

INTERIM REPORT 2022

Sky Light Holdings Limited
天彩控股有限公司

Stock Code **3882**

Incorporated in the Cayman Islands with limited liability



Sky Light Holdings Limited



2022

INTERIM REPORT

Contents

- 02** Financial Highlights
 - 03** Corporate Information
 - 05** Management Discussion and Analysis
 - 14** Other Information
 - 25** Independent Review Report
 - 27** Condensed Consolidated Statement of Profit or Loss
 - 28** Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
 - 29** Condensed Consolidated Statement of Financial Position
 - 31** Condensed Consolidated Statement of Changes in Equity
 - 32** Condensed Consolidated Statement of Cash Flows
 - 33** Notes to the Condensed Consolidated Financial Statements
-

Financial Highlights

	Six months ended 30 June		CHANGE
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (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%)

Corporate Information

Board (the “Board”) of Directors of the Company (the “Director(s)”)

Executive Directors

Mr. Tang Wing Fong Terry (*Chairman*)
Mr. Lu Yongbin

Non-executive Director

Ms. Tang Kam Sau

Independent Non-executive Directors

Mr. Tse Yat Hong
Dr. Cheung Wah Keung
Mr. Chan Tsu Ming Louis

Committees of the Board

Audit Committee

(the “Audit Committee”)

Mr. Tse Yat Hong (*Chairman*)
Dr. Cheung Wah Keung
Mr. Chan Tsu Ming Louis

Remuneration Committee

(the “Remuneration Committee”)

Mr. Tse Yat Hong (*Chairman*)
Mr. Tang Wing Fong Terry
Mr. Chan Tsu Ming Louis

Nomination Committee

(the “Nomination Committee”)

Mr. Tang Wing Fong Terry (*Chairman*)
Mr. Tse Yat Hong
Mr. Chan Tsu Ming Louis

Authorized Representatives

Mr. Tang Wing Fong Terry
Mr. Lu Yongbin

Company Secretary

Mr. Lu Yongbin

Registered Office

Second Floor, Century Yard, Cricket Square
P.O. Box 902, Grand Cayman, KY1-1103
Cayman Islands

Head Office, Headquarters and Principal Place of Business in the People’s Republic of China (“China” or the “PRC”)

Building No. 8 & 1-2/FL Building No. 9
Antuoshan High-tech Industrial Park
Xinsha Road, Shajing, Bao’An
Shenzhen
PRC

Principal Place of Business in Hong Kong

Room 1910 19/F Kwong Sang Hong Centre
151–153 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

Auditor

RSM Hong Kong
Certified Public Accountants
Registered Public Interest Entity Auditor
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

Hong Kong Legal Adviser

Mayer Brown
16th–19th Floors, Prince’s Building
10 Charter Road
Central
Hong Kong

Corporate Information

Cayman Islands Principal Registrar and Transfer Office

Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard, Cricket Square
P.O. Box 902, Grand Cayman, KY1-1103
Cayman Islands

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal Bankers

Hongkong and Shanghai Banking
Corporation Limited
Level 10 HSBC Main Building
1 Queen's Road Central
Hong Kong

Stock Code

3882

Company Website Address

www.sky-light.com.hk

Management Discussion and Analysis

Business Review

Sky Light Holdings Limited (the “Company”), together with its subsidiaries (together, 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 providing customers with design-driven joint design manufacturing (“JDM”) and original design manufacturing (“ODM”) solutions.

For the six months ended 30 June 2022 (“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 the six months ended 30 June 2021 (“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.

- (i) 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.
- (ii) 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.

Management Discussion and Analysis

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				
	2022 HK\$'000 (Unaudited)	% of total revenue	2021 HK\$'000 (Unaudited)	% of total revenue	Revenue change
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.

Management Discussion and Analysis

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 HK\$'000 (Unaudited)	2021 HK\$'000 (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
TOTAL	264,630	317,228

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 HK\$'000 (Unaudited)	2021 HK\$'000 (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%

Management Discussion and Analysis

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 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.

Management Discussion and Analysis

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 HK\$'000 (Unaudited)	2021 HK\$'000 (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 HK\$79.7 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.

Management Discussion and Analysis

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 proceeds 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 trade and 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.

Management Discussion and Analysis

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 report.

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.

Management Discussion and Analysis

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 Board 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 report, 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).

Management Discussion and Analysis

Dividend

The Board did 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\$432.3 million (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

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2022, the interests or short positions of the Directors and chief executive of the Company in the shares of the Company ("Shares"), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Name of director	Nature of interest	Number of shares ⁽¹⁾	Interest in underlying shares of share option ⁽¹⁾	Approximate percentage of total issued shares in the Company ⁽⁶⁾
Mr. Tang Wing Fong Terry ⁽²⁾	Founder of a discretionary trust	417,717,600(L)	–	69.09%
	Beneficial owner	240,485,957(L)		
Ms. Tang Kam Sau ⁽³⁾	Interest in a controlled corporation	39,192,000(L)	–	4.11%
Mr. Lu Yongbin ⁽⁴⁾	Beneficial owner	3,851,800(L)	560,000(L)	0.46%
Mr. Tse Yat Hong ⁽⁵⁾	Beneficial owner	–	1,000,000(L)	0.10%
Dr. Cheung Wah Keung ⁽⁵⁾	Beneficial owner	–	1,000,000(L)	0.10%
Mr. Chan Tsu Ming Louis ⁽⁵⁾	Beneficial owner	–	1,000,000(L)	0.10%

Notes:

- (1) The letter "L" denotes the Directors' long position in the shares.
- (2) The disclosed interest represents (i) the interest in 417,717,600 Shares beneficially held by Fortune Six Investment Limited., which is wholly-owned by CMB Wing Lung (Trustee) Limited as trustee for the Tang's Family Trust (i.e. The Trust 168) through Antopex Limited and Best One International Limited (as nominees for CMB Wing Lung (Trustee) Limited), and Tang Wing Fong Terry is a founder of The Trust 168 and was deemed to be interested in the 417,717,600 Shares by virtue of Part XV of the SFO, and (ii) his personal interest in 240,485,957 Shares.
- (3) Ms. Tang Kam Sau is the sole shareholder of Uphigh Global Limited, which holds 39,192,000 Shares. By virtue of the SFO, she is deemed to be interested in Uphigh Global Limited's interest in the Company by virtue of the SFO.
- (4) The disclosed interest represents Mr. Lu Yongbin's (i) his personal interest in 3,851,800 Shares, and (ii) 560,000 underlying Shares in respect of the share options granted under the share option scheme adopted by the Company on 12 June 2015.
- (5) These represent the share options of the Company granted to the respective directors under the Company's share option scheme adopted by the Company on 12 June 2015.
- (6) Based on a total of 952,739,455 Shares in issue as at 30 June 2022.

Other Information

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executive of the Company had any interest or short position in the Shares or underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Others' Interests and Short Positions in Shares and Underlying Shares

To the best knowledge of the Directors, as at 30 June 2022, the following persons (other than the Directors or chief executive of the Company), were directly or indirectly, interested in 5% or more of the Shares or short positions in the Shares and the underlying Shares of the Company, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name of shareholder	Capacity/Nature of interest	Number of shares ⁽¹⁾	Approximate percentage of total issued shares in the Company ⁽⁴⁾
CMB Wing Lung (Trustee) Limited ⁽²⁾	Trustee	417,717,600 (L)	43.84%
Antopex Limited ⁽²⁾	Nominee for another person	417,717,600 (L)	43.84%
Best One International Limited ⁽²⁾⁽³⁾	Interest of controlled corporation	417,717,600 (L)	43.84%
Fortune Six Investment Limited ⁽²⁾⁽³⁾	Beneficial owner	417,717,600 (L)	43.84%

Notes:

- (1) The letter "L" denotes a person's long position in the shares of the Company.
- (2) CMB Wing Lung (Trustee) Limited as trustee holds 417,717,600 Shares by virtue of the SFO. The Shares beneficially held by Fortune Six Investment Limited, which is wholly-owned by CMB Wing Lung (Trustee) Limited as trustee for the Tang's Family Trust (i.e. The Trust 168) through Antopex Limited and Best One International Limited (as nominees for CMB Wing Lung (Trustee) Limited), of which Mr. Tang Wing Fong Terry, an executive Director, is a founder. Each of Antopex Limited, Best One International Limited and CMB Wing Lung (Trustee) Limited was deemed to be interested in the 417,717,600 Shares by virtue of Part XV of the SFO.
- (3) The interest of Best One International Limited and Fortune Six Investment Limited was also disclosed in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".
- (4) Based on a total of 952,739,455 Shares in issue as at 30 June 2022.

Other Information

Save as disclosed above, as at 30 June 2022, the Directors are not aware of any other corporation or individual (other than the Directors or chief executive of the Company) who had an interest or a short positions in the Shares or underlying Shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

Save as disclosed above, as at 30 June 2022, none of the Director is a director or employee of a company which had an interest in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Directors' Interests in Contracts of Significance

Save as disclosed in the note 26 to the condensed consolidated financial statements, the Group has not entered into any transaction, arrangement or contract of significance in relation to the business of the Group, in which a Director or an entity connected with the Director had a material interest, either directly or indirectly, and to which the Company, its holding company or subsidiaries or any of its controlling shareholders (as defined in the Listing Rules) or any of its subsidiaries or fellow subsidiaries was a party subsisted as at 30 June 2022 or at any time during 2022 Interim.

Directors' Interest in Competing Business

During 2022 Interim, none of the Directors has any interest in a business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the Group's business.

Directors' Rights to Acquire Shares or Debenture

Save as disclosed herein, at no time during 2022 Interim was the Group a party to any arrangements to enable the Directors of the Group to acquire benefits by means of acquisition of shares in, or debentures of the Group or any other body corporate.

Purchase, Sale or Redemption of Listed Securities

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

Issue of Equity Securities

The Company did not allot and issue any equity securities (including securities convertible into equity securities) during 2022 interim.

Share Option Scheme

A share option scheme (the “Share Option Scheme”) was conditionally adopted on 12 June 2015, which became effective on 2 July 2005 (the “Listing Date”). The key terms of the scheme are set out below:

(1) The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) have made or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

“Eligible Participants” refers to:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Group, the assessment criteria of which are:
 - (a) contribution to the development and performance of our Group;
 - (b) quality of work performed for our Group;
 - (c) initiative and commitment in performing his/her duties; and
 - (d) length of service or contribution to our Group.

(2) The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, being 80,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of its shareholders (the “Shareholders”) in general meeting and/or such other requirements prescribed under the Listing Rules from time to time.

Other Information

- (3) The maximum entitlement of each Eligible Participant in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares in issue as at the date of offer to grant.
- (4) An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.
- (5) An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.
- (6) Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period ending 12 June 2025.
- (7) The exercise price is determined by the directors of the Company at their discretion and will not be lower than the higher of: (a) the closing price of the ordinary shares on the Stock Exchange at the offer date, which must be a trading day; (b) the average closing price of the ordinary shares on the Stock Exchange for the 5 business days immediately preceding the offer date; (c) the nominal value of the Company's share.

As at the date of this report, the total number of Shares available for issue under the Share Option Scheme is 49,649,000 Shares, representing approximately 5.2% of the total number of Shares in issue.

Other Information

A summary of the movements of the share options under the Share Option Scheme during 2022 Interim are as follows:

Date of Grant	15 September 2016 ^(Note 1)	1 December 2016 ^(Note 2)	18 May 2017 ^(Note 3)	26 April 2018 ^(Note 4)	16 May 2019 ^(Note 5)	16 April 2021 ^(Note 6)
Share Options outstanding as at 1 January 2022	7,350,000	4,000,000	6,633,000	6,804,000	6,740,000	3,000,000
Share Options exercised during the period	–	–	–	–	–	–
Share Options cancelled during the period	–	–	–	–	–	–
Share Options lapsed during the period	99,000	–	258,000	348,000	3,481,000	–
Share Options outstanding as at 30 June 2022	7,251,000	4,000,000	6,375,000	6,456,000	3,259,000	3,000,000
Approximate percentage of the total number of Shares in issue as at the date of this report	0.76%	0.42%	0.67%	0.68%	0.34%	0.31%
Exercise price of the Share Options	HK\$1.70	HK\$1.986	HK\$2.206	HK\$0.94	HK\$0.42	HK\$0.20
Closing price immediately before the date of grant	HK\$1.56	HK\$2.04	HK\$2.21	HK\$0.90	HK\$0.42	HK\$0.18
Exercise period and vesting period	(Note 7)	(Note 8)	(Note 9)	(Note 10)	(Note 11)	(Note 12)

Notes:

- (1) On 15 September 2016, 12,942,000 Share Options were granted to certain eligible participants pursuant to the Share Option Scheme based on the terms set out in the Company's announcement dated 15 September 2016. Among the Share Options granted on 15 September 2016, 750,000 Share Options were granted to Mr. Chan Tsu Ming Louis, an independent non-executive Director and 750,000 Share Options were granted to Dr. Cheung Wah Keung, an independent non-executive Director.
- (2) On 1 December 2016, 9,900,000 Share Options were granted to certain employees of the Group as "Employee Options" and 10,000,000 Share Options were granted to certain parties who contribute or have contributed to the Group, including an agent developing the Group's sales channels and members of a supplier of the Group as "Contributor Options" based on the terms set out in the Company's announcement dated 1 December 2016.
- (3) On 18 May 2017, share options to subscribe for a total of 15,000,000 Shares were granted to employees of the Group pursuant to the Share Option Scheme based on the terms set out in the Company's announcement dated 18 May 2017. Among the said Share Options granted, 210,000 Shares were granted to Mr. Lu Yongbin, an executive Director and the chief financial officer and the company secretary of the Company.

Other Information

- (4) On 26 April 2018, share options to subscribe for a total of 12,522,000 Shares were granted to employees of the Group pursuant to the Share Option Scheme based on the terms set out in the Company's announcement dated 26 April 2018. Among the said Share Options granted, 252,000 Shares were granted to Mr. Lu Yongbin, an executive Director and the chief financial officer and the company secretary of the Company, 750,000 Shares were granted to Mr. Tse Yat Hong, an independent non-executive Director.
- (5) On 16 May 2019, 13,110,000 share options were granted to certain eligible employees pursuant to the Share Option Scheme based on the terms set out in the Company's announcement dated 16 May 2019. Among the said Share Options granted, 294,000 Shares were granted to Mr. Lu Yongbin, an executive Director and the chief financial officer and the company secretary of the Company, 750,000 Shares were granted to Mr. Tse Yat Hong, an independent non-executive Director, 750,000 Shares were granted to Dr. Cheung Wah Keung, an independent non-executive Director and 750,000 Shares were granted to Mr. Chan Tsu Ming Louis, an independent non-executive Director.
- (6) On 16 April 2021, 3,000,000 share options were granted to certain eligible employees pursuant to the Share Option Scheme based on the terms set out in the Company's announcement dated 16 April 2021.
- (7) One-third of these share options became vested on 15 September 2017 and shall be exercisable at any time during the period commenced on 15 September 2017 and ending on 14 September 2022 (both dates inclusive), a further one-third became vested on 15 September 2018 and shall be exercisable at any time during the period commenced on 15 September 2018 and ending on 14 September 2023 (both dates inclusive), and the remaining one-third became vested on 15 September 2019 and shall be exercisable at any time during the period commenced on 15 September 2019 and ending on 14 September 2024 (both dates inclusive).
- (8)
 - (a) For the share options granted to the employees who are not senior management, one-third of these share options became vested on 1 December 2017 and shall be exercisable at any time during the period commenced on 1 December 2017 and ending on 30 November 2022 (both dates inclusive), a further one-third became vested on 1 December 2018 and shall be exercisable at any time during the period commenced on 1 December 2018 and ending on 30 November 2023 (both dates inclusive), and the remaining one-third became vested on 1 December 2019 and shall be exercisable at any time during the period commenced on 1 December 2019 and ending on 30 November 2024 (both dates inclusive);
 - (b) For the share options granted to persons who are senior management, (i) conditional upon the achievement of certain performance targets by the Group, up to one-third of these share options became vested on 31 January 2018 and shall be exercisable at any time during the period commenced on 31 January 2018 and ending on 30 January 2023 (both dates inclusive); (ii) conditional upon the achievement of certain performance targets by the Group, up to one-third of these share options became vested on 31 January 2019 and shall be exercisable at any time during the period commenced on 31 January 2019 and ending on 30 January 2024 (both dates inclusive); and (iii) conditional upon the achievement of certain performance targets by the Group, up to one-third of these share options shall become vested on 31 January 2020 and shall be exercisable at any time during the period commenced on 31 January 2020 and ending on 30 January 2025 (both dates inclusive);
 - (c) For the share options granted to members of a supplier of the Group, one-third of these share options became vested on 1 December 2017 and shall be exercisable at any time during the period commenced on 1 December 2017 and ending on 30 November 2022 (both dates inclusive), a further one-third became vested on 1 December 2018 and shall be exercisable at any time during the period commenced on 1 December 2018 and ending on 30 November 2023 (both dates inclusive), and the remaining one-third became vested on 1 December 2019 and shall be exercisable at any time during the period commenced on 1 December 2019 and ending on 30 November 2024 (both dates inclusive); and
 - (d) For the share options granted to an agent developing the Group's sales channels, (i) conditional upon the achievement of certain performance targets by the Group, up to one-third of these share options became vested on 31 January 2018 and shall be exercisable at any time during the period commenced on 31 January 2018 and ending on 30 January 2023 (both dates inclusive); (ii) conditional upon the achievement of certain performance targets by the Group, up to one-third of these share options became vested on 31 January 2019 and shall be exercisable at any time during the period commenced on 31 January 2019 and ending on 30 January 2024 (both dates inclusive); (iii) conditional upon the achievement of certain performance targets by the Group, up to one-third of these share options became vested on 31 January 2020 and shall be exercisable at any time during the period commenced on 31 January 2020 and ending on 30 January 2025 (both dates inclusive).
- (9) One-third of these share options became vested on 18 May 2018 and shall be exercisable at any time during the period commenced on 18 May 2018 and ending on 17 May 2023 (both dates inclusive), a further one-third became vested on 18 May 2019 and shall be exercisable at any time during the period commenced on 18 May 2019 and ending on 17 May 2024 (both dates inclusive), and the remaining one-third became vested on 18 May 2020 and shall be exercisable at any time during the period commenced on the 18 May 2020 and ending on 17 May 2025 (both dates inclusive).

Other Information

- (10) One-third of these share options became vested on 26 April 2019 and shall be exercisable at any time during the period commenced on 26 April 2019 and ending on 25 April 2024 (both dates inclusive), a further one-third became vested on 26 April 2020 and shall be exercisable at any time during the period commenced on 26 April 2020 and ending on 25 April 2025 (both dates inclusive), and the remaining one-third became vested on 26 April 2021 and shall be exercisable at any time during the period commenced on 26 April 2021 and ending on 25 April 2026 (both dates inclusive).
- (11) One-third of these share options became vested on 16 May 2020 and shall be exercisable at any time during the period commenced on 16 May 2020 and ended on 15 May 2021 (both dates inclusive), a further one-third became vested on 16 May 2021 and shall be exercisable at any time during the period commenced on 16 May 2021 and ended on 15 May 2022 (both dates inclusive), and the remaining one-third shall become vested on 16 May 2022 and shall be exercisable at any time during the period commenced on 16 May 2022 and ending on 15 May 2023 (both dates inclusive).
- (12) One-third of these share options shall become vested on 16 April 2022 and shall be exercisable at any time during the period commenced on 16 April 2022 and ending on 15 April 2023 (both dates inclusive), a further one-third shall become vested on 16 April 2023 and shall be exercisable at any time during the period commencing on 16 April 2023 and ending on 15 April 2024 (both dates inclusive), and the remaining one-third shall become vested on 16 April 2024 and shall be exercisable at any time during the period commencing on 16 April 2024 and ending on 15 April 2025 (both dates inclusive).
- (13) No participant was granted with share options in excess of the individual limit as set out in the Share Option Scheme.

The valuation of options granted under the Share Option Scheme was conducted based on the binomial model with the following assumptions:

At grant date	15 September 2016 & 1 December 2016	18 May 2017	26 April 2018	16 May 2019	16 April 2021
Expected volatility (per year)	45.69%–65.81%	57.63%–61.27%	59.03%–62.75%	59.67%–61.87%	66.12%
Expected life of options (year)	6.0–8.17	6.0–8.0	6.0–8.0	2.0–4.0	2.0–4.0
Average risk-free interest rate (per year)	1.44%–2.09%	1.16%–1.22%	2.11%–2.13%	1.56%–1.69%	1.09%–2.39%
Expected dividend yield (per year)	3.93%–5.32%	5.32%	5.74%	5.32%	0%
Estimated rate of leaving service (per year)	0%–25%	25%	27.5%	27.5%	0%

The variables and assumptions used in computing the fair values of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The amount will either be transferred to share capital when the related share options are exercised, or be transferred to retained profits when the related share options expire or be forfeited.

The Group recognized share option expense of approximately HK\$0.11 million during 2022 Interim (2021 Interim: recognized share option expense of approximately HK\$0.30 million) in relation to the share options granted by the Company.

There were no share options granted by the Company during 2022 Interim.

Other Information

Pension Scheme

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 PRC, 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 2022 Interim, 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 under the PRC Retirement Scheme and the MPF Scheme which may be used by the Group to reduce the contribution payable in future years.

Corporate Governance Practices

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

The Company has adopted the principles and code provisions 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 2022 Interim, 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 role(s) of chairman and chief executive should be separate and should not be performed by the same individual. As the duties of the chairman of the Board (“Chairman”) and the chief executive officer of the Company are performed by Mr. Tang Wing Fong Terry, the Company has deviated from the code provision C.2.1. The Board considers that having Mr. Tang Wing Fong Terry acting as both the Chairman and the chief executive officer of the Company will provide a strong and consistent leadership to the Company and allow for more effective planning and management for the Group. In view of Mr. Tang’s extensive experience in the industry, personal profile and critical role in the Group and its historical development, the Board considers that it is beneficial to the business prospects of the Group that Mr. Tang continues to act as both the Chairman and the chief executive officer of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

Other Information

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 the 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 terms 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 during 2022 interim. 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.

Change in Directors’ Biographical Details under Rule 13.51B of the Listing Rules

Upon specific enquiry by the Company and confirmations from Directors, there has been no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

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 2022 Interim report 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 report 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 2022 Interim have not been audited but have been reviewed by the Company’s auditor, 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.

Nomination Committee

The Company established Nomination Committee on 12 June 2015 with its written terms of reference by reference to the code provisions of the CG Code. The primary duties of the Nomination Committee are to review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board, procedures for nomination and appointment, to assess the independence of independent non-executive Directors; and to make recommendations to the Board on the selection of candidates for any Director and senior management positions. The Nomination Committee comprises three members, being Mr. Tang Wing Fong Terry (chairman of the Board), Mr. Chan Tsu Ming Louis (independent non-executive Director) and Mr. Tse Yat Hong (independent non-executive Director). Mr. Tang Wing Fong Terry currently serves as the chairman of the Nomination Committee.

Other Information

Remuneration Committee

The Company established Remuneration Committee on 12 June 2015 with its written terms of reference in compliance with the Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration of the Directors and senior management, remuneration policy and structure for all Directors and senior management, and establish transparent procedures for developing such remuneration policy and structure. The Remuneration Committee consists of three members, being Mr. Tse Yat Hong (independent non-executive Director), Mr. Tang Wing Fong Terry (chairman of the Board) and Mr. Chan Tsu Ming Louis (independent non-executive Director). Mr. Tse Yat Hong currently serves as the chairman of the Remuneration Committee.

Sufficiency of Public Float

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued shares as required under the Listing Rules from 1 January 2022 up to the date of this report.

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

Hong Kong
29 August 2022

Independent Review Report



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TO THE BOARD OF DIRECTORS OF SKY LIGHT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 27 to 48 which comprises the condensed consolidated statement of financial position of Sky Light Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2022 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Review Report

Scope of Review

We conducted our review 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 HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

RSM Hong Kong

Certified Public Accountants

29 August 2022

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

	Note	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	6	264,630	317,228
Cost of sales		(221,290)	(259,372)
Gross profit		43,340	57,856
Other income and other gains and losses	7	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		(620)	(234)
Loss from operations		(649)	(7,058)
Finance costs	8	(986)	(934)
Share of profit of an associate		67	–
Loss before tax		(1,568)	(7,992)
Income tax expense	9	(17)	–
Loss for the period	10	(1,585)	(7,992)
Attributable to:			
Owners of the Company		1,611	(8,176)
Non-controlling interests (“NCI”)		(3,196)	184
		(1,585)	(7,992)
Profit/(loss) per share			
Basic	12	HK0.2 cent	HK(0.9) cent
Diluted	12	HK0.2 cent	HK(0.9) cent

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Loss for the period	(1,585)	(7,992)
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	(10,487)	3,611
Other comprehensive income for the period, net of tax	(15,145)	3,891
Total comprehensive income for the period	(16,730)	(4,101)
Attributable to:		
Owners of the Company	(13,553)	(4,312)
NCI	(3,177)	211
	(16,730)	(4,101)

Condensed Consolidated Statement of Financial Position

At 30 June 2022

	Note	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	13	31,635	40,500
Right-of-use assets	14	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
Total non-current assets		87,042	105,283
Current assets			
Inventories		145,767	200,684
Trade and factoring receivables	15	78,316	44,223
Prepayments and other receivables	16	22,504	33,058
Financial asset at fair value through profit or loss ("FVTPL")	17	5,100	5,022
Restricted and pledged bank deposits	18	2,747	5,753
Cash and cash equivalents		90,856	96,188
		345,290	384,928
Non-current asset classified as held for sale		–	4,032
Total current assets		345,290	388,960
Current liabilities			
Trade payables	19	84,824	118,596
Other payables and accruals	20	90,041	92,252
Interest-bearing bank borrowings	21	23,906	31,880
Lease liabilities		15,132	14,028
Total current liabilities		213,903	256,756
Net current assets		131,387	132,204
Total assets less current liabilities		218,429	237,487
Non-current liability			
Lease liabilities		11,629	16,515
Net assets		206,800	220,972

Condensed Consolidated Statement of Financial Position

At 30 June 2022

	Note	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Equity			
Equity attributable to owners of the Company			
Share capital	22	9,528	9,528
Reserves	23	202,049	212,417
		211,577	221,945
NCI		(4,777)	(973)
Total equity		206,800	220,972

Approved by the Board of Directors on 29 August 2022 and are signed on its behalf by:

Tang Wing Fong Terry
Director

Lu Yongbin
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Unaudited										
	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000 Note 23(b)(i)	Fair value reserve of equity investment designated at FVTOCI HK\$'000	Capital reserve HK\$'000 Note 23(b)(ii)	Share-based payments reserve HK\$'000 Note 23(b)(iii)	Statutory reserve HK\$'000 Note 23(b)(iv)	Accumulated losses HK\$'000	Foreign currency translation reserve HK\$'000 Note 23(b)(v)	Total HK\$'000	NCI HK\$'000	Total equity HK\$'000
At 1 January 2021	9,528	752,853	(6,652)	148,807	24,227	37,050	(727,765)	(20,741)	217,307	(1,477)	215,830
Loss for the period	-	-	-	-	-	-	(8,176)	-	(8,176)	184	(7,992)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	3,584	3,584	27	3,611
Changes in fair value of equity investment designated at FVTOCI, net of tax	-	-	280	-	-	-	-	-	280	-	280
Total comprehensive income for the period:	-	-	280	-	-	-	(8,176)	3,584	(4,312)	211	(4,101)
Equity-settled share option arrangements	-	-	-	-	303	-	-	-	303	-	303
At 30 June 2021	9,528	752,853	(6,372)	148,807	24,530	37,050	(735,941)	(17,157)	213,298	(1,266)	212,032
At 1 January 2022	9,528	752,853	(3,967)	148,807	15,152	37,050	(722,166)	(15,312)	221,945	(973)	220,972
Loss for the period	-	-	-	-	-	-	1,611	-	1,611	(3,196)	(1,585)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(10,506)	(10,506)	19	(10,487)
Changes in fair value of equity investment designated at FVTOCI, net of tax	-	-	(4,658)	-	-	-	-	-	(4,658)	-	(4,658)
Partial disposal of interest in a subsidiary without loss of control	-	-	-	-	-	-	3,074	2	3,076	(627)	2,449
Total comprehensive income for the period:	-	-	(4,658)	-	-	-	4,685	(10,504)	(10,477)	(3,804)	(14,281)
Lapse of share option	-	-	-	-	(715)	-	715	-	-	-	-
Equity-settled share option arrangements	-	-	-	-	109	-	-	-	109	-	109
At 30 June 2022	9,528	752,853	(8,625)	148,807	14,546	37,050	(716,766)	(25,816)	211,577	(4,777)	206,800

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	5,612	(28,813)
Purchases of property, plant and equipment	(2,000)	(2,085)
Purchases of intangible assets	(144)	(1,085)
Proceeds from disposals of property, plant and equipment	193	86
Interest received	34	652
Proceed from disposal of non-current asset classified as held for sales	14,822	–
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	12,905	(2,432)
Inception of interest-bearing bank borrowings	52,218	48,854
Repayments of interest-bearing bank borrowings	(60,192)	(24,005)
Interest paid	(152)	(122)
Principal elements of lease payments	(8,190)	(7,505)
Proceed from disposal of interest in a subsidiary without loss of control	2,449	–
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(13,867)	17,222
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,650	(14,023)
Effect of foreign exchange rate changes	(9,982)	2,827
CASH AND CASH EQUIVALENTS AT 1 JANUARY	96,188	97,486
CASH AND CASH EQUIVALENTS AT 30 JUNE	90,856	86,290

Notes to the Condensed Consolidated Financial Statements

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 of the Company (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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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. Fair Value and Fair Value Hierarchy of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group’s policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy

Description	Fair value measurements using:			Total
	Level 1 HK\$’000	Level 2 HK\$’000	Level 3 HK\$’000	30 June 2022 HK\$’000
Recurring fair value measurements:				
Financial assets at FVTOCI:				
Unlisted equity investment	–	–	22,414	22,414
Financial assets at FVTPL:				
Investment in a life insurance policy	–	5,100	–	5,100
	–	5,100	–	27,514

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

4. Fair Value and Fair Value Hierarchy of Financial Instruments *(Continued)*

(a) Disclosures of level in fair value hierarchy (Continued)

Description	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	31 December
	HK\$'000	HK\$'000	HK\$'000	2021 HK\$'000
Recurring fair value measurements:				
Financial assets at FVTOCI:				
Unlisted equity investment	–	–	27,072	27,072
Financial assets at FVTPL:				
Investment in a life insurance policy	–	5,022	–	5,022
	–	5,022	27,072	32,094

(b) Reconciliation of financial assets measured at fair value based on level 3

	Financial assets at FVTOCI	
	2022	2021
	HK\$'000	HK\$'000
At 1 January	27,072	24,387
Total gains or (losses) recognised in other comprehensive income	(4,658)	2,685
At 30 June/31 December	22,414	27,072

The total gains or losses recognised in other comprehensive income are presented in fair value changes of equity investment designated at fair value through other comprehensive income in the statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

4. Fair Value and Fair Value Hierarchy of Financial Instruments *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements (Continued)

The fair value of unlisted equity investment has been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about expected future cash flows, credit risk, volatility and discount rates. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair value of investment in life insurance is determined by reference to the Cash Surrender Value as provided by the insurance company

5. 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
	264,630	317,228

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

5. Operating Segment Information *(Continued)*

Geographical information (Continued)

(b) Non-current assets

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

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 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Customer A	77,181	158,725
Customer B	64,796	42,623

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

6. Revenue

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (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.

7. Other Income and Other Gains and Losses

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Bank interest income	34	652
Government grants*	1,749	2,982
Fair value gain on financial assets at FVTPL	78	–
Gain on disposal of non-current asset held for sales	10,790	–
Other payables written off	173	–
Rental income	–	213
Exchange gains/(losses), net	6,570	(3,489)
Loss on disposals of property, plant and equipment	(204)	(62)
Others	345	429
	19,535	725

* Government grants mainly represents rewards or subsidies for research from the local governments without unfulfilled conditions.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

8. Finance Costs

An analysis of finance costs is as follows:

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

9. Income Tax Expense

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (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%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

10. Loss for the Period

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (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 ⁽ⁱⁱⁱ⁾	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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

10. Loss for the Period *(Continued)*

Note: *(Continued)*

(ii) *(Continued)*

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.

11. Dividend

The Directors do not recommend the payment of any interim dividend during the period (six months ended 30 June 2021: Nil).

12. 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 (Unaudited)	HK\$'000 (Unaudited)
Profit/(loss)		
Profit/(loss) for the purpose of calculating basic and diluted profit/(loss) per share	1,611	(8,176)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted profit/(loss) per share	952,739,455	952,739,455

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 the six months ended 30 June 2022.

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 the six months ended 30 June 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

13. Property, Plant and Equipment

During the six months ended 30 June 2022, the Group acquired property, plant and equipment of HK\$2,000,000 (six month ended 30 June 2021: HK\$2,085,000).

Certificates of ownership in respect of buildings of the Group located in Mainland China with a net carrying value of HK\$2,966,000 as at 30 June 2022 (31 December 2021: HK\$3,228,000) have not yet been issued by the relevant Mainland China authorities. The Group is in the process of obtaining these certificates.

14. Right-of-use Assets

During the six months ended 30 June 2022, the Group entered into new lease agreements for use of office, factory and staff quarters for 3 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised HK\$5,247,000 of right-of-use assets and lease liabilities.

15. Trade and Factoring Receivables

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

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).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

15. Trade and Factoring Receivables *(Continued)*

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 impairment losses, is as follows:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (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
	78,316	44,223

16. Prepayments and Other Receivables

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Prepayments	5,117	3,813
Value added tax receivables	6,614	10,351
Deposits and other receivables	10,773	18,894
	22,504	33,058

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

17. Financial Asset At FVTPL

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Investment in life insurance policy	5,100	5,022

In March 2010, the Group's subsidiary, Sky Light Digital Limited entered into a life insurance policy with an insurance company to insure Mr. Tang Wing Fong, Terry, a director of the Company. Under the policy, the beneficiary and the policy holder is Sky Light Digital Limited and the total insured sum is HK\$12,422,000. The Group was required to pay a one-off premium payment of HK\$4,109,000 at the inception of the policy. A guaranteed interest rate of 5.2% per annum applied for the first year, followed by the discretionary portion with a minimum guaranteed interest rate of 3.0% per annum for the following years until termination. The Group can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal ("Cash Surrender Value"), which is determined by the premium payment plus accumulated guaranteed interest earned minus the accumulated insurance charges, policy expense charges and a specified amount of surrender charge if the withdrawal is made between 1st to 15th policy year.

The carrying amount represented the Cash Surrender Value of the policy and approximates its fair value at the end of the reporting periods. As at 30 June 2022 and 31 December 2021, the life insurance was pledged to a bank to secure banking facilities of the Group as set out in note 21. Details of fair value measurement are set out in note 4.

18. Restricted and Pledged Bank Deposits

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

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 21.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

19. Trade Payables

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

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 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (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	13,773	15,096
	84,824	118,596

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

20. Other Payables and Accruals

	Note	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Contract liabilities		39,419	41,252
Other payables		6,072	10,420
Salary and welfare payables		8,216	14,181
Accruals		50	–
Amount due to a director	(i)	29,466	20,112
Withholding tax payables		6,818	6,287
		90,041	92,252

Note:

- (i) Amount due to a director is non-trade in nature, unsecured and non-interest-bearing. It included an amount of HK\$17,773,000 which is payable on demand, HK\$5,846,000 which is payable on 26 July 2022 and HK\$5,847,000 which is payable on 26 June 2023.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

21. Interest-Bearing Bank Borrowings

	Note	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Bank loans — secured	(ii)	8,210	22,369
Factoring loans — secured	(iii)	15,696	9,511
		23,906	31,880
The borrowings are repayable as follows:			
Within one year		23,906	31,880

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 as set out in note 17 and bank deposits as set out in note 18, 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 15.
- (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\$.

22. Share Capital

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Authorised: 2,000,000,000 ordinary shares of HK\$0.01 each	20,000	20,000
Issued and fully paid 952,739,455 (At 31 December 2021: 952,739,455) ordinary shares of HK\$0.01 each	9,528	9,528

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

23. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current period and prior period are presented in the condensed consolidated statement of changes in equity on pages 31 of the condensed consolidated financial statements.

(b) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital reserve

The Group's capital reserve represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the Company's shares issued in exchange therefor.

(iii) Share-based payments reserve

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors and employees of the Group.

(iv) Statutory reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

24. Contingent Liabilities

The Group did not have any significant contingent liabilities at 30 June 2022 (At 31 December 2021: Nil).

25. Capital Commitments

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

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

26. Related Party Transactions

Compensation of key management personnel of the Group

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Short-term employee benefits	1,446	1,411
Post-employment benefits	74	65
Equity-settled share option payment	5	24
Total compensation paid to key management personnel	1,525	1,500

27. Comparative Figures

Certain comparative figures have been reclassified to confirm to the current period's presentation. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

28. Approval of Condensed Consolidated Financial Statements

The condensed consolidated financial statements of the Group for the six months ended 30 June 2022 were approved and authorised for issue by the Board of Directors on 29 August 2022.