

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2022

FINANCIAL HIGHLIGHTS

	2022	2021
	HK\$'000	HK\$'000
Revenue	2,216,352	1,922,595
Gross profit	262,691	282,197
Gross profit margin	11.9%	14.7%
Profit for the year attributable to owners of the Company	59,912	51,469
Basic and diluted earnings per share	HK28 cents	HK24 cents

FINAL RESULTS

The Board of Directors (the “**Board**”) of Wai Chi Holdings Company Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the year ended 31 December 2022, together with comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	2,216,352	1,922,595
Cost of sales		<u>(1,953,661)</u>	<u>(1,640,398)</u>
Gross profit		262,691	282,197
Other income	4	52,335	23,239
Other gains and (losses)		14,838	(8,303)
Selling and distribution expenses		(36,009)	(36,437)
Administrative expenses		(108,449)	(98,748)
Research and development expenses		(86,044)	(65,100)
Finance costs	6	<u>(40,189)</u>	<u>(44,975)</u>
Profit before tax		59,173	51,873
Income tax (expense) credit	7	<u>(377)</u>	<u>69</u>
Profit for the year	8	<u>58,796</u>	<u>51,942</u>
Profit (loss) for the year attributable to:			
– Owners of the Company		59,912	51,469
– Non-controlling interest		<u>(1,116)</u>	<u>473</u>
		<u>58,796</u>	<u>51,942</u>
		<i>HK\$</i>	<i>HK\$</i>
Earnings per share			
Basic and diluted	13	<u>0.28</u>	<u>0.24</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year	58,796	51,942
Other comprehensive income (expense) that will not be reclassified subsequently to profit or loss:		
Fair value gain (loss) on investment in equity instrument designated at fair value through other comprehensive income	1,325	(8)
Other comprehensive (expenses) income that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	<u>(55,725)</u>	<u>16,249</u>
Other comprehensive (expense) income for the year	<u>(54,400)</u>	<u>16,241</u>
Total comprehensive income for the year	<u>4,396</u>	<u>68,183</u>
Total comprehensive income (expenses) for the year attributable to:		
– Owners of the Company	4,851	68,626
– Non-controlling interests	<u>(455)</u>	<u>(443)</u>
	<u>4,396</u>	<u>68,183</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		309,002	351,357
Right-of-use assets		46,186	54,562
Investment property		24,700	26,300
Financial assets at fair value through profit or loss		7,633	7,478
Financial asset at fair value through other comprehensive income		11,692	10,367
Deposit paid for acquisition of property, plant and equipment		5,597	6,115
Deposits with bank		167,917	183,464
Deferred tax assets		9,254	8,052
		581,981	647,695
Current assets			
Inventories	9	276,763	312,029
Trade receivables	10	749,923	672,316
Bills receivables	10	135,822	265,827
Prepayments, deposits and other receivables	11	154,594	79,443
Derivative financial instrument		3,162	–
Pledged bank deposits		562,630	342,017
Bank balances and cash		257,912	112,312
		2,140,806	1,783,944
Current liabilities			
Trade payables	12	393,639	400,649
Bills payables	12	938,391	763,867
Other payables and accruals	12	75,004	58,418
Contract liabilities		10,766	22,499
Bank and other borrowings		444,408	325,429
Corporate bond		1,976	–
Income tax payables		3,272	3,497
Lease liabilities		4,347	5,928
		1,871,803	1,580,287

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net current assets	269,003	203,657
Total assets less current liabilities	850,984	851,352
Non-current liabilities		
Deferred tax liabilities	368	368
Corporate bond	–	1,936
Government grants	17,200	18,793
Lease liabilities	7,015	10,205
	24,583	31,302
Net assets	826,401	820,050
Capital and reserves		
Share capital	2,168	2,168
Reserves	823,119	816,313
Equity attributable to owners of the Company	825,287	818,481
Non-controlling interests	1,114	1,569
Total equity	826,401	820,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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. In the opinion of the directors of the company, Rexell Technology Company Limited, a company incorporated in the British Virgin Island, is considered as the parent and ultimate parent company of the Company. Its ultimate controlling party is Mr. Yiu Chi To, who passed away on 28 January 2022. The address of the registered office of the Company is Offshore Incorporations (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the 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 NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

In the current year, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 January 2022:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to Hong Kong Accounting Standard (“ HKAS ”) 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle

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.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions ¹

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

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

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

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

3. BASIS OF CONSOLIDATION

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 certain property and financial instruments, that are measured at fair value at the end of each reporting period.

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

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 exclude discounts and sales related tax for the year. An analysis of the Group's revenue for the year is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products lines		
Sales of goods		
LED backlight	1,620,565	1,454,015
LED lighting	91,470	149,435
Sourcing business	504,317	319,145
	<u>2,216,352</u>	<u>1,922,595</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Disaggregation of revenue from contracts with customers by timing of recognition		
Timing of revenue recognition		
At a point in time	<u>2,216,352</u>	<u>1,922,595</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income		
Bank interest income	34,815	9,298
Government grants (<i>Note</i>)	10,981	5,442
Sales of scrapped materials	1,995	1,510
Gain on disposal of property, plant and equipment	–	58
Rental income	1,361	2,768
Sundry income	3,183	4,163
	<u>52,335</u>	<u>23,239</u>

Note: During the year ended 31 December 2022, government grants of approximately HK\$10,681,000 (2021: HK\$5,296,000) were immediately recognised as other income which were received from PRC government in respect of certain research projects and salaries subsidies.

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

During the year ended 31 December 2022, the Group recognised government grants of HK\$160,000 (2021: nil) in respect of the subsidies, which was related to Employment Support Scheme (“ESS”) provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not to reduce the employee head count below prescribed level for a specific period of time. The Group had complied with all attached condition during the year ended 31 December 2022 and does not have other unfulfilled conditions and other contingencies attached to receipts of the grant.

During the year ended 31 December 2022, government grants of approximately HK\$140,000 (2021:HK\$146,000) were recognised as deferred income utilised during the year.

5. SEGMENT INFORMATION

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

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

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

Segment revenues and results

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

For the year ended 31 December 2022

	LED backlight HK\$’000	LED lighting HK\$’000	Sourcing business HK\$’000	Total HK\$’000
REVENUE				
External sales	<u>1,620,565</u>	<u>91,470</u>	<u>504,317</u>	<u>2,216,352</u>
Segment profit	<u>101,437</u>	<u>1,844</u>	<u>2,666</u>	105,947
Unallocated income				51,596
Unallocated expenses				(58,994)
Unallocated finance costs				<u>(39,376)</u>
Profit before tax				<u>59,173</u>

For the year ended 31 December 2021

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

Revenue from major products

Analysis by type of products

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LED backlight		
– Small dimension	254,913	346,056
– Medium dimension	1,320,540	1,043,604
– Large dimension	45,112	64,355
Sub-total	<u>1,620,565</u>	<u>1,454,015</u>
LED lighting		
– Indoor lighting	90,565	143,334
– Outdoor lighting	905	6,101
Sub-total	<u>91,470</u>	<u>149,435</u>
Sourcing business		
– Semiconductor memory chips		
– Packaging and testing	17,406	6,244
– Products sourcing	486,911	312,901
	<u>504,317</u>	<u>319,415</u>
Total	<u>2,216,352</u>	<u>1,922,595</u>

Analysis by application of products

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LED backlight		
– Automobile displays	1,350,820	1,158,602
– Equipment displays	232,434	229,685
– Televisions	37,311	65,728
	<hr/>	<hr/>
Sub-total	1,620,565	1,454,015
	<hr/>	<hr/>
LED lighting		
– Commercial lighting	90,565	143,334
– Public lighting	905	6,101
	<hr/>	<hr/>
Sub-total	91,470	149,435
	<hr/>	<hr/>
Sourcing business		
– Semiconductor memory chips		
– Packaging and testing	17,406	6,244
– Products sourcing	486,911	312,901
	<hr/>	<hr/>
	504,317	319,415
	<hr/>	<hr/>
Total	2,216,352	1,922,595
	<hr/> <hr/>	<hr/> <hr/>

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on:		
– Bank and other borrowings	18,891	17,441
– Corporate bond	200	200
– Lease liabilities	813	1,181
– Bills payables	20,285	26,153
	<hr/>	<hr/>
	40,189	44,975
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX (EXPENSES) CREDIT

	2022 HK\$'000	2021 HK\$'000
Current income tax		
Hong Kong Profits Tax		
– Current year	45	–
PRC Enterprise Income Tax		
– Current year	2,211	1,486
– Overprovision in prior years	–	(2,036)
	<u>2,256</u>	<u>(550)</u>
Deferred taxation	(1,879)	481
	<u>377</u>	<u>(69)</u>
Income tax expenses (credit) for the year	<u>377</u>	<u>(69)</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 2022, 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 not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

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

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25% for the year ended 31 December 2022 (2021: 25%).

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

* *The English name is for identification purpose only*

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

8. PROFIT FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year has been arrived at after charging/ (crediting):		
Directors' and Chief Executive's emoluments	5,160	5,628
Salaries and allowances (excluding directors and chief executive of the Company)	264,383	253,248
Retirement benefits schemes contributions (excluding directors and chief executive of the Company)	22,431	20,132
Share-based payment expenses (excluding directors and chief executive of the Company)	1,142	–
Total staff costs	<u>293,116</u>	<u>279,008</u>
Auditor's remuneration	1,200	1,097
Net foreign exchange losses	–	926
Cost of inventories recognised as expenses (included in cost of sales) (<i>Note a</i>)	1,852,630	1,460,905
Research and development costs recognised as an expense (<i>Note b</i>)	86,044	65,100
Depreciation of property, plant and equipment	53,262	48,274
Depreciation of right-of-use-assets	6,748	10,186
Loss (gain) on disposal of property, plant and equipment	9,366	(58)
Loss on write-off of property, plant and equipment	1,390	702
Lease expenses for short-term leases	<u>1,197</u>	<u>4,415</u>

Note:

- (a) Cost of inventories recognised as expenses included depreciation of property, plant and equipment, staff costs and net reversal of provision of inventories of HK\$29,630,000 (2021: HK\$35,609,000), HK\$195,386,000 (2021: HK\$200,410,000) and HK\$6,517,000 (2021: HK\$2,881,000) respectively. The amounts were also included in the respective amounts disclosed above.
- (b) Research and development costs recognised as expense included staff costs of HK\$31,051,000 (2021: HK\$26,315,000). The amounts were also included in the respective amounts disclosed above.

9. INVENTORIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Raw materials	43,537	42,968
Work-in-progress	79,191	100,952
Finished goods	154,035	168,109
	<u>276,763</u>	<u>312,029</u>

10. TRADE AND BILLS RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Receivables at amortised cost comprise:		
Trade receivables	775,140	704,879
Less: allowance for impairment of trade receivables	<u>(25,217)</u>	<u>(32,563)</u>
	749,923	672,316
Bills receivables	<u>135,822</u>	<u>265,827</u>
Total trade and bills receivables	<u>885,745</u>	<u>938,143</u>

As at 1 January 2021, the gross amount of trade receivables from contracts with customers amounted to HK\$592,182,000.

As at 31 December 2022, the gross amount of trade receivables arising from contracts with customers amounted to HK\$775,140,000 (2021: HK\$704,879,000).

The Group allows an average credit period of 15 to 180 days (2021: 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 90 days	708,580	633,131
91 to 180 days	36,901	33,276
181 to 365 days	4,442	2,058
Over 365 days	<u>–</u>	<u>3,851</u>
	<u>749,923</u>	<u>672,316</u>

All the bills receivables are aged within 180 days.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Deposits and other receivables (<i>Note</i>)	98,630	64,282
Less: allowance for impairment of other receivables	<u>(10,295)</u>	<u>(6,927)</u>
	88,335	57,355
Value added tax receivables	3,521	10,876
Prepayments (<i>Note</i>)	<u>62,738</u>	<u>11,212</u>
	<u>154,594</u>	<u>79,443</u>

Note:

Included in Deposits and other receivables amounted to approximately HK\$39,890,000 (2021: HK\$6,703,000) is represented interest receivables.

Included in prepayments amounted to approximately HK\$62,018,000 (2021: HK\$9,585,000) is represented trade deposits paid to supplier.

12. TRADE, BILLS AND OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables (<i>Note a</i>)	393,639	400,649
Bills payables (<i>Note a</i>)	<u>938,391</u>	<u>763,867</u>
	<u>1,332,030</u>	<u>1,164,516</u>
Other payables	40,956	27,971
Accrued expenses	31,477	25,863
Value added tax payables	<u>2,571</u>	<u>4,584</u>
	<u>75,004</u>	<u>58,418</u>
	<u>1,407,034</u>	<u>1,222,934</u>

Note:

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 90 days	319,400	319,546
91 to 180 days	69,379	72,788
181 to 365 days	2,969	1,415
Over 365 days	1,891	6,900
	393,639	400,649

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

All the bills payables are aged within 180 days.

13. EARNINGS PER SHARE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	59,912	51,469
	2022	2021
Number of ordinary shares for the purpose of basic and diluted earnings per share	216,825,000	216,825,000
Basic and diluted earnings per share (<i>HK\$ per share</i>)	0.28	0.24

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding for the year ended 31 December 2021.

The diluted earnings per share is equal to the basic earnings per share as 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 for shares for the year ended 31 December 2022.

14. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

15. EVENTS AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, the Company issued additional 2,900,000 shares to 12 grantees including the directors and employees of the Company under the Share Award Scheme. The details were set out in the Company's announcement dated 9 February 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

On September 14th, 2022, the head of the World Health Organization said at a press conference that the end of the pandemic was “in sight” while he urged countries to continue to push for higher vaccination rates. Though many countries have finally declared the end of the COVID-19 emergency by the end of 2022, the path to recovery is not easy, given the pressing inflation and recession risks and the rising global political tension. According to IMF, in 2022, the world output registered its weakest growth since 2001, except for the global financial crisis and the acute phase of the COVID-19 pandemic.

As for China, though the year opened well and held its steady position for the first half, circumstances drastically worsened in the second half, as the international environment became more turbulent and mass COVID-19 infections hit domestically. Adding to the challenges, the sweeping export bans imposed by the U.S. against chips made in China derailed the expansion plans of the country’s chipmakers and left the whole semiconductor sector embattled. The year was concluded with GDP growth of 3% in China, missing the central government’s target of 5.5%.

For China’s LED and other manufacturers, 2022 also presented a complex profile of pressing factors. Since stringent COVID-19 curbs remained in place across the country for most of the year, raw material prices were unstable, and transportation, especially long-distance, was unreliable. The anti-epidemic requirements also meant lost working days and extra expenses to arrange for employees’ regular COVID-19 tests and sick leave days. In the meantime, waves of COVID-19 outbreaks hit regions including the Yangze-river delta, where China’s richest cities and biggest car markets, like Shanghai, are located, and the Central area, home to many optical-electronics, telecommunications, and equipment manufacturing factories. However, these are now considered problems of the past, as China introduced a shift of COVID-19 policies by the end of the year, and infections soon peaked, signaling the end of an era.

Within China’s LED backlight industry, manufacturers experienced different business environments depending on the types of products they focused on. For those producing backlights for large-size LED panels, mainly used for TVs, the market continued to shrink as OLED technology continued to phase out traditional LCD TVs. As for the market of small panels, mainly used in cellphones and other electronic gadgets, the profitability of backlight manufacturers was minimal since global electronic sales itself plateaued and competition from OLED and micro-LED left LCD panels with little bargaining power.

Manufacturers are now rushing into the medium-sized panel market, lured by the automobile onboard display sector, which stood out as a highly expandable and profitable business despite all the challenges mentioned above. Internationally, the global in-vehicle display panel market is expected to reach US\$10.453 billion in 2022, an increase of 5% from 2021, according to FujiKeizai, a Japanese market research agency. By 2026, its market size will reach US\$12.323 billion, an increase of 23.8% from 2021. Regionally, in-vehicle panel buyers are increasingly turning to Chinese manufacturers as the country accounted for the biggest cut in global car manufacture and sales. In addition, the global energy crisis and inflation also disadvantaged international competitors in terms of manufacturing and operating cost. According to CINNO Research's Quarterly Automotive Backlight Market Analysis Report, in the first half of 2022, in terms of product shipment, the biggest five automobile onboard display backlight manufacturers in the world are all Chinese, among which, the Group ranked first.

Despite the luring opportunities, newcomers to the market are facing strong headwinds as in-vehicle panels go through evolving trends that make the industry more and more demanding on backlights. The first noticeable sign is the sizes of the in-vehicle screens. According to the automobile section of Gao Gong Intelligent(高工智能汽車), in the first half of 2020, only 32.98% of passenger cars in China were equipped with 10-inch or above central control screens, but it had increased to 52.58% by the first half of 2022. The penetration rate of multi-screen is also growing. According to ICVTank's prediction, the penetration rate of full LCD dashboards will increase from 30% in 2020 to 70% in 2025, and the penetration rate of central control screens, streaming rearview mirrors, and HUD head-up displays will increase from 80%, 7% and 10% in 2020 to 100%, 30% and 30%, respectively, in 2025. At the same time, more and more models with co-pilot entertainment screens and rear-row entertainment screens are entering the market.

BUSINESS REVIEW

During the year ended 31 December 2022, amid a booming market demand and the Group's outstanding expertise among peers, orders for its LED backlight for automotive onboard displays continued to surge, leading to significant growth in sales volume, and another year of rapid segment expansion. In the meantime, the continuously accelerated increase in business scale presented complex operating challenges under the tortuous market conditions in 2022. With waves of COVID-19 outbreaks hitting various spots on our supply chain, the shipment of raw materials and our final products were constantly at risk of disruption, which lead to a widened gap between our trade receivables and payables. Moreover, the tensely fluctuating currency exchange rates increased instability and uncertainty. While under China's current macroeconomic policies, having only limited production facilities as collateral prompted immense difficulties in securing corporate loans sometimes needed to facilitate growth. To ensure the swift flow of products and services to support the development of our business, we implemented very prudent financial strategies and had to maintain abundant cash on hand. With the lift of COVID-19 curbs and subsequent resumption of market conditions, we expect the relevant situation to be eased in the future. The Group is also consolidating its savings and assets to better cope with the macroeconomic policies in the PRC.

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 2022 was approximately HK\$2,216,352,000, representing an increase of 15.3% compared to approximately HK\$1,922,595,000 for the year ended 31 December 2021. Considering the core business segments, being LED backlight and LED lighting products, the Group’s core revenue was approximately HK\$1,712,035,000, representing an increase of 6.8% as compared to approximately HK\$1,603,450,000 for the year ended 31 December 2021. Revenue from the sales of LED backlight products was approximately HK\$1,620,565,000 (2021: approximately HK\$1,454,015,000), representing an increase of 11.5%. Such an increase was mainly contributed by the record-high sales of the backlight for automobile onboard displays, which grew by approximately 16.6%. Revenue from the sales of LED lighting products was approximately HK\$91,470,000 (2021: approximately HK\$149,435,000), representing a decrease of 38.8%, falling back from the previous year’s expansion of approximately 101%.

LED Backlight Business

The three types of the Group’s LED backlight products are: 1) automobile onboard displays; 2) television displays; and 3) other industrial equipment displays. For the year ended 31 December 2022, revenue derived from LED backlight products in automobile onboard displays, television displays and industrial equipment displays were approximately HK\$1,350,820,000, HK\$37,311,000 and HK\$232,434,000, respectively.

Under a booming demand, backlights for automobile onboard displays have been the core growth driver of the Group, recording a 16.6% increase in sales for the year ended 31 December 2022, 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 ended 31 December 2022, representing approximately 83.4% of total LED backlight product sales (2021: approximately 79.7%).

The demand for LED backlights for television, after a comeback in the previous year, fell back in 2022. As a result, the Group's LED backlight for television displays recorded a 43.2% decrease in sales, amounting to approximately HK\$37,311,000 (2021: approximately HK\$65,728,000). Equipment display backlight products recorded a mild increase of 1.2% in revenue for the year ended 31 December 2022.

LED Backlight Revenue Breakdown	For the year ended 31 December			
	2022		2021	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Automobile Displays	1,350,820	83.4	1,158,602	79.7
Televisions	37,311	2.3	65,728	4.5
Equipment Displays	232,434	14.3	229,685	15.8
	<u>1,620,565</u>	<u>100.0</u>	<u>1,454,015</u>	<u>100.0</u>

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 2022, revenues from public lighting and commercial lighting were approximately HK\$905,000 and HK\$90,565,000, respectively (2021: approximately HK\$6,101,000 and HK\$143,334,000), both observing reasonable fallbacks after their sales volume being doubled in the previous year.

LED Lighting Revenue Breakdown	For the year ended 31 December			
	2022		2021	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Public Lighting	905	1.0	6,101	4.1
Commercial Lighting	90,565	99.0	143,334	95.9
	<u>91,470</u>	<u>100.0</u>	<u>149,435</u>	<u>100.0</u>

Sourcing Business

In order to secure a stable source of income to fund the Group in optimising of its product mix, it engaged in sourcing high-tech products. Leveraging on the Group's business connections and expertise, this segment is now centred around memory chips related products.

Sourcing Business	For the year ended 31 December	
	2022	2021
Revenue Breakdown	HK\$'000	HK\$'000
Semiconductor memory chips		
– Packaging and testing	17,406	6,244
– Products sourcing	486,911	312,901
	504,317	319,145

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 2022, the Group held 234 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.

AWARDS FOR CORPORATE RESPONSIBILITY

During the year ended 31 December 2022, Wai Chi Opto Technology Limited, a subsidiary of the Group, has received the Green Office Label awarded under the Green Office Awards Labelling Scheme (“GOALS”) organised by the World Green Organization (“WGO”) for the sixth year, in recognition of the Group's continued efforts in aiding environmental protection.

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

PROSPECTS

Successive shocks from political fragmentation, war, the aftermath of the pandemic, trade tensions, etc., have kept world economic uncertainty aggravated. However, economic growth proved fairly resilient, exhibiting strong labour markets, robust consumption, better-than-expected adaptation to the energy crisis in Europe, and signs of improvement in inflation across regions. China's earlier-than-anticipated re-opening also paved the way for a rapid rebound in activities. IMF believes global growth will slow down from 3.4 % in 2022 to 2.9% in 2023 but then rebound to 3.1% in 2024, much more encouraging than the Fund's earlier projections.

As Asia propels a larger share of global economic growth, China is believed to be one of the major engines. IMF projected China's GDP growth to increase from 3% in 2022 to 5.2% in 2023, driven by a rebound in private consumption amid the reopening and the subsequent swift adaptation. This meant a great relief for all manufacturers in the country, who can now expect the end of COVID-19-related operating costs, a more stable supply chain, and much fewer unexpected emergencies to hinder their business. But since consumer electronic sales hit a plateau, the overall demand for display panels, especially those for personal electronics and TVs, is still expecting a drop for the coming year.

In the automotive market, after years of rapid growth pushed by the new energy sector, sales are cooling down. Passenger car makers are now competing to provide the best driving and in-vehicle entertaining experience, making onboard display systems one of the forefront battlefields. According to Digitimes Research, global shipments of in-vehicle displays, which were 141 million units in 2020, will reach 253 million units by 2026, with a CAGR of 10.24%. Along with screen quantity, sizes are also growing. According to CINNO Research, the average LED automotive dashboard size on Chinese passenger cars will grow from 9.4 inches in the third quarter of 2022 to 9.6 inches in 2023 and subsequently 10.0 inches in 2024. Besides, the panel sizes are starting to standardise, meaning less production waste and higher profit margin for manufacturers. There's also a significant trend of industry integration as many panel-focused manufacturers are producing complex in-vehicle modules featuring their expertise in LED. Able players in the market are adding more value to their products. In terms of display technology, traditional LCD panels will still take up the bulk of in-vehicle screens for their durability, reliability, and cost-effectiveness. But Mini LED panels have become the major favorite and selling point for many mid-high-end automobile vehicles, including Li Auto's flagship L9 SUV, Nio's latest ES8 and its prequel ES7 as well as Cadillac's futuristic LYRIO electric model, etc.

In view of the ample opportunities in the market, the Group is prioritising its LED backlight for automotive onboard displays. Mini LED backlights are in our R&D pipeline, enabling us to stay relevant in the market trend. In addition, we look to expand our portfolio downwards in the supply chain to introduce more value-added products. To catch the evolving technologies in our industry, we are also investing more resources to train and educate our talents. Besides, we are working on our vendor-managed inventory system to provide better services to our clients and reduce operation costs.

With an optimised product mix, improved operation system, and favourable market conditions, we believe our LED segment, particularly the automotive line, will continue to expand in the coming years. As a result of our growing business, our storage space reached its maximum capacity during the year ended 31 December 2022, leading us to the rental of a transshipment depot to meet the booming demand from our clients. In fact, at the current pace of expansion, we expect our production facilities to reach full capacity by as early as 2025. Thus, we are actively looking for an optimal location to expand our production facilities, ideally, a space near our current factories, to reduce the cost of product transportation and packaging, as well as keep the risk of breakage low.

Looking ahead, with recognition from the market and trust from our loyal customers, we are confident in maintaining our leading position as the top manufacturer of LED backlights for automobile onboard displays. In the meantime, we will stay prudent and resilient to any possible shift in market conditions.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2022, 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\$1,620,565,000, representing an increase of approximately 11.5% from 2021, 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\$91,470,000, representing a decrease of approximately 38.8%, which is an expected fallback after the 101.0% expansion recorded in the previous year. The segment of the semiconductor product sourcing business recorded sales of approximately HK\$504,317,000 (2021: HK\$319,145,000), representing solid growth and providing a stream of income as the Group continues to upgrade its product mix.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2022, gross profit from the sales of LED backlight products and LED lighting services was approximately HK\$254,043,000, representing a decrease of 7.7% from approximately HK\$275,166,000 in 2021. Gross profit margin for these two segments decreased by 2.4 percentage points from 17.2% in 2021 to 14.8% in 2022. The decrease in gross profit and gross profit margin was mainly due to 1) the increase in operating expenses under the impacts of COVID-19 curbs, including regular PCR tests for all employees, quarantine arrangements for travelling staff, and disruption in the supply chain; 2) foreign exchange losses due to the depreciation of RMB against USD. These impacts have already started to diminish and we expect a better operating environment in the coming year. Gross profit and gross profit margin from the sourcing of semiconductor products were HK\$8,648,000 and 1.7% (2021: HK\$7,031,000 and 2.2%) respectively, remaining relative stability. For the year ended 31 December 2022, the Group's overall gross profit was approximately HK\$262,691,000, representing a decrease of 6.9% from approximately HK\$282,197,000 in 2021. Overall gross profit margin was 11.9% in 2022, representing a decrease of 2.8 percentage points from 14.7% in 2021.

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 2022, the Group's selling and distribution expenses was approximately HK\$36,009,000 which has decreased by 1.2% compared to approximately HK\$36,437,000 for the year 2021.

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. However, the COVID-19 curbs have induced operating disturbance, causing an increase in expenses. For the year ended 31 December 2022, the Group's administrative expenses were approximately HK\$194,493,000 which has increased by 18.7% compared to approximately HK\$163,848,000 for the year 2021.

Other Income

During the year ended 31 December 2022, other income was approximately HK\$52,335,000, representing an increase of 125.2% in comparison with approximately HK\$23,239,000 for the year 2021, mainly due to the increase in interest income arising from bank savings.

Bank Balances and Cash

During the year ended 31 December 2022, the Group's bank balances and cash amounted to approximately HK\$257,912,000, representing an increase of 129.6% from approximately HK\$112,312,000 in 2021. With various COVID-19 outbreaks throughout the Group's supply chain, shipments of its raw material and final products were severely disrupted, causing a widened gap between its receivables and payables. In order to maintain service stability, a significantly larger amount of cash was held to stay ready for any emergencies.

Pledged Deposit

During the year ended 31 December 2022, the Group's pledged deposit amounted to approximately HK\$562,630,000 (2021: approximately HK\$342,017,000). 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 2022, the Group's tax expenses were approximately HK\$377,000 (2021: Tax credit of approximately HK\$69,000), which increased alongside the expansion of business.

Inventories

As at 31 December 2022, the Group's inventories was approximately HK\$276,763,000, representing a decrease of 11.3% as compared to approximately HK\$312,029,000 as at 31 December 2021. The decrease in inventories was an expected fallback after the Group strategically increased its inventories in the previous year to offset the anticipated increase in raw material prices.

Trade Receivables

As at 31 December 2022, the Group's net trade receivables amounted to approximately HK\$749,923,000, which increased by 11.5% as compared to approximately HK\$672,316,000 as at 31 December 2021. This was attributable to the increase in sales of LED backlight products.

Trade Payables

As at 31 December 2022, the Group's trade payables amounted to approximately HK\$393,639,000, which decrease mildly by 1.7% as compared to approximately HK\$400,649,000 as at 31 December 2021.

Completion of an Acquisition

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

Grant of Share Options under the Share Option Scheme

Reference is made to the Company's announcement dated 28 June 2022. The terms in this paragraph shall have the same meanings as those defined in the Company's announcement dated 28 June 2022. On 28 June 2022, the Grant Date, the Board announced that a total of 4,710,000 Share Options were granted by the Company to a number of eligible participants, being the Grantees, subject to the acceptance of the Grantees, under the share option scheme adopted by the Company on 27 October 2014, valid and effective for a period of 10 years commencing from the date of its adoption, that would expire on 25 October 2024, being the Scheme. The Share Options will entitle the Grantees to subscribe for 4,710,000 ordinary Shares of HK\$0.01 each of the Company, representing approximately 2.2% of the total number of Shares in issue as of the Grant Date. The aim is to award employees' services and contributions to the Company, the Grantees included directors and employees of the Company. The exercise price of the Share Options granted was HK\$1.49 per Share, with a 10-year validity period from the Grant Date, and the exercise period will commence on the date immediately following the expiry of twelve months from the Grant Date up to and inclusive of 27 June 2032. For details regarding the grant of Share Options, please refer to the Company's announcement dated 28 June 2022.

Adoption of Share Award Scheme and Share Option Scheme and Termination of Existing Share Option Scheme

Reference is made to the circular (the "**Circular**") of the Company and the notice (the "**Notice**") of the extraordinary general meeting, both dated 1 December 2022. Terms used in this paragraph shall have the same meanings as those defined in the Circular. The Board announced that on 29 November 2022 (after trading hours), it has resolved to propose the adoption of the Share Option Scheme and termination of the Existing Share Option Scheme. The purposes and objectives of the Share Option Scheme are to recognise and acknowledge the contributions of the Eligible Participants to the Group by granting Options to them as incentives or rewards thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The Existing Share Option Scheme, adopted by the Company on 27 October 2014, was valid and effective for a period of 10 years commencing from the date of its adoption, and would expire on 25 October 2024, and according to its terms, may be terminated by an ordinary resolution in general meeting. In view of (i) adopting the Amended Rules for the Company's Share Option Scheme; and (ii) the expiration of the Existing Share Option Scheme on 25 October 2024, the Board proposed to take the opportunity to adopt the Share Option Scheme and terminate the Existing Share Option Scheme. In addition, the Board is of the view that granting of equity incentives is an effective instrument to encourage, retain and attract talents of significant importance to the future business development of the Group. Therefore, the Company recognises the need to have in place incentive mechanisms by way of share awards to support the long-term development of the Group. On 13 September 2022, the Board resolved to propose the adoption of the Share Award Scheme. The purposes and objectives of the Share Award Scheme are to recognise the contributions by certain Employees and

give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The aforementioned resolutions were discussed, voted and duly passed as ordinary resolutions at the extraordinary general meeting held on 19 December 2022. For details on these matters, please refer to the Circular and the Notice.

Grant of Award Shares under the Share Award Scheme

Reference is made to the Company's announcement dated 23 December 2022. The terms in this paragraph shall have the same meanings as those defined in the Company's announcement dated 23 December 2022. On 23 December 2022, the Board resolved to conditionally grant 2,900,000 Awarded Shares to 12 Selected Employees pursuant to the Share Award Scheme (inclusive of the Conditional Grant). Among the Awarded Shares granted, (i) 1,200,000 Awarded Shares were conditionally granted to the Conditional Grantees, subject to the approval of Independent Shareholders at the EGM; and (ii) 1,700,000 Awarded Shares were granted to the other Grantees including certain Directors and employees of the Group. The Grant was to be satisfied by allotment and the issue of new Shares under the Scheme Limit. The aforementioned resolutions were discussed, voted on, and duly passed as ordinary resolutions at the EGM held on 9 February 2023. For details regarding the grant of Awarded Shares, please refer to the Company's announcement dated 23 December 2022.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased or redeemed any of the listed shares of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance ("CG"). The Board believes that adherence to CG practices will definitely be beneficial to the Company's shareholders in the long term. For the year ended 31 December 2022, the Company has applied all the other applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules in force at that time. Code Provision C.2.1 in 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.

According to the Code Provision B.2.4 in Part 2 of the CG Code, if all the INEDs have served on the board for more than nine years, the issuer should appoint a new INED at the forthcoming AGM. The three INEDs of the Company are appointed on 11 March 2014 and they have served more than nine years. The Company will appoint a new INED before the AGM to be held in May 2023 and the relevant INED will be subject to re-election in the AGM.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the Group's consolidated financial statements for the year ended 31 December 2022, 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 25 May 2023. 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 2022 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, 24 March 2023

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