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SKY LIGHT HOLDINGS LIMITED

天彩控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3882)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS	Six months ended 30 June		CHANGE
	2022	2021	
	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	
REVENUE	264,630	317,228	(16.6%)
COST OF SALES	(221,290)	(259,372)	(14.7%)
GROSS PROFIT	43,340	57,856	(25.1%)
GROSS PROFIT MARGIN (%)	16.4%	18.2%	(1.8 p.p.t.)
LOSS FOR THE PERIOD	(1,585)	(7,992)	(80.2%)
Attributable to:			
OWNERS OF THE COMPANY	1,611	(8,176)	(119.7%)
NON-CONTROLLING INTERESTS (“NCI”)	(3,196)	184	(1,837.0%)
	(1,585)	(7,992)	(80.2%)
PROFIT/(LOSS) PER SHARE			
ATTRIBUTABLE TO OWNERS OF THE COMPANY			
BASIC AND DILUTED	HK0.2 cent	HK(0.9) cent	(122.2%)

The board (the “**Board**”) of directors (“**Directors**”) of Sky Light Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (“**2022 Interim**”), together with the comparative figures for the six months ended 30 June 2021 (“**2021 Interim**”). The condensed consolidated interim financial statements for 2022 Interim have not been audited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
	<i>Note</i>	2022	2021
		HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
Revenue	5	264,630	317,228
Cost of sales		<u>(221,290)</u>	<u>(259,372)</u>
Gross profit		43,340	57,856
Other income and other gains and losses		19,535	725
Selling and distribution expenses		(14,067)	(15,858)
Administrative expenses		(25,339)	(24,349)
Research and development expenses		(23,498)	(25,198)
Impairment loss on trade and factoring receivables		<u>(620)</u>	<u>(234)</u>
Loss from operations		(649)	(7,058)
Finance costs	6	(986)	(934)
Share of profit of an associate		<u>67</u>	<u>–</u>
Loss before tax		(1,568)	(7,992)
Income tax expense	7	<u>(17)</u>	<u>–</u>
Loss for the period	8	<u>(1,585)</u>	<u>(7,992)</u>
Attributable to:			
Owners of the Company		1,611	(8,176)
NCI		<u>(3,196)</u>	<u>184</u>
		<u>(1,585)</u>	<u>(7,992)</u>
Profit/(loss) per share			
Basic	10	<u>HK0.2 cent</u>	<u>HK(0.9) cent</u>
Diluted	10	<u>HK0.2 cent</u>	<u>HK(0.9) cent</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	<u>(1,585)</u>	<u>(7,992)</u>
Other comprehensive income:		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value changes of equity investment designated at fair value through other comprehensive income ("FVTOCI")	(4,658)	280
<i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(10,487)</u>	<u>3,611</u>
Other comprehensive income for the period, net of tax	<u>(15,145)</u>	<u>3,891</u>
Total comprehensive income for the period	<u><u>(16,730)</u></u>	<u><u>(4,101)</u></u>
Attributable to:		
Owners of the Company	(13,553)	(4,312)
NCI	<u>(3,177)</u>	<u>211</u>
	<u><u>(16,730)</u></u>	<u><u>(4,101)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2022

		30 June 2022	31 December 2021
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		31,635	40,500
Right-of-use assets		24,650	28,278
Intangible assets		5,908	7,038
Equity investment designated at FVTOCI		22,414	27,072
Investment in an associate		2,435	2,395
		<hr/>	<hr/>
Total non-current assets		87,042	105,283
Current assets			
Inventories		145,767	200,684
Trade and factoring receivables	<i>11</i>	78,316	44,223
Prepayments and other receivables		22,504	33,058
Financial asset at fair value through profit or loss (“FVTPL”)		5,100	5,022
Restricted and pledged bank deposits	<i>12</i>	2,747	5,753
Cash and cash equivalents		90,856	96,188
		<hr/>	<hr/>
		345,290	384,928
Non-current asset classified as held for sale		–	4,032
		<hr/>	<hr/>
Total current assets		345,290	388,960
Current liabilities			
Trade payables	<i>13</i>	84,824	118,596
Other payables and accruals		90,041	92,252
Interest-bearing bank borrowings	<i>14</i>	23,906	31,880
Lease liabilities		15,132	14,028
		<hr/>	<hr/>
Total current liabilities		213,903	256,756
Net current assets		131,387	132,204
		<hr/>	<hr/>
Total assets less current liabilities		218,429	237,487
		<hr/>	<hr/>

	30 June 2022	31 December 2021
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current liability		
Lease liabilities	<u>11,629</u>	<u>16,515</u>
Net assets	<u>206,800</u>	<u>220,972</u>
Equity		
Equity attributable to owners of the Company		
Share capital	9,528	9,528
Reserves	<u>202,049</u>	<u>212,417</u>
	211,577	221,945
NCI	<u>(4,777)</u>	<u>(973)</u>
Total equity	<u>206,800</u>	<u>220,972</u>

NOTES

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 18 December 2013. The Company's registered office address is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 July 2015.

The Company is an investment holding company. During the review period, the Company's subsidiaries were principally engaged in:

- Manufacture and distribution of home surveillance cameras
- Manufacture and distribution of digital imaging products
- Manufacture and distribution of other electronic products

In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company is Fortune Six Investment Ltd., a company incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021. The accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2021.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The accounting policies applied in these condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2021. A number of new standards or amended standards are effective from 1 January 2022 but they do not have a material effect on the Group's consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

The Group focuses primarily on the manufacture and distribution of home surveillance cameras, digital imaging products and other electronic products during the period.

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, does not contain profit or loss information of each product line and the Directors reviewed the financial results of the Group as a whole. Therefore, the operations of the Group constitute one single reportable segment. Accordingly, no operating segment is presented.

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
United States of America	130,345	214,361
Mainland China	32,589	32,487
European Union	88,009	60,184
Other countries/regions	13,687	10,196
	<u>264,630</u>	<u>317,228</u>

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

(b) Non-current assets

	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Mainland China	45,237	55,903
Hong Kong	1,209	1,814
Other countries/regions	15,747	18,099
	<u>62,193</u>	<u>75,816</u>

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

Information about major customers

Revenue derived from sales to individual customers, which accounted for 10% or more of the total revenue, is set out below:

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A	77,181	158,725
Customer B	64,796	42,623

5. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Type of goods or services		
Sale of industrial products	257,720	311,162
Provision of manufacturing services	6,910	6,066
Total revenue from contracts with customers	264,630	317,228
Timing of revenue recognition		
Goods transferred at a point in time	264,630	317,228

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on:		
Bank borrowings	152	122
Lease liabilities	834	812
	<u>986</u>	<u>934</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
— PRC Corporate Income Tax (“CIT”)	17	—

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income. Preferential tax treatments were available for one (2021: one) of the Group’s principal operating subsidiaries, Sky Light Electronics (Shenzhen) Limited, since it was recognised as High and New Technology Enterprises and entitled to a preferential tax rate of 15% during the reporting period.

The Group’s subsidiaries in the United States of America are subject to the federal tax at a rate of 21% (2021: 21%), and also subject to the statutory applicable state corporate income tax at a rate of 8.84% (2021: 8.84%).

The Group’s subsidiary in Britain is subject to corporate income tax at a rate of 19% (2021: 19%). The Group’s subsidiary in Vietnam is subject to corporate income tax at a rate of 20% (2021: 20%).

8. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	221,290	259,372
Depreciation of investment property	–	81
Depreciation of property, plant and equipment	7,090	8,193
Depreciation of right-of-use assets	8,119	7,481
Amortisation of intangible assets ⁽ⁱ⁾	1,007	769
Direct operating expenses of investment properties that generate rental income	–	62
Research and development expenses	23,498	25,198
Employee benefit expense (excluding directors' and chief executive's remuneration):		
— Wages and salaries	60,679	65,757
— Pension scheme contributions ⁽ⁱⁱ⁾	4,618	4,371
— Equity-settled share-based payments	96	256
	65,393	70,384
Allowance for inventories	8,031	9,894
Reversal of allowance for inventories ⁽ⁱⁱⁱ⁾	(29,741)	(26,765)
Reversal of allowance for inventories, net (included in cost of inventories sold)	(21,710)	(16,871)
Impairment losses of trade and factoring receivables	620	234
Exchange (gains)/losses, net	(6,570)	3,489
Loss on disposals of property, plant and equipment	204	62
Gain on disposal of non-current asset classified as held for sale	(10,790)	–
Other payables written off	(173)	–
	=====	=====

Note:

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

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

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

During the six months ended 30 June 2022 and 2021, the Group had no forfeited contributions under the PRC Retirement Scheme and MPF Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 30 June 2022 and 31 December 2021 under the PRC Retirement Scheme and MPF Scheme which may be used by the Group to reduce the contribution payable in future years.

(iii) The reversal of allowance for inventories for both periods was mainly resulted from the utilisation of the inventories of which allowance had previously been provided.

9. DIVIDEND

The Directors do not recommend the payment of any interim dividend during the period (2021 Interim: Nil).

10. PROFIT/(LOSS) PER SHARE

The calculation of basic and diluted profit/(loss) per share is based on the following:

	Six months ended 30 June	
	2022	2021
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Profit/(loss)		
Profit/(loss) for the purpose of calculating basic and diluted profit/(loss) per share	<u>1,611</u>	<u>(8,176)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted profit/(loss) per share	<u>952,739,455</u>	<u>952,739,455</u>

The Company’s share options have no dilutive effect for the six months ended 30 June 2022 because the exercise price of the Company’s share options was higher than the average market price of the Company’s share for 2022 Interim.

As anti-dilutive effect is resulted following the losses incurred by the Group, no adjustment has been made to the basic loss per share amounts for 2021 Interim.

11. TRADE AND FACTORING RECEIVABLES

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	42,079	30,318
Impairment losses	(3,404)	(2,992)
	<u>38,675</u>	<u>27,326</u>
Factoring receivables	40,159	17,242
Impairment losses	(518)	(345)
	<u>39,641</u>	<u>16,897</u>
	<u>78,316</u>	<u>44,223</u>

The general credit terms of the Group granted to its customers range from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

The Group has entered into receivable purchase arrangements with a bank for the factoring of trade receivables with a designated customer. As at 30 June 2022, trade receivables factored to the bank aggregated to HK\$40,159,000 (At 31 December 2021: HK\$17,242,000).

The ageing analysis of the trade and factoring receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 1 month	27,927	17,905
1 to 2 months	22,644	16,316
2 to 3 months	15,332	8,802
Over 3 months	12,413	1,200
	<u>78,316</u>	<u>44,223</u>

12. RESTRICTED AND PLEDGED BANK DEPOSITS

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Restricted bank deposits	–	3,022
Pledged bank deposits	<u>2,747</u>	<u>2,731</u>
	<u><u>2,747</u></u>	<u><u>5,753</u></u>

The Group's pledged bank deposits represented deposits pledged to a bank to secure banking facilities granted to the Group as set out in note 14 to this announcement.

13. TRADE PAYABLES

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables	<u>84,824</u>	<u>118,596</u>

The ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 1 month	34,272	47,774
1 to 2 months	16,140	42,843
2 to 3 months	20,639	12,883
Over 3 months	<u>13,773</u>	<u>15,096</u>
	<u><u>84,824</u></u>	<u><u>118,596</u></u>

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 150 days.

14. INTEREST-BEARING BANK BORROWINGS

		30 June 2022	31 December 2021
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Bank loans — secured	<i>(ii)</i>	8,210	22,369
Factoring loans — secured	<i>(iii)</i>	15,696	9,511
		23,906	31,880

The borrowings are repayable as follows:

Within one year	23,906	31,880
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Note:

- (i) The Group's banking facilities amounting to HK\$46,544,000 (At 31 December 2021: HK\$46,394,000), of which HK\$23,906,000 (At 31 December 2021: HK\$31,880,000) had been utilised as at the end of the reporting period.
- (ii) The bank loans were secured by the pledge of the Group's life insurance policy and pledged bank deposits, personal guarantee executed by a controlling shareholder of the Company, corporate guarantees executed by a company controlled by the controlling shareholder of the Company and two subsidiaries of the Group respectively.
- (iii) Factoring loan of HK\$15,696,000 (At 31 December 2021: HK\$9,511,000) is secured by the pledge of the Group's factoring receivables as disclosed in note 11.
- (iv) The secured bank and factoring loans carry effective interest rates ranging from 1.9% to 3.3% (At 31 December 2021: 1.3% to 1.7%) per annum.
- (v) All borrowings are denominated in the US\$.

15. CAPITAL COMMITMENTS

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

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Purchases of plant and machinery	2,468	941

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group is principally engaged in the sales, development and manufacture of home surveillance cameras, police cameras, video conference devices, 360-degree cameras, baby monitors, remote learning devices and other imaging products for various purposes. Leveraging its substantial experience in various digital imaging products, the Group sets itself apart from other manufacturers by mainly providing customers with design-driven joint design manufacturing (“**JDM**”) and original design manufacturing (“**ODM**”) solutions.

For 2022 Interim, the Group’s total turnover was approximately HK\$264.6 million, which was about 16.6% lower compared to approximately HK\$317.2 million for 2021 Interim. We recorded a loss of approximately HK\$1.6 million, a decrease of about 80.2% compared with 2021 Interim.

For the first half of 2022, our business was affected by the following reasons.

1. Due to the instability of the supply chain, many customers’ orders exceeded their demands last year. This led to their inventory backlog when their sales were slow this year, and reduced orders to us.
2. Due to the deglobalization, inflation, high interest rates, the worldwide economy was slow. This also affected the demand for consumer electronics products.

Under this unfavorable economic situation, we strive for more new projects and do our best to reduce our cost in the first half of 2022.

For 2022 Interim, our revenue mainly came from the manufacture of home surveillance cameras, police cameras, baby monitors and remote learning devices.

In view of the under-utilisation of the property by the Group in Hong Kong, on 8 February 2022, the Group disposed a property situated at Room 1009, 10/F, Kwong Sang Hong Centre, 151–153 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong at a consideration of HK\$15 million and recognized a gain of approximately HK\$10.8 million from the disposal of property during 2022 Interim. For details of the disposal, please refer to the announcements of the Company dated 5 January 2022 and 6 January 2022, respectively.

Prospects

In the second half of 2022, we believe that deglobalization, high inflation and recession are the main challenges for our business. We will monitor closely and reduce the risks by taking effective measures. Furthermore, we will further speed up the operation and provide better service to our customers.

Because of the pandemic of Covid-19, more people are used to working from home and using video conferencing to communicate. We believe that the demand for the video conference devices will increase. Therefore, we will put more effort into developing more products in this category. Besides, we are also looking for opportunity of other kinds of business which is beneficial to the Group.

In order to improve our financial performance, we will strive to increase market share and provide customers with high-quality products and solutions through the following strategies.

- Continue to develop innovative products driven by the market.
- Actively explore the market of Japan, Europe and other Asia countries.
- We will work deeper in our main product lines by all aspect. We believe that we can strengthen our competitive advantages in the product categories.
- Optimize the Group's operation and provide efficient service to customers.

Financial review

Turnover

The Group's products mainly consist of the following three categories: (i) home surveillance cameras, (ii) digital imaging products, and (iii) other products. It generates revenue predominantly from sales of these products, as well as from other income, such as research and development ("R&D") service and tooling fees associated with products that it manufactures for customers. The following table sets out the breakdown of the revenue from sales of major products by product type for the periods indicated:

	Six months ended 30 June				Revenue change
	2022		2021		
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	
	<i>(Unaudited)</i>	<i>revenue</i>	<i>(Unaudited)</i>	<i>revenue</i>	
Sale of Products					
Home surveillance cameras	165,035	62.4%	208,387	65.7%	(20.8%)
Digital imaging products	50,442	19.0%	56,092	17.7%	(10.1%)
Other products	42,243	16.0%	46,683	14.7%	(9.5%)
SUB-TOTAL	257,720	97.4%	311,162	98.1%	(17.2%)
Manufacturing service income	6,910	2.6%	6,066	1.9%	13.9%
Total	264,630	100.0%	317,228	100.0%	(16.6%)

For 2022 Interim, the Group recorded a turnover of approximately HK\$264.6 million (2021 Interim: approximately HK\$317.2 million), representing a significant decrease of approximately 16.6% as compared to 2021 Interim. This decrease was mainly attributable to the decrease in the shipment units of home surveillance cameras.

The Group sells its products mainly to customers in the US and the European Union and it is expected that the US and the European Union markets will continue to contribute the majority of the Group's revenue in the foreseeable future. The following table sets out the breakdown of revenue by location of customers for the periods indicated:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
United States of America	130,345	214,361
Mainland China	32,589	32,487
European Union	88,009	60,184
Other countries and areas	13,687	10,196
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Total	264,630	317,228
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Cost of sales

Cost of sales represents costs and expenses directly attributable to the manufacture of the Group's products which comprise (i) raw materials, components and parts, including, among others, key components such as digital signal processors, lenses and sensors; (ii) direct labour; and (iii) production overhead, mainly including depreciation of production equipment and indirect labour.

For 2022 Interim, cost of sales of the Group amounted to approximately HK\$221.3 million (2021 Interim: approximately HK\$259.4 million), representing a decrease of approximately 14.7% as compared to 2021 Interim, and amounted to approximately 83.6% (2021 Interim: approximately 81.8%) of its turnover for 2022 Interim. Cost of sales decrease was mainly due to the slightly decrease in the shipment units.

Gross profit and gross profit margin

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	264,630	317,228
Cost of sales	(221,290)	(259,372)
Gross profit	43,340	57,856
Gross profit margin	16.4%	18.2%

The Group recorded a gross profit of approximately HK\$43.3 million for 2022 Interim (2021 Interim: approximately HK\$57.9 million), representing a decrease of approximately 25.1% as compared to 2021 Interim. The gross profit margin decreased from approximately 18.2% for 2021 Interim to approximately 16.4% for 2022 Interim. This decrease was mainly due to the decrease of revenue relatively slightly increase the fixed manufacturing cost of home surveillance cameras.

Other income and other gains and losses

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

For 2022 Interim, other income and other gains and losses of the Group significantly increased to approximately HK\$19.5 million as compared to 2021 Interim of approximately HK\$0.7 million, which was primarily attributable to the increase of approximately HK\$10.8 million on the gain on disposal of non-current asset classified as held for sales and of approximately HK\$6.6 million in exchange gains.

Selling and distribution expenses

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

For 2022 Interim, selling and distribution expenses of the Group slightly decreased by approximately 11.3% to approximately HK\$14.1 million from approximately HK\$15.9 million for 2021 Interim. The decrease was mainly due to the Group's stringent cost control during 2022 Interim.

Administrative expenses

Administrative expenses mainly include (i) salaries and benefits of the Group's management, administrative and finance staff; (ii) rental and office expenses; (iii) professional fees; and (iv) entertainment expenses.

For 2022 Interim, administrative expenses of the Group slightly increased by approximately 4.1%. The increase was mainly due to the increase of approximately HK\$1.1 million salaries and benefits of the Group's management staff.

Research and development costs

Research and development costs include (i) salaries and benefits of the Group's research and development and product planning staff; (ii) raw materials, components and parts used for research and development and product planning; and (iii) other miscellaneous costs and expenses such as rental fees, design service fees, depreciation and certification fees.

For 2022 Interim, the Group recorded research and development costs of approximately HK\$23.5 million, which decreased by approximately 6.7% from approximately HK\$25.2 million for 2021 Interim. The decrease was mainly due to the Group's stringent cost control during 2022 Interim.

Finance costs

For 2022 Interim, the finance costs of the Group slightly increased to approximately HK\$1.0 million (2021 Interim: approximately HK\$0.9 million), representing an increase by approximately 5.6% as compared to 2021 Interim. The increase was mainly due to bank loan interest slightly increased.

Income tax expense

For 2022 Interim, income tax expense of the Group of approximately HK\$17,000 (2021 Interim: Nil).

Net loss

As a result of the foregoing, the Group recorded a loss of approximately HK\$1.6 million for 2022 Interim (attributable to non-controlling interests was a loss of approximately HK\$3.2 million).

Liquidity and capital resources

The Group's principal cash requirements are to pay for working capital needs, capital expenditures for the expansion and upgrade of production facilities. The Group meets these cash requirements by relying on cash flows generated from operating activities and proceeds from issue of shares as its principal sources of funding. The following table sets out its selected consolidated cash flow for the periods indicated:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash flows generated from/(used in) operating activities	5,612	(28,813)
Net cash flows generated from/(used in) investing activities	12,905	(2,432)
Net cash flows (used in)/generated from financing activities	(13,867)	17,222
Net increase/(decrease) in cash and cash equivalents	4,650	(14,023)
Cash and cash equivalents at beginning of period	96,188	97,486
Effect of foreign exchange rate changes, net	(9,982)	2,827
Cash and cash equivalents at end of period	90,856	86,290

Net cash generated from operating activities for 2022 Interim was approximately HK\$5.6 million, which primarily reflected (i) the loss before tax of approximately HK\$1.6 million; (ii) the decrease in inventories of approximately HK79.7 million; (iii) the increase in trade receivables of approximately HK\$34.7 million; and (iv) the decrease in trade payables of approximately HK\$33.8 million.

Net cash generated from investing activities for 2022 Interim was approximately HK\$12.9 million. This mainly consisted of the proceeds from disposal of non-current asset classified as held for sale of approximately HK\$14.8 million.

Net cash used in the financing activities for 2022 Interim was approximately HK\$13.9 million, which was mainly reflected (i) the net loans of bank borrowing of approximately HK\$8.0 million; (ii) the principal portion of lease payments approximately HK\$8.2 million; and (iii) the proceed from disposal of interest in a subsidiary without loss of control of approximately HK\$2.4 million.

The Group's cash and cash equivalents were mainly denominated in US dollar ("US\$"), Hong Kong dollar ("HK\$"), Vietnamese Dong ("VN\$") and Renminbi ("RMB") as at 30 June 2022.

Borrowings and the pledge of assets

The Group's banking facilities amounting to approximately HK\$46.5 million as at 30 June 2022 (At 31 December 2021: approximately HK\$46.4 million), of which approximately HK\$23.9 million (At 31 December 2021: approximately HK\$31.9 million) had been utilised as at the end of 2022 Interim.

The bank loans were secured by the pledge of the Group's life insurance policy and bank deposits, personal guarantee executed by a controlling shareholder of the Company, corporate guarantees executed by a company controlled by the controlling shareholder of the Company and two subsidiaries of the Group respectively. The factoring loan of approximately HK\$15.7 million (At 31 December 2021: approximately HK\$9.5 million) was secured by the pledge of the Group's factoring receivables.

The Group's bank borrowings are all denominated in US\$, the secured bank and factoring loans carry effective interest rates ranging from 1.9% to 3.3% (At 31 December 2021: 1.3% to 1.7%) per annum. All borrowings are repayable within one year.

Gearing ratio

Gearing ratio is calculated by dividing total debt (which equals interest-bearing bank borrowings and lease liabilities) by total equity as at the end of each period. The Group's gearing ratio as at 31 December 2021 and 30 June 2022 was approximately 28.2% and approximately 24.5% respectively. The decrease in gearing ratio was primarily due to slightly decrease in outstanding interest-bearing bank borrowings.

Capital expenditure

During 2022 Interim, the Group invested approximately HK\$2.1 million (2021 Interim: approximately HK\$3.4 million) in fixed assets and intangible assets.

Off balance sheet transactions

During 2022 Interim, the Group did not enter into any material off balance sheet transactions.

Foreign exchange exposure and exchange rate risk

The Group has transactional currency exposure, which arises from sales in currencies other than the relevant operating units, that is, functional currencies. Approximately 86.5% and 85.5% of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sales, whilst approximately 63.9% and 49.6% of inventory costs were denominated in their functional currencies for 2021 Interim and 2022 Interim, respectively.

During 2022 Interim, there was no material impact to the Group arising from the fluctuation in the exchange rates of these currencies. The Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its foreign exchange exposure during 2022 Interim (2021 Interim: Nil). In addition, the Group did not have any foreign currency net investments which have been hedged by currency borrowing and other hedging investments.

Events after the reporting period

There are no significant events affecting the Group which occurred after the reporting period of 2022 Interim and up to the date of this announcement.

Treasury policies

During 2022 Interim, the Group did not have any investment under its treasury policies.

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

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

The Group has an experienced management team and strict procedures in place to ensure the wealth management products are purchased in compliance with its internal policies and requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”). The management, internal audit and the Board (including the independent non-executive Directors) regularly review its compliance with the treasury investment policies and assess the risk associated with these investments.

Employees and emoluments policy

As at 30 June 2022, the Group employed a total of 1,074 employees (31 December 2021: 1,448). The staff costs of the Group, excluding directors’ emoluments and any contributions to pension scheme, were approximately HK\$65.3 million for 2022 Interim (2021 Interim: approximately HK\$70.4 million), approximately HK\$0.1 million for 2022 Interim (2021 Interim: approximately HK\$0.3 million) of which are the expenses for the Group’s share option schemes. All of the Group’s employees are paid a fixed salary and a bonus depending on their performance as determined by quarterly assessments. The Group seeks to provide compensation for its research and development staff at above-market levels to attract and retain talents. It regularly reviews compensation and benefit policies to ensure that its practices are in line with the market and in compliance with relevant labour regulations. To provide its employees, among others, additional incentives to enhance its business performance, the Group has adopted the pre-IPO share option scheme and the share option scheme, under which grantees are entitled to exercise the options to subscribe for shares subject to the terms and conditions of the respective schemes.

Significant investments held

The Group currently held 8.47% equity interest in a start-up company, Kandao Technology Co., Ltd. (“**Kandao**”) The investment was acquired by the Group from the period November 2016 to January 2017 at an initial amount of HK\$45.4 million.

Kandao was established on January 2016, which focuses on the technology and development of software and hardware for imaging electronics products. The main products includes 6-eye 8K resolution three-dimensional professional panoramic camera, 8K resolution consumer panoramic camera and 360-degree smart conference video.

Kandao’s products have won the best innovation award in the Consumer Electronics Show of digital imaging category.

During 2022 Interim, Kandao has strengthen the product promotion. It is expected that there will be a steady development trend in the year.

As at 30 June 2022, the investment accounted for 5.2% of the Group's total assets and the fair value of this investment held by the Group was approximately HK\$22.4 million (31 December 2021: approximately HK\$27.1 million) presenting HK\$4.7 million unrealized loss for the six months ended 30 June 2022. No dividend was received from this investment during 2022 Interim (2021 Interim: Nil).

The directors believe that imaging products and solutions will be widely used with different applications, especially in the upcoming 5G era.

The Group will continue to hold this unlisted equity investment for the following reasons:

- (i) This investment still has potential for growth in the future;
- (ii) This investment has synergies with the Group's business and can widen sales channel.

Save as disclosed above, there was no investment held by the Group with a value of 5% or more of the Company's total assets as at 30 June 2022.

Future plans for material investments or capital assets

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

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during 2022 Interim.

Contingent liabilities

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: Nil).

Dividend

The Board does not recommend the payment of interim dividend for 2022 Interim (2021 Interim: Nil).

Financial position as at 30 June 2022

As at 30 June 2022, the Group's total equity was approximately HK\$206.8 million (31 December 2021: approximately HK\$221.0 million), total assets amounted to approximately HK\$432.3million (31 December 2021: approximately HK\$494.2 million) and total liabilities stood at approximately HK\$225.5 million (31 December 2021: approximately HK\$273.3 million).

OTHER INFORMATION

Purchase, sale or redemption of listed securities

The Company is empowered by the applicable Companies Law, Cap 22 of the Cayman Islands and the articles of association of the Company to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the applicable laws of the Cayman Islands. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during 2022 Interim.

Corporate governance practices

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard the interests of the shareholders of the Company and to enhance corporate value, accountability and transparency of the Company.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. Throughout the period from 1 January 2022 up to the date of this announcement, the Company has complied with all applicable code provisions of the CG Code except for code provision C.2.1.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. As Mr. Tang Wing Fong Terry is the chairman of the Board and chief executive officer of the Company, the Company has deviated from the code provision C.2.1. The Board considers that having Mr. Tang Wing Fong Terry acting as both the chairman of the Board and the chief executive officer of the Company will provide a strong and consistent leadership to the Company and allow for more effective planning and management for the Group. In view of Mr. Tang's extensive experience in the industry, personal profile and critical role in the Group and its historical development, the Board considers that it is beneficial to the business prospects of the Group that Mr. Tang

continues to act as both the chairman of the Board and the chief executive officer of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

Model code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct governing its directors’ securities transactions. Specific enquiries have been made with all Directors and they have confirmed that they have complied with the Model Code during 2022 Interim.

The Company has also established written guidelines on terms no less exacting than the Model Code (the “**Employees Written Guidelines**”), for securities transactions by relevant employees (including directors or employees of a subsidiary or holding company of the Company) who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company. In case when the Company is aware of any restricted period for dealings in the Company’s securities, the Company will notify its directors and relevant employees in advance.

AUDIT COMMITTEE

The Audit Committee consists of three members, namely Mr. Tse Yat Hong (chairman of the Audit Committee), Dr. Cheung Wah Keung and Mr. Chan Tsu Ming Louis, all of them are independent non-executive Directors.

The Group’s interim results for the six months ended 30 June 2022 have been reviewed by all members of the Audit Committee. Based on such review, the Audit Committee was satisfied that the Group’s unaudited interim results were prepared in accordance with applicable accounting standards. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

The condensed consolidated financial statements of the Group for the six months ended 30 June 2022 have not been audited but have been reviewed by RSM Hong Kong in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement for 2022 Interim has been published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.sky-light.com.hk>) respectively.

The interim report of the Company for the six months ended 30 June 2022 containing all the relevant information required by the Listing Rules and the relevant laws and regulations will be despatched to the shareholders of the Company and available on above websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank all our stakeholders and business partners for their ongoing support, and our Directors, management and employees for their dedication and contribution to our progress.

By order of the Board
Sky Light Holdings Limited
Tang Wing Fong Terry
Chairman

Hong Kong, 29 August 2022

As at the date of this announcement, the executive Directors are Mr. Tang Wing Fong Terry and Mr. Lu Yongbin; the non-executive Directors is Ms. Tang Kam Sau; and the independent non-executive Directors are Mr. Chan Tsu Ming Louis, Dr. Cheung Wah Keung and Mr. Tse Yat Hong.