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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 2014

FINANCIAL HIGHLIGHTS

- Revenue of approximately HK\$1,166 million for the year 2014, increased by 30.4% as compared to last year (2013: approximately HK\$894 million).
- Net profit of approximately HK\$61 million for the year 2014 after deduction of listing related legal and professional expenses of approximately HK\$17 million, increased by 11% as compared to last year (2013: net profit of approximately HK\$55 million after deduction of listing related expenses of approximately HK\$8 million).
- Gross profit margin of 23.7% for the year 2014.
- Basic and diluted earnings per share were HK\$39 cents for the year 2014.

FINAL RESULTS

The Board of Directors (the “**Board**”) of Wai Chi Holdings Company Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2014, together with comparative figures for the year ended 31 December 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover	5	1,165,579	894,033
Cost of sales		<u>(889,736)</u>	<u>(668,706)</u>
Gross profit		275,843	225,327
Other income and other gains	5	6,839	13,598
Selling and distribution expenses		(22,918)	(21,807)
Administrative expenses		(99,879)	(92,218)
Research and development expenses		(48,625)	(33,808)
Finance costs	7	<u>(29,672)</u>	<u>(21,533)</u>
Profit before tax		81,588	69,559
Income tax expense	8	<u>(20,395)</u>	<u>(14,369)</u>
Profit for the year	9	<u>61,193</u>	<u>55,190</u>
		<i>HK\$</i>	<i>HK\$</i>
Earnings per share Basic and diluted	13	<u>0.39</u>	<u>0.66</u>

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

For the year ended 31 December 2014

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit for the year	61,193	55,190
Other comprehensive income that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	<u>364</u>	<u>9,902</u>
Total comprehensive income for the year	<u>61,557</u>	<u>65,092</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-Current Assets			
Property, plant and equipment		312,335	292,544
Prepaid lease payments		42,840	43,966
Deferred taxation		1,349	3,974
		<u>356,524</u>	<u>340,484</u>
Current Assets			
Inventories	10	201,120	197,743
Prepaid lease payments		967	967
Trade receivables	11	532,657	383,775
Bills receivables		92,754	54,839
Prepayments, deposits and other receivables		36,324	40,224
Amount due from a related company		–	41
Pledged bank deposits		56,715	63,983
Bank balances and cash		331,864	100,777
		<u>1,252,401</u>	<u>842,349</u>
Current Liabilities			
Trade payables	12	222,643	186,547
Bills payables		284,453	263,546
Other payables and accruals	12	44,432	38,250
Bank borrowings		348,521	223,726
Amount due to a related company		–	516
Amount due to a director		–	1,458
Obligations under finance leases – due within one year		2,252	294
Income tax payables		17,141	13,495
		<u>919,442</u>	<u>727,832</u>
Net Current Assets		<u>332,959</u>	<u>114,517</u>
Total Assets less Current Liabilities		<u>689,483</u>	<u>455,001</u>
Non-Current Liabilities			
Obligations under finance leases – due more than one year		3,381	709
Government grants		33,871	33,839
		<u>37,252</u>	<u>34,548</u>
Net Assets		<u>652,231</u>	<u>420,453</u>
Capital and reserves			
Share capital		2,000	101
Reserves		650,231	420,352
Total Equity		<u>652,231</u>	<u>420,453</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

The Company is 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. 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, the Cayman Islands and 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 while the principal subsidiaries are principally engaged in manufacturing and trading of Light-Emitting Diode (“**LED**”) backlight and LED lighting 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 People’s Republic of China (the “**PRC**”) are Reminbi (“**RMB**”). For the purpose of presenting the financial statements, the Group adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The Company became the holding company of the companies now comprising the Group on 31 December 2013. The Company and its subsidiaries have been under the control of and beneficially owned by Mr. Yiu Chi To, the Controlling Shareholder since their respective dates of incorporation or establishment up to 31 December 2013. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the companies comprising the Group up to 31 December 2013, using the principles of merger accounting as set out in note 4 below.

The consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows including the results and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence since their respective dates of incorporation or establishment up to 31 December 2013.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs**”)**

The Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards (“**HKASs**”), amendments and interpretations (“**Ints**”) 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 2014.

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

HKFRS 9 (2014)	Financial Instruments ⁴
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ²
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ²
Amendments to HKFRS 10 and HKAS 28	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²
Amendments to HKFRS 11	Accounting from Acquisitions of Interests in Joint Operations ²

¹ Effective for annual periods beginning on or after 1 July 2014.

² Effective for annual periods beginning on or after 1 January 2016.

³ Effective for annual periods beginning on or after 1 January 2017.

⁴ Effective for annual periods beginning on or after 1 January 2018.

The directors of the Company anticipate that the application of the new and revised HKFRSs, HKASs, amendments and Ints will not have material impact on the results and the financial position of the Group.

4. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Company loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Business combinations under common control

The consolidated financial statements incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

5. TURNOVER, OTHER INCOME AND OTHER GAINS

Turnover represents the amounts received and receivable for goods sold in the normal course of business, net of discounts and sales related taxes. Analysis of the Group's turnover, other income and other gains is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover		
Sales of goods	<u>1,165,579</u>	<u>894,033</u>
Other income and other gains		
Bank interest income	1,520	1,545
Government grants (<i>Note</i>)	3,877	7,028
Sales of scrapped materials	383	935
Exchange gain	380	–
Exchange gain from treasury product deposits	–	2,892
Reversal of impairment loss on trade and other receivables	–	190
Sundry income	<u>679</u>	<u>1,008</u>
	<u>6,839</u>	<u>13,598</u>

Note:

Included in the amount of government grants recognised during each of the years ended 31 December 2014 and 2013 of approximately HK\$3,170,000 and HK\$6,333,000 respectively were received in respect of certain research projects and export encourage scheme, the relevant granting criteria for which have been fulfilled and were immediately recognised as other income for the years. For the years ended 31 December 2014 and 2013, amount of approximately HK\$707,000 and HK\$695,000 were government grants recognised as deferred income utilised during the years respectively.

6. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Group, being the chief operating decision maker, 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, the information reported to the chief operating decision maker is further broken down into different type of products and application of products. No operating segments identified by the chief operating decision maker 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

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 2014

	LED backlight HK\$'000	LED lighting HK\$'000	Total HK\$'000
REVENUE			
External sales	<u>1,070,946</u>	<u>94,633</u>	<u>1,165,579</u>
Segment profit	<u>189,534</u>	<u>12,586</u>	202,120
Unallocated income			3,490
Unallocated expenses			(94,350)
Finance costs			<u>(29,672)</u>
Profit before tax			<u>81,588</u>

For the year ended 31 December 2013

	LED backlight HK\$'000	LED lighting HK\$'000	Total HK\$'000
REVENUE			
External sales	<u>805,162</u>	<u>88,871</u>	<u>894,033</u>
Segment profit	<u>135,523</u>	<u>34,342</u>	169,865
Unallocated income			6,380
Unallocated expenses			(85,153)
Finance costs			<u>(21,533)</u>
Profit before tax			<u>69,559</u>

Other segment information

Revenue from major products

Analysis by type of products

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
LED backlight		
– Small dimension	869,160	670,905
– Medium dimension	48,597	29,055
– Large dimension	153,189	105,202
	<hr/>	<hr/>
Sub-total	1,070,946	805,162
	<hr/>	<hr/>
LED lighting		
– Indoor lighting	60,768	36,178
– Outdoor lighting	33,865	52,693
	<hr/>	<hr/>
Sub-total	94,633	88,871
	<hr/>	<hr/>
Total	1,165,579	894,033
	<hr/>	<hr/>

Analysis by application of products

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
LED backlight		
– Smartphone	560,833	452,351
– Automobile displays	149,412	54,512
– Equipment displays	201,105	193,052
– Televisions	159,596	105,247
	<hr/>	<hr/>
Sub-total	1,070,946	805,162
	<hr/>	<hr/>
LED lighting		
– Public lighting	38,857	63,265
– Commercial lighting	55,776	25,606
	<hr/>	<hr/>
Sub-total	94,633	88,871
	<hr/>	<hr/>
Total	1,165,579	894,033
	<hr/>	<hr/>

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
LED backlight	948,263	888,220
LED lighting	234,410	85,614
Total segment assets	1,182,673	973,834
Unallocated assets	426,252	208,999
Consolidated total assets	1,608,925	1,182,833

Segment liabilities

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
LED backlight	501,242	486,686
LED lighting	78,754	35,496
Total segment liabilities	579,996	522,182
Unallocated liabilities	376,698	240,198
Consolidated total liabilities	956,694	762,380

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than deferred tax assets, amount due from a related company, pledged bank deposits, bank balances and cash and certain unallocated head office assets. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to operating segments other than income tax payables, bank borrowings, obligations under finance leases, amount due to a related company and amount due to a director. Liabilities for which operating segments are jointly liable are allocated in proportion to segment revenue.

7. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest expenses on:		
– Bank borrowings wholly repayable within five years	29,552	21,484
– Finance leases	120	49
	<u>29,672</u>	<u>21,533</u>

8. INCOME TAX EXPENSE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current income tax		
– PRC Enterprise Income Tax	18,102	13,346
Deferred taxation	2,293	1,023
	<u>20,395</u>	<u>14,369</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.

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 years ended 31 December 2014 and 2013.

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 2014 (2013: 25%).

Pursuant to the relevant laws and regulation in the PRC, the Group’s subsidiary, Wai Chi Opto Technology (Shenzhen) Limited (“**Shenzhen Wai Chi**”), was accredited as a high-tech enterprise. It is entitled to the preferential tax rate of 15% for the years ended 31 December 2014 and 2013.

9. PROFIT FOR THE YEAR

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Salaries and allowances (excluding directors' emoluments)	204,739	140,563
Retirement benefit scheme contributions (excluding directors)	13,779	8,967
Total staff costs	<u>218,518</u>	<u>149,530</u>
Auditor's remuneration	750	674
Amortisation of prepaid lease payments	971	964
Amounts of inventories recognised as expenses	889,736	668,706
Depreciation of property, plant and equipment	42,327	36,011
Impairment loss on inventories (included in cost of sales)	891	8,198
Impairment loss on trade and other receivables	413	7,320
Listing expenses	16,927	7,759
Net loss on disposal of property, plant and equipment	181	132
Operating lease payment on premises	6,237	6,584
Reversal of impairment loss recognised in respect of trade and other receivables	–	(190)

10. INVENTORIES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Raw materials	42,796	49,993
Work-in-progress	65,804	66,586
Finished goods	92,520	81,164
	<u>201,120</u>	<u>197,743</u>

11. TRADE RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	540,637	393,196
Less: Impairment	(7,980)	(9,421)
	<u>532,657</u>	<u>383,775</u>

The Group generally allows a credit period of 30 to 180 days to its trade customers. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables net of accumulated impairment losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 to 90 days	440,920	330,337
91 to 180 days	50,495	22,919
181 to 365 days	33,276	11,936
Over 365 days	7,966	18,583
	<u>532,657</u>	<u>383,775</u>

12. TRADE PAYABLES AND OTHER PAYABLES AND ACCRUALS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade payables (<i>Note a</i>)	<u>222,643</u>	<u>186,547</u>
Receipt in advance (<i>Note b</i>)	1,408	4,723
Construction cost payables	1,557	1,563
Other payables	6,478	5,157
Accrued expenses	24,845	15,671
Value added tax payables	<u>10,144</u>	<u>11,136</u>
	<u>44,432</u>	<u>38,250</u>
	<u>267,075</u>	<u>224,797</u>

Notes:

- a) The aging analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 to 90 days	176,595	166,607
91 to 180 days	32,775	14,062
181 to 365 days	6,872	3,718
Over 365 days	<u>6,401</u>	<u>2,160</u>
	<u>222,643</u>	<u>186,547</u>

The average credit period on purchase of goods is from 30 days to 90 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

- b) Receipt in advance represented advance payments from customers pursuant to the respective sales and purchase contracts.

13. EARNINGS PER SHARE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic earnings per share	<u>61,193</u>	<u>55,190</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>Note</i>)	<u>156,027,397</u>	<u>84,002,579</u>
Basic earnings per share (HK\$ cents per share)	<u>0.39</u>	<u>0.66</u>

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 December 2014 and 2013 has been retrospectively adjusted for the effects of the capitalisation of the ordinary shares of the Company which took place in 2014 and 2013 as reorganisation for the preparation for the Company's listing.

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2014 and 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In pursuit of greater energy savings and environmental benefits, the PRC government has launched a series of supporting policies in promoting wide application of LED lighting products, which brings hopes for the industry. Being a well recognised R&D and manufacturer of LED lighting products, the Group believes the policy of the PRC government on energy saving and environmental protection will be the catalyst in driving up the demand for LED energy management lighting solutions. Apart from the tax reduction for innovative environmental-friendly corporations, the PRC government has listed out in the 12th Five Year Plan that energy saving and environmental protection will be the key initiative for sustainable growth in the future. The government strongly recommends the replacement of traditional incandescent lamps by environmental-friendly LED bulbs in offices and shopping malls and announced the complete ban on selling and import of traditional light bulbs. Concurrently, the General Office of the State Council of the PRC published the “Energy Development Strategies and Action Plan 2014–2020” in November 2014, confirming the strategic duties of fine-tuning energy structure and pushing for innovative energy technologies. The plan also mentioned the launch of the energy consumption limit for public infrastructures, the green construction standards with labeling system, energy saving electrical appliances and green lighting promotion and city planning with the theme of new energy. As early as 2013, National Development and Reform Commission of PRC announced the “Plan for LED lighting energy saving industry”, stating that by 2015, all 60W incandescent lamp for normal lighting uses should be eliminated with market share lowered to below 10%; energy saving lighting including those traditional highly efficient lighting products should have market share stabilized at around 70%; functional lighting including LED lighting products should have a market share above 20%. Furthermore, LED backlights and landscape lighting should have market share around 70% and 80% respectively. The plan also sets out a target of approximately 30% CARG growth for LED lighting industry. It expects the market size of the LED lighting industry will reach approximately RMB450 billion in 2015 with LED lighting products taking up to RMB180 billion. The Group believes all the above measures, action plans and development goals in place will have a positive and stimulating impact on the healthy and sustainable growth of the industry.

The Group further believes that the markets of LED backlight and LED lighting in the PRC are comparatively scattered. However, with the rapid economic expansion and strong consumption market driven by economic transformation which is coming under the strong pull of mid-to-low-price smartphones and mid-to-high-end automobile markets, the LED backlight market in the PRC has experienced robust growth in recent few years. Whereas for the LED lighting industry in the PRC, with the support of the stable market demand, LED lighting market continues to expand. Development of LED commercial lighting market remained prosperous and vivid, in which indoor lighting constitutes a vital segment of the market.

However, the markets of LED backlight and LED lighting products in the PRC will continue to struggle due to over-supply as well as keen market competition, yet the Group believes large scale market consolidation will take place very soon. Overall productivity will gradually resume to a reasonable level and innovative products with high technological content will become a key driver of growth in the LED industry amid current intensive market competition.

Business Review

For the year ended 31 December 2014, the Group's revenue was approximately HK\$1,165,579,000, increased by 30.4% from approximately HK\$894,033,000 in 2013. During the year 2014, gross profit increased by HK\$50,516,000 from approximately HK\$225,327,000 in 2013 to approximately HK\$275,843,000, representing a 22.4% increase. Net profit, after deduction of listing fees of approximately HK\$16,927,000, was approximately HK\$61,193,000, increased by 10.9% as compared to approximately HK\$55,190,000 in 2013. The Group's revenue and gross/net profit growth was attributable to (i) exponential growth in the demand for smartphone backlight products under the pull of 4G smartphone; and (ii) technology and productivity enhancement due to the Group's investment in automobile on-board and television backlight products.

LED Backlight Business

The Group's LED backlight products are classified into 4 types, including: 1) smartphones; 2) automobile on-board displays; 3) television displays; and 4) other industrial equipment displays.

During the year 2014, revenue derived from LED backlight product related to smartphones, auto mobile on-board displays, television displays and equipment displays were approximately HK\$560,833,000, HK\$149,412,000, HK\$159,596,000, and HK\$201,105,000, respectively.

LED backlight products market had a challenging year during 2014. For the first half of the year, smartphone backlight market experienced an unexpectedly solid growth under the pull of the strong smartphone market bringing decent results for industry peers, whereas the growth slowed down during the second half of 2014 due to inventory issues curbing the demand for smartphone backlight products. Together with the pressure from price competition, the demand for LED backlight products from smartphone manufacturers was sluggish. However, the demand for the Group's automobile on-board displays and television large size backlight products was satisfactory, hence, the revenue of the Group's LED backlight products recorded growth in the full year results.

Automobile on-board and television LED backlights are the Group's key businesses for development. Given the higher penetration rate of multi-media and Complementary Metal Oxide Semiconductor ("CMOS") in automobiles, traditional meter displays were upgraded to LED displays stimulating the demand for automobile-related backlight products. Further, as the production rate of television increased within China itself, television LED backlight products had directly benefited from the domestic demand growth, together with the continuous update and upgrade of the LED backlight technology, it is expected that the growth for both automobile on-board and television backlight products will be maintained at a steady level in the future. The Group will, in its production, on one hand, lower the proportion of smartphone LED backlight, and on the other hand increase that of the automobile on-board and television LED backlight in order to fine-tune the product mix for better operating results.

The Group believes, due to the wide application of the LED backlight modules in many new products and given the strong growth of these popular goods, LED backlight modules are expected to have prosperous development in the near future.

The Group's clients for LED backlight products include manufacturers of smartphones, automobile on-board displays, equipment displays and TV panels. The Group has established long and stable relationships with our major customers, ranging from 5 to 16 years. It is believed that such long standing relationship with sizeable customers has set a good foundation for the Group's future development. The Group has reduced the revenue contribution from the top 5 customers from 80% in 2011 to 45% in 2014, to achieve diversification of customers.

LED Lighting Business

The Group's LED lighting business can be classified into 2 types, including commercial lighting and public lighting. This business provides various services including products, lighting solutions design, installation and maintenance etc. For the year ended 31 December 2014, revenue from commercial lighting was approximately HK\$55,776,000 whereas revenue from public lighting was approximately HK\$38,857,000.

The Group has developed a series of LED lighting products for indoor and outdoor uses. Given the high lighting efficiency, longevity, energy saving and environmental friendly nature of LED, the PRC government has adopted the use of LED lighting devices in street lighting systems to achieve energy saving.

As a well established LED lighting products manufacturer, the Group's environmental-friendly and quality LED lighting products are recognised and being recommended by the Guangzhou government authorities in the "Guangdong Province Green Lighting Model City Catalogue of Recommended Products for Procurement". By the end of 2014, the Group has changed the lighting devices in over 150 supermarkets and is striving to increase its market share in changing lighting devices in supermarkets.

LED lighting customers are always looking for solutions with lower costs. Under the theme of environmental protection and energy saving, public lighting optimisation and the PRC government's promotion to use more LED lighting devices will be the 2 key industry growth factors. By leveraging on the Group's extensive experience in governmental and sizable supermarket projects, it is believed that the Group will continue to benefit from the growing LED lighting market.

Quality Control

The Group has established stringent quality control procedures to ensure the quality of the LED products. The Group's quality control procedures start during product design stage and will continue till product manufacturing and storage. Quality control staffs participate in the product design process. There is a set of established procedures in selecting and approving new suppliers and raw materials, and thorough testing of product sample is carried out before mass production of the LED products.

The Group has purchased 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 our quality and environmental management systems, which serve as important assurance of the product quality and reliability.

Research and Development

The Group believes that success in research and development (“**R&D**”) is important in maintaining its competitiveness in the LED backlight and LED lighting industries which are characterised by rapid technological advancements. The Group places great emphasis on developing and improving the LED backlight and LED lighting products in order to remain competitive in the LED industry.

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 functions 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. In the future, the Group will continue to enhance its R&D capabilities in order to catch up with the strong demands in both LED backlight and LED lighting products markets. The Group currently has 26 patents registered in the PRC and 1 patent registered in Hong Kong.

Prospects

In response to the fast growing LED market and to further strengthen the Group’s leading industry position and competitiveness, the Group plans to actively fine-tune its product mix, adjust its production capacity and sales strategies in order to raise production capacity for automobile on-board displays and television backlight parts to meet ever-changing market demands. In terms of productions, the Group is looking for suitable manufacturers of LED parts, wishing to form strategic partnership or outsourcing production lines to further improve financial flexibility and reduce the reliance on workers. Further, the Group is working with backlight components manufacturers in Taiwan to produce more advanced television backlight modules to improve products quality and competitiveness.

In terms of LED lighting, the Group is seeking strategic partnership opportunities to expand product mix and increase product penetration rate; part of the plan is to partner with experienced and trustworthy customers which specialized in specific areas in LED lighting energy management services including supermarket lighting and hospital lighting for development projects so as to improve the Group’s industry goodwill, enable the Group to gain thorough understanding about customers’ needs and preferences and to lay a solid foundation for future LED lighting business development. The Group intends to expand its business outside China, especially targeting those emerging markets with high electricity costs by working with local contractors to bid for government street lighting projects. The Group also plans to establish sales teams, marketing networks, operation centres or maintenance centres in countries with high penetration rate of LED lighting products, such as Japan and South Korea in order to strengthen our Asian and global business network.

As for corporate management, the Group has been using enterprise resource planning (“ERP”) system for timely monitoring of its operation process, to promote information exchange between functions and to store and manage operational data. The Group is currently upgrading its ERP system applications, to focus resources on developing advanced production chain management system to allow different working teams to connect important production key checkpoints on an integrated information management platform. This is important for improving business operation efficiency, lowering management costs, promoting communications and coordination and tracking inventory levels effectively.

By leveraging on its over 30 years of LED industry experience and the above measures, the Group is working to develop itself into an integrated industry leader in terms of design, manufacturing and selling of LED backlight and LED lighting products.

Financial Review

Revenue

The Group’s revenue was derived from selling LED backlight and LED lighting products. For the year ended 31 December 2014, the sales of the Group’s LED backlight products was approximately HK\$1,070,946,000, increased by 33.0% from approximately HK\$805,162,000 in 2013; the increase was attributable to the continuous growth in mid-to-high end automobiles, smartphones and television markets. The sales of the Group’s LED lighting products was approximately HK\$94,633,000, with an increase of 6.5% from approximately HK\$88,871,000 in 2013. The growth was attributable to the increasing government spending on related LED lighting projects and the expansion of customers base. The Group participated in exhibitions in Dubai, Germany, China and Hong Kong to expand customers base and to explore overseas markets.

Gross Profit and Gross Profit Margin

During the year 2014, the Group’s gross profit was approximately HK\$275,843,000, increased by 22.4% from approximately HK\$225,327,000 in 2013. Gross profit margin was 23.7%, slightly decreased by 1.5% from 25.2% in 2013 due to increasing labour costs. The Group is actively eliminating outdated production procedures and to upgrade production facilities for more automation as well as to launch new and upgraded products to maintain gross profit margin.

Selling and Distribution Expenses

Labour costs, sales commissions and transportation costs were the Group’s major selling and distribution expenses. During the year 2014, the Group’s selling and distribution expenses was approximately HK\$22,918,000, increased by 5.1% compared with 2013, which was attributable to the Group’s expanded scale in sales, and increasing labour costs.

Administrative Expenses

Administrative expenses refer to the general expenses incurred in offices and factories. The Group focuses on effective management, by means of resources consolidation in the Shenzhen and Huizhou factories, as well as moving molds production departments from Shenzhen to Huizhou to reduce rental expenses. During the year 2014, the Group's administrative expenses was approximately HK\$99,879,000, increased by 8.3% compared with 2013. The increase was mainly due to the inclusion of listing expenses of approximately HK\$16,927,000, including related legal, professional and other fees during 2014.

Research and Development Expenses

R&D expenses are incurred for LED backlight and LED lighting products. During the year, the Group's R&D expenses was approximately HK\$48,625,000, increased by 43.8% as compared to 2013. The increase was attributable to increase in LED product types and the elimination of old molds from R&D teams.

Income Tax Expense

Income tax expense comprised current tax and movements in deferred tax assets and liabilities. One of the Group's subsidiaries, Shenzhen Wai Chi, is qualified as a "High-Tech Enterprise" in the PRC and subject to certain tax benefit, including a preferential enterprise income tax rate of 15% instead of the statutory rate of 25%. During the year 2014, the Group's income tax expense was approximately HK\$20,395,000, increased by 41.9% as compared to 2013, the increase was due to the increase in overall sales and profit before tax. The effective tax rate also increased from 20.7% in 2013 to 25.0% as the listing related expenses are not deductible expenses for tax purpose.

Inventories

As of the 2014 year-end date, the Group's inventory was approximately HK\$201,120,000, increased by 1.7% as compared to 2013. The increase in inventory was in line with the Group's sales growth and is mainly attributable to the increase in LED product types and the need to maintain stable supply to meet customers' demand.

Trade Receivables

As of the 2014 year-end date, the Group's net trade receivables was approximately HK\$532,657,000, increased by 38.8% as compared to 2013, in line with the growth of overall turnover. The Group's major customers are sizeable corporations with long term relationships, including a number of listed companies, hence the risk of trade receivables turning into bad debts is relatively low.

Trade Payables

As of the 2014 year-end date, the Group's trade payables was approximately HK\$222,643,000, increased by 19.3% as compared to 2013, the increase was attributable to the increased payments for merchandising of production related raw materials to catch up with the overall operation growth.

DIVIDEND

The board of directors resolved not to declare final dividend for the year ended 31 December 2014.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 18 November 2014. The total net proceeds from the initial public offering amounted to approximately HK\$161,542,000. The Group has, during the year ended 31 December 2014, utilized approximately HK\$12,800,000 to repay bank loan utilized for purchasing machinery and equipment, approximately HK\$455,000 to upgrade and expand our ERP system, approximately HK\$5,289,000 for our research and development activities including recruiting technical and expert staffs and enhancing our research and development capacity. At the end of the year 2014, net proceeds not yet utilized were deposited with licensed banks in Hong Kong and China.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and any of its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICES

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. Throughout the years ended 31 December 2014 and 2013, the Company has applied the principles of and complied with the code provisions stipulated in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company periodically reviews its corporate governance practices with reference to the latest development in corporate governance.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the Group's consolidated financial statements for the year ended 31 December 2014, 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 21 May 2015. 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 2014 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
Yiu Chi To
Chairman

Hong Kong, 26 March 2015

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