughout 2024. Global trade tensions and unfavourable currency fluctuations have further compounded challenges for market players. According to Wind Information's analysis of the annual results of 82 semiconductor companies listed on the A-share market, 46 reported losses over the past year. Additionally, SEMI forecasts a slight decline of 2.5% in global semiconductor silicon wafer shipments in 2024 compared to the previous year.

BUSINESS REVIEW

The enterprise resource planning (“**ERP**”) system implemented by the Group continues to contribute to its cost control through timely monitoring of its operation process to promote information exchange between functions, storing and managing operational data. It has enhanced financial and work efficiency with a higher level of automation during the manufacturing process. The Group is also exploring vendor-managed inventory systems to facilitate smooth transactions with its customers and further improve its operating system.

The total revenue for the year ended 31 December 2024 was approximately HK\$2,372,277,000, representing an increase of 19.5% compared to approximately HK\$1,985,768,000 for the year ended 31 December 2023. Considering the core business segments, being LED backlight and LED lighting products, the Group’s core revenue was approximately HK\$2,084,200,000 representing an increase of 17.3% as compared to approximately HK\$1,776,801,000 for the year ended 31 December 2023. Revenue from the sales of LED backlight products was approximately HK\$1,958,443,000 (2023: approximately HK\$1,656,359,000), representing an increase of 18.2%. Revenue from the sales of LED lighting products was approximately HK\$125,757,000 (2023: approximately HK\$120,442,000), representing a mild increase of 4.4% resulting from the revenue from lighting initiatives within the public school system of the PRC.

LED Backlight Business

The Group mainly focuses on the production of three types of LED backlight products, which are: 1) automobile onboard displays; 2) television displays; and 3) other industrial equipment displays. For the year ended 31 December 2024, revenue derived from LED backlight products in automobile onboard displays, television displays and industrial equipment displays were approximately HK\$1,827,836,000, HK\$28,030,000 and HK\$102,577,000, respectively.

Under a booming demand, backlights for automobile onboard displays have been the core growth driver of the Group, recording a 22.6% increase in sales for the year ended 31 December 2024, following continuous and rapid expansion in the past few years. It continued to be the largest contributor to the Group’s LED backlight business during the year under review, representing approximately 93.3% of total LED backlight product sales (2023: approximately 90.0%).

The demand for LED backlights for television saw a slight increase in 2024. As a result, the Group's LED backlight for television displays recorded a 13.2% increase in sales, amounting to approximately HK\$28,030,000 (2023: approximately HK\$24,759,000). Equipment display backlight products recorded a decrease of 26.8% in revenue from HK\$140,193,000 for the year ended 31 December 2023 to HK\$102,577,000 for the year under review.

LED Backlight Revenue Breakdown	for the year ended 31 December			
	2024		2023	
	HK\$'000	%	HK\$'000	%
Automobile Displays	1,827,836	93.3	1,491,407	90.0
Televisions	28,030	1.4	24,759	1.5
Equipment Displays	102,577	5.3	140,193	8.5
	1,958,443	100.0	1,656,359	100.0

Lighting Service Business

The Group's LED lighting business is classified into two categories, namely public lighting and commercial lighting. The Group provides various services including products, lighting solutions design, installation, and maintenance etc. During the year ended 31 December 2024, the total revenue from lighting services amounted to HK\$125,757,000 (2023: approximately HK\$120,442,000).

Revenues from public and commercial lighting were approximately HK\$25,515,000 and HK\$100,242,000, respectively (2023: approximately HK\$1,826,000 and HK\$118,616,000). The notable rise in the public lighting service was largely driven by lighting initiatives within the public school system of the PRC. Nevertheless, with the completion of these projects, the Group does not anticipate a sustained pattern of accelerated expansion in this sector. The decline in sales within the commercial lighting sector stemmed from a reduction in orders from the Group's primary market in Europe.

LED Lighting Revenue Breakdown	for the year ended 31 December			
	2024		2023	
	HK\$'000	%	HK\$'000	%
Public Lighting	25,515	20.3	1,826	1.5
Commercial Lighting	100,242	79.7	118,616	98.5
	125,757	100.0	120,442	100.0

Semiconductor Memory Chip Business

During the year under review, the revenue generated by the semiconductor memory chip business amounted to approximately HK\$288,077,000, representing an increase of 37.9% (2023: approximately HK\$208,967,000). Although semiconductor trade has rebounded during the year under review, the industry-wide elevated inventory levels and price declines driven by market competition have squeezed profit margins in the sector. Similar to many other industry participants, the Group has incurred losses in this segment despite experiencing revenue growths. In response, a comprehensive reassessment of the segment's asset values was conducted. The semiconductor industry is highly volatile, characterised by rapid technological advancements and short product life cycles. Companies within this sector often face heightened risks of customer defaults, inventory can quickly become obsolete. Following the reassessment, the Group made additional provision for impairment on trade receivables and inventory to ensure its financial position remains accurately represented. Moving forward, due to the competitive and uncertain nature of the international semiconductor chip trade, the Group will continue to consider this sector as a non-core business, utilising its existing facilities and capabilities to generate a supplementary revenue stream without allocating additional resources in the near term.

QUALITY CONTROL

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

The Group has been awarded various certifications, including ISO 9001:2008 and ISO 14001:2004 for quality and environmental management systems, which serve as an important assurance of product quality and reliability.

RESEARCH AND DEVELOPMENT

As today's consumers look for intelligence, diversity, and integration in many tech-related products, market research is vital to understand the ever-evolving needs and preferences of customers. Highly valuing R&D capabilities, the Group has become an agile and sharp industry player for its efforts in this field. R&D not only keeps the Group relevant in market trends, and retains customer loyalty, but also enables the Group to identify niche markets that offer profitable opportunities ahead of peers.

The Group's R&D centre is located in our production plant in Huizhou. The Group engages in various R&D activities, including (i) concurrent development of new product designs with our customers; (ii) improvement of product quality, efficiency and functionality of existing products; (iii) in-project calibration and optimization of the production processes and capability of the equipment; (iv) introduction and promotion of the use of new production technologies and new production materials; and (v) assessment of the future prospect and development trend of the LED industry. The Group has achieved a number of technological advancements and breakthroughs over the years, and, as of 31 December 2024, the Group held 288 patents registered in the PRC. Looking forward, the Group seeks to expand its R&D centre and talent base, striving to be always prepared for emerging opportunities so as to capture optimal business deals.

PROSPECTS

In 2025, the Group remains committed to strengthening its position as a leading supplier of car-mounted LED backlights despite ongoing global trade uncertainties. Recent tariff increases on Chinese electric vehicles, including the European Union's raise from 10% to 45.3% in October 2024 and the United States' imposition of a 100% tariff in September 2024, have added challenges to the industry. The additional tariffs the Trump administration continues to announce further underscores the rising tide of trade protectionism. These developments will impact the competitiveness of Chinese EV exports and introduce uncertainties to the supply chain.

Nevertheless, industry leaders remain confident in the global competitiveness of China's intelligent electric vehicles. While export costs may rise, the demand for advanced automotive technologies, including high-quality display systems, continues to grow. As a major supplier of LED backlight products for domestic automotive brands, the Group is focused on reinforcing its partnerships with key manufacturers to secure stable sales channels. Given the evolving global supply chain, European and Japanese automakers are increasingly sourcing components from China, presenting new opportunities for expansion.

To navigate these market changes, the Group will make timely adjustments to its production strategy, ensuring flexibility to adapt to shifting demand patterns. Simultaneously, it is actively seeking to expand its customer base and diversify its sales channels to mitigate risks associated with international trade policies.

Operational efficiency also remains a key priority. For certain processes such as die-casting that were previously outsourced to other factories, the Group is actively seeking to integrate these processes into its own manufacturing operations. This strategic move aims to enhance cost control, streamline production, and improve profit margins. In an increasingly competitive landscape, continuous process optimisation and technological innovation will be crucial in maintaining a leadership position.

Regardless of external challenges, the Group always adheres to providing customers with first-class products and services. As a seasoned player in the LED backlight industry, with its extensive industry experience, large-scale production capabilities, and adaptability to market trends and product diversification, the Group is well-positioned to strengthen its market leadership as smaller competitors being phased out. By staying at the forefront of innovation and operational excellence, the Group will continue to capitalise on emerging opportunities and drive sustainable growth.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2024, the sources of revenue for the Group were the sales of LED backlights, LED lighting services, and the sourcing of semiconductor products. The sales of the Group's LED backlight products were approximately HK\$1,958,443,000 (2023: HK\$1,656,359,000), representing an increase of approximately 18.2%, which was mainly attributable to the continuous increase in sales of automobile onboard display LED backlight products. The revenue from the Group's LED lighting services was approximately HK\$125,757,000 (2023: HK\$120,442,000), representing a mild increase of approximately 4.4%. The segment of the semiconductor product sourcing business recorded sales of approximately HK\$288,077,000 (2023: HK\$208,976,000), representing an increase of 37.9%. Overall revenue was HK\$2,372,277,000, increasing by 19.5% from the amount of HK\$1,985,768,000 for the previous year.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2024, gross profit from the sales of LED backlight products and LED lighting services was approximately HK\$337,516,000, representing an increase of 27.9% from approximately HK\$263,915,000 in 2023. Gross profit margin for these two segments increased by 0.3 percentage points from 14.9% in 2023 to 16.2% in 2024. Gross profit and gross profit margin from the sourcing of semiconductor products were HK\$8,590,000 and 3.0% (2023: HK\$4,686,000 and 2.2%) respectively. For the year ended 31 December 2024, the Group's overall gross profit was approximately HK\$346,106,000, representing an increase of 28.9% from approximately HK\$268,601,000 in 2023. Overall gross profit margin was 14.6% in 2024, representing a slight increase of 1.1 percentage points from 13.5% in 2023.

Selling and Distribution Expenses

Labour costs, sales commissions and transportation costs were the Group's major selling and distribution expenses. For the year ended 31 December 2024, the Group's selling and distribution expenses was approximately HK\$42,805,000 which has increased by 13% compared to approximately HK\$37,880,000 for the year 2023.

Administrative Expenses

Administrative expenses refer to the general expenses incurred in offices and factories. The Group focuses on effective management by means of resource consolidation in the Shenzhen and Huizhou factories. For the year ended 31 December 2024, the Group's administrative expenses were approximately HK\$216,030,000 which has increased by 12.0% compared to approximately HK\$192,845,000 for the year 2023.

Other Income

During the year ended 31 December 2024, other income was approximately HK\$77,313,000, representing an increase of 6.6% in comparison with approximately HK\$72,543,000 for the year 2023, mainly due to the increase in interest income arising from bank savings.

Bank Balances and Cash

During the year ended 31 December 2024, the Group's bank balances and cash amounted to approximately HK\$367,195,000, representing an increase of 2.8% from approximately HK\$357,208,000 in 2023.

Pledged Deposit

During the year ended 31 December 2024, the Group's pledged deposit amounted to approximately HK\$478,529,000 (2023: approximately HK\$283,709,000). Having only one property in PRC as collateral limited the Group's options for corporate loans needed for business expansion at times, thus, as a norm under the current macroeconomic policies, the Group was provided with an alternative of savings pledged loans. The Group is currently consolidating its assets and savings hoping to simplify and improve the situation in the coming year.

Taxation

Taxation comprised current tax and movements in deferred tax assets and liabilities. Two of the Group's subsidiaries, Wai Chi Opto Technology (Shenzhen) Limited (“**Shenzhen Wai Chi**”) and Huizhou Wai Chi Electronics Company Limited, are qualified as “High-Tech Enterprises” in the PRC and granted certain tax benefits, including a preferential enterprise income tax rate of 15% instead of the statutory rate of 25%. During the year ended 31 December 2024, the Group's tax expenses were approximately HK\$7,577,000 (2023: Tax credit of approximately HK\$2,164,000).

Inventories

As at 31 December 2024, the Group's inventories were approximately HK\$254,828,000, representing a decrease of 4.1% as compared to approximately HK\$265,803,000 as at 31 December 2023.

Trade Receivables

As at 31 December 2024, the Group's net trade receivables amounted to approximately HK\$980,962,000, which increased by 11.4% as compared to approximately HK\$880,858,000 as at 31 December 2023. This was attributable to the increase in sales of LED backlight products.

Trade Payables

As at 31 December 2024, the Group's trade payables amounted to approximately HK\$570,854,000, which increase mildly by 5.8% as compared to approximately HK\$539,744,000 as at 31 December 2023.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries had purchased or redeemed any of the listed shares of the Company.

CORPORATE GOVERNANCE

The Company and its management are committed to maintaining good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders. The Company believes that good corporate governance is essential for continual growth and enhancement of shareholder's value. For the year ended 31 December 2024, the Company has applied the code provisions stipulated in the Corporate Governance Code as set out in Appendix C1 (the "CG Code") to the Listing Rules. Code Provision C.2.1. of Part 2 of the CG Code stipulates that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Former Chairman of the Company, Mr. Yiu Chi To, passed away on 28 January 2022, currently the role of the chairman of the Company is performed by Chief Executive Officer, Mr. Chen Chung Po. The Board will keep reviewing the current structure of the Board from time to time and should suitable candidate with the requisite knowledge, skill and experience be identified, the Company will make appointment to fill the post of the chief executive as appropriate. Besides the above, the Company has complied with all the other applicable code provisions of the CG Code. The Company periodically reviews its corporate governance practices with reference to the latest development in corporate governance.

AUDIT COMMITTEE

The Audit Committee had reviewed with the management the Group's consolidated financial statements for the year ended 31 December 2024, the accounting principles and practices adopted and discussed auditing, internal controls and financial reporting matters.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company will be held on 28 May 2025. The notice of the annual general meeting will be published in the Company's website and sent to the shareholders of the Company in the manner required by the Listing Rules in due course.

PUBLICATION OF ANNUAL REPORT

The 2024 annual report of the Company containing all applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the Company's website at www.waichiholdings.com and HKEx news website at www.hkexnews.hk in due course.

APPRECIATION

Finally, the Board would like to thank all shareholders of the Company who have placed strong confidence in the Group's management. We would also like to thank all our business partners and bank enterprises who have supported and stood by us at all times.

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

Hong Kong, 31 March 2025

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