

# INTERIM REPORT 2021

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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



# 2021

## INTERIM REPORT

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# Financial Highlights

	Six months ended 30 June		CHANGE
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	
REVENUE	317,228	157,568	101.3%
COST OF SALES	(259,372)	(125,354)	106.9%
GROSS PROFIT	57,856	32,214	79.6%
GROSS PROFIT MARGIN (%)	18.2%	20.4%	(2.2 p.p.t.)
LOSS FOR THE PERIOD	(7,992)	(22,463)	(64.4%)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT BASIC AND DILUTED	HK(0.9) cents	HK(2.2) cents	(59.1%)

# 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**

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

### **Remuneration Committee**

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

### **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”)

No. 8 & 9 Building  
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 Equity 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

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## 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  
Level 54, Hopewell Centre  
183 Queen's Road East  
Wanchai  
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](http://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.

As the production capacity of our Vietnam factory increases during the six months ended 30 June 2021 (“2021 Interim”), the Group are also offering customers with original equipment manufacturing (“OEM”) solution.

For 2021 Interim, the Group’s turnover significantly increased by approximately HK\$159.6 million to HK\$317.2 million from approximately HK\$157.6 million for the six months ended 30 June 2020 (“2020 Interim”).

We recorded a loss of about HK\$8 million for 2021 Interim, a decrease of about 64.4% compared with the 2020 Interim.

The improvement in financial performance is attributed to the following reasons:

- (i) The impact of coronavirus pandemic (the “COVID-19”) was much smaller for 2021 Interim.
- (ii) Our Group has continuously improved the operation process, especially our production in Vietnam factory.
- (iii) We have achieved positive results in optimizing our customer portfolio in the past two years.

For 2021 Interim, we still suffered from the shortage of semiconductor components due to the disruptions on global supply chain caused by COVID-19 and the cost increase caused by the shortage. In order to minimize the impact, we have made great effort to develop second component source.

Due to the travel restriction, we hired the local Vietnamese to undertake most of the management and technical work of our Vietnam factory. With the continuous improvement of their work quality, this helped us to fulfill the orders of American customers and significantly increase our sales revenue.

For 2021 Interim, our revenue mainly came from the manufacture of home surveillance cameras, police cameras, baby monitors and remote learning devices. These businesses are expected to continue growing in the second half of 2021.

## Prospects

In the second half of 2021, we believe that the shortage of semiconductor chips and the impact of COVID-19 in Vietnam are the main challenges our business is facing. We will work closely with suppliers and actively negotiate with customers on prices and material preparation mechanisms to reduce the related risks.

In order to further expand our business, we will increase our production capacity in Vietnam from 150,000 units per month to 250,000 units from the fourth quarter of 2021.

# Management Discussion and Analysis

In 2021, we will continue to optimize the Group's operation in order to provide efficient services to our customers. Due to the travel restrictions, we believe that the demand for video conferencing equipment will increase. Therefore, we will develop more of these products.

In order to improve our financial performance and achieve a profit turnaround as soon as possible, 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 Mainland China.
- Strengthen our audio/video streaming technology to enhance our competitiveness.
- Optimize the Group's operation and provide efficient services 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				
	2021 HK\$'000 (Unaudited)	% of total revenue	2020 HK\$'000 (Unaudited)	% of total revenue	Revenue change
<b>Sale of Products</b>					
Home surveillance cameras	208,387	65.7%	38,488	24.4%	441.4%
Digital imaging products	56,092	17.7%	88,827	56.4%	(36.9%)
Other products	46,683	14.7%	30,253	19.2%	54.3%
SUB-TOTAL	311,162	98.1%	157,568	100%	97.5%
Manufacturing service income	6,066	1.9%	–	–	–
<b>TOTAL</b>	<b>317,228</b>	<b>100.0%</b>	157,568	100.0%	101.3%

For 2021 Interim, the Group recorded a turnover of approximately HK\$317.2 million (2020 Interim: approximately HK\$157.6 million), representing a significant increase of approximately 101.3% as compared to 2020 Interim. This increase was mainly attributable to the significant rise 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
United States of America	214,361	90,565
Mainland China	32,487	24,039
European Union	60,184	29,500
Other countries and areas	10,196	13,464
<b>TOTAL</b>	<b>317,228</b>	157,568

## 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 2021 Interim, cost of sales of the Group amounted to approximately HK\$259.4 million (2020 Interim: approximately HK\$125.4 million), representing an increase of approximately 106.9% as compared to 2020 Interim, and amounted to approximately 81.8% (2020 Interim: approximately 79.6%) of its turnover for 2021 Interim. As the turnover increased more than doubled, the corresponding cost of sales has also increased more than doubled. The increase in the cost of raw materials was also affect the increase in cost of sales.

## Gross profit and gross profit margin

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	317,228	157,568
Cost of sales	259,372	125,354
Gross Profit	57,856	32,214
Gross Profit Margin	18.2%	20.4%

# Management Discussion and Analysis

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The Group recorded a gross profit of approximately HK\$57.9 million for 2021 Interim (2020 Interim: approximately HK\$32.2 million), representing an increase of approximately 79.6% as compared to 2020 Interim. The gross profit margin decreased from approximately 20.4% for 2020 Interim to approximately 18.2% for 2021 Interim. This decrease was mainly due to the increase in both cost of raw materials and the sales of home surveillance cameras which generated lower gross profit margin.

## ***Other income and gains***

Other income and gains mainly include (i) bank interest income; and (ii) government grants, which mainly consist of rewards and subsidies for research activities granted by the local government with no unfulfilled conditions or contingencies.

For 2021 Interim, other income and gains of the Group significantly decreased by approximately 52.0% to approximately HK\$4.3 million as compared to 2020 Interim, which was primarily attributable to a decrease of approximately HK\$3.3 million in government subsidies.

## ***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 2021 Interim, selling and distribution expenses of the Group slightly increased by approximately 19.0% to approximately HK\$15.9 million from approximately HK\$13.3 million for 2020 Interim, mainly due to the increase of marketing, exhibition and advertising costs of approximately HK\$1.1 million for 2021 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 2021 Interim, administrative expenses of the Group slightly decreased by approximately 3.3%. The decrease was mainly due to the Group's stringent cost control during 2021 interim.

## ***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 2021 Interim, the Group recorded research and development costs of approximately HK\$25.2 million, which increased by approximately 9.8% from approximately HK\$22.9 million for 2020 Interim. The increase was mainly due to the increase of salaries and benefits of the Group's research and development and product planning staff approximately HK\$3.1 million for 2021 Interim.

# Management Discussion and Analysis

## Other expenses

Other expenses include principally (i) exchange loss 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 and (ii) impairment losses of assets.

For 2021 Interim, other expenses of the Group increased to approximately HK\$4.7 million from approximately HK\$1.9 million for 2020 Interim. The increase was mainly due to exchange losses increased by approximately HK\$3.5 million.

## Finance costs

For 2021 Interim, the finance costs of the Group decreased to approximately HK\$0.9 million (2020 Interim: approximately HK\$1.2 million), representing a decrease by approximately 22.2% as compared to 2020 Interim. The decrease was mainly due to interest on leasing decreased by approximately HK\$0.2 million.

## Income tax expense

For 2021 Interim, there was no income tax expense of the Group due to the loss for the period (2020 Interim: Nil).

## Net loss

As a result of the foregoing, the Group recorded a loss of approximately HK\$8.0 million for 2021 Interim (attributable to non-controlling interests was a profit of approximately HK\$0.2 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net cash flows (used in)/from operating activities	(28,813)	29,466
Net cash flows (used in)/from investing activities	(2,432)	2,985
Net cash flows from/(used in) financing activities	17,222	(17,537)
Net (decrease)/increase in cash and cash equivalents	(14,023)	14,914
Cash and cash equivalents at beginning of period	97,486	106,899
Effect of foreign exchange rate changes, net	2,827	(5,651)
Cash and cash equivalents at end of period	86,290	116,162

# Management Discussion and Analysis

Net cash used in operating activities for 2021 Interim was approximately HK\$28.8 million, which primarily reflected (i) the adjusted loss before tax of approximately HK\$8.0 million; (ii) the increase in inventories of approximately HK\$91.3 million; (iii) the decrease in trade receivables of approximately HK\$8.2 million; (iv) the increase in trade payables of approximately HK\$21.7 million; and (v) the increase in other payables and accruals of approximately HK\$32.2 million.

Net cash used in investing activities for 2021 Interim was approximately HK\$2.4 million. This mainly consisted of (i) payment of approximately HK\$3.2 million for purchases of property, plant and equipment and intangible assets primarily for the upgrade of certain equipment and software to support the production of high-quality products; and (ii) the interest received of approximately HK\$0.7 million.

Net cash from the financing activities for 2021 Interim was approximately HK\$17.2 million, which was mainly reflected (i) the net loans of bank borrowing of approximately HK\$24.8 million; (ii) the principal portion of lease payments approximately HK\$7.5 million; and (iii) interest paid of approximately HK\$0.1 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 2021.

## ***Borrowings and the pledge of assets***

The Group's banking facilities amounting to approximately HK\$46.3 million as at 30 June 2021 (At 31 December 2020: approximately HK\$23.0 million), of which approximately HK\$36.9 million (At 31 December 2020: approximately HK\$11.3 million) had been utilised as at the end of the reporting period.

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, two subsidiaries of the Group and the Company respectively. The factoring loan was secured by the pledge of the Group's trade receivables.

The Group's bank borrowings are all denominated in US\$, the secured bank and factoring loans carry effective interest rates ranging from 1.3% to 1.6% (At 31 December 2020: 1.0% to 1.5%) 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) by total equity as at the end of each period. The Group's gearing ratio as at 31 December 2020 and 30 June 2021 was approximately 5.6% and approximately 17.4% respectively. The increase in gearing ratio was primarily due to significant increase in outstanding interest-bearing bank borrowings.

## ***Capital expenditure***

During 2021 Interim, the Group invested approximately HK\$3.4 million (2020 Interim: approximately HK\$0.6 million) in fixed assets and intangible assets.

## ***Off balance sheet transactions***

During 2021 Interim, the Group did not enter into any material off balance sheet transactions.

# Management Discussion and Analysis

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## ***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 80.7% and 86.5% of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sales, whilst approximately 70.7% and 63.9% of inventory costs were denominated in their functional currencies for 2020 Interim and 2021 Interim, respectively.

During 2021 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 2021 Interim (31 December 2020: 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 occurring after the reporting period of 2021 Interim up to the date of this report.

## ***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 (the "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.

During 2021 Interim, the Group did not have any investment under its treasury policies.



# Management Discussion and Analysis

## ***Employees and emoluments policy***

As at 30 June 2021, the Group employed a total of 1,512 employees (31 December 2020: 1,482). The staff costs of the Group, excluding directors' emoluments and any contributions to pension scheme, were approximately HK\$55.4 million for 2021 Interim (2020 Interim: approximately HK\$42.8 million), approximately HK\$0.3 million (2020 Interim: approximately HK\$0.2 million) of which are the expenses for the Group's share option schemes. All of the Group's employees are paid a fixed salary and a bonus depending on their performance as determined by quarterly assessments. The Group seeks to provide compensation for its research and development staff at above-market levels to attract and retain talents. It regularly reviews compensation and benefit policies to ensure that its practices are in line with the market and in compliance with relevant labour regulations. To provide its employees, among others, additional incentives to enhance its business performance, the Group has adopted the pre-IPO share option scheme and the share option scheme, under which grantees are entitled to exercise the options to subscribe for shares subject to the terms and conditions of the respective schemes.

## ***Significant investments held***

The Group currently held 9.82% 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.

The company's products have won the best innovation award in the Consumer Electronics Show of digital imaging category.

During 2021 Interim, Kandao has strengthen the product promotion and turn losses into profits. It is expected that there will be a steady development trend in the year.

As at 30 June 2021, the investment accounted for 4.6% of the Group's total assets and the fair value of this investment held by the group was approximately HK\$24.7 million (31 December 2020: approximately HK\$24.4 million) presenting HK\$0.3 million unrealized profit as at 30 June 2021. No dividend was received from this investment during 2021 interim (2020 interim: Nil).

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

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

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

As at 30 June 2021, there is no investment held by the Group with a value of 5% or more of the Company's total assets.

# Management Discussion and Analysis

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## ***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 2021 Interim.

## ***Contingent liabilities***

As at 30 June 2021, the Group had no significant contingent liabilities.

## ***Dividend***

The Board does not recommend the payment of interim dividend for 2021 Interim (2020 Interim: Nil).

## ***Financial position as at 30 June 2021***

As at 30 June 2021, the Group's total equity was approximately HK\$212.0 million (31 December 2020: approximately HK\$215.8 million), total assets amounted to approximately HK\$530.6 million (31 December 2020: approximately HK\$458.6 million) and total liabilities stood at approximately HK\$318.6 million (31 December 2020: approximately HK\$242.8 million).

# Other Information

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

As at 30 June 2021, 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 (Chapter 571 of the Laws of Hong Kong) ("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 <sup>(1)</sup>	Interest in underlying shares of share option <sup>(1)</sup>	Approximate percentage of total issued shares in the Company <sup>(6)</sup>
Mr. Tang Wing Fong Terry <sup>(2)</sup>	Founder of a discretionary trust and beneficial owner	655,973,557 (L)	–	68.85%
Ms. Tang Kam Sau <sup>(3)</sup>	Interest in a controlled corporation	39,192,000 (L)	–	4.11%
Mr. Lu Yongbin <sup>(4)</sup>	Beneficial owner	3,851,800 (L)	658,000 (L)	0.47%
Mr. Tse Yat Hong <sup>(5)</sup>	Beneficial owner	–	1,250,000 (L)	0.13%
Dr. Cheung Wah Keung <sup>(5)</sup>	Beneficial owner	–	1,250,000 (L)	0.13%
Mr. Chan Tsu Ming Louis <sup>(5)</sup>	Beneficial owner	–	1,250,000 (L)	0.13%

Notes:

- (1) The letter "L" denotes the Directors' long position in the shares of the Company.
- (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 was 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 238,255,957 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) 658,000 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 2021.

# Other Information

Save as disclosed above, as at 30 June 2021, 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 2021, 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 <sup>(1)</sup>	Approximate percentage of total issued shares in the Company <sup>(4)</sup>
CMB Wing Lung (Trustee) Limited <sup>(2)</sup>	Trustee	417,717,600 (L)	43.84%
Antopex Limited <sup>(2)</sup>	Nominee for another person	417,717,600 (L)	43.84%
Best One International Limited <sup>(2)(3)</sup>	Interest of controlled corporation	417,717,600 (L)	43.84%
Fortune Six Investment Limited <sup>(2)(3)</sup>	Beneficial owner	417,717,600 (L)	43.84%
Tang Wing Fong Terry <sup>(2)(3)</sup>	Beneficial owner	238,255,957 (L)	25.01%
	Founder of a discretionary trust	417,717,600 (L)	43.84%

(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 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 interests of Mr. Tang Wing Fong Terry, Best One International Limited and Fortune Six Investment Limited were 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 2021.

Save as disclosed above, as at 30 June 2021, 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.

# Other Information

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Save as disclosed above, as at 30 June 2021, 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, no Director or an entity connected with the Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries, controlling shareholders (as defined in the Listing Rules) or any of its subsidiaries was a party subsisting at the end of 2021 Interim or at any time during 2021 Interim.

## Directors' Interest in Competing Business

During 2021 Interim and up to the date of this report, 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 from 1 January 2021 to the date of this report 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. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during 2021 Interim.

## Issue of Equity Securities

The Company did not allot and issue any equity securities during 2021 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 2015 (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



# Other Information

- (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 the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time.
- (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.

# Other Information

- (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 45,013,000 Shares, representing approximately 4.7% of the total number of Shares in issue.

A summary of the movements of the share options under the Share Option Scheme during 2021 interim are as follows:

Date of Grant	15 September 2016 <small>(Note 1)</small>	1 December 2016 <small>(Note 2)</small>	18 May 2017 <small>(Note 3)</small>	26 April 2018 <small>(Note 4)</small>	16 May 2019 <small>(Note 5)</small>	16 April 2021 <small>(Note 6)</small>
Share Options granted as at the date of grant or 1 January 2021	7,629,000	4,000,000	7,050,000	7,398,000	10,929,000	3,000,000
Share Options exercised during the period	-	-	-	-	-	-
Share Options cancelled during the period	-	-	-	-	-	-
Share Options lapsed during the period	279,000	-	417,000	384,000	3,949,000	-
Share Options outstanding as at 30 June 2021	7,350,000	4,000,000	6,633,000	7,014,000	6,980,000	3,000,000
Approximate percentage of the total number of Shares in issue as at the date of this report	0.77%	0.42%	0.70%	0.74%	0.73%	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\$0.9	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 of the Company and 750,000 Share Options were granted to Dr. Cheung Wah Keung, an independent non-executive Director of the Company.
- (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.

# Other Information

- (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 chief financial officer and the company secretary of the Company.
- (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 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 of the Company.
- (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 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 of the Company, 750,000 Shares were granted to Dr. Cheung Wah Keung, an independent non-executive Director of the Company and 750,000 Shares were granted to Mr. Chan Tsu Ming Louis, an independent non-executive Director of the Company.
- (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 commencing 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 commencing 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 commencing 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 commencing 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 commencing 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 commencing 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 commencing 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 commencing 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 commencing 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 commencing 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 commencing 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 commencing 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 commencing 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 commencing 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 commencing on 31 January 2020 and ending on 30 January 2025 (both dates inclusive).

# Other Information

- (9) One-third of these share options became vested on 18 May 2018 and shall be exercisable at any time during the period commencing 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 commencing 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 commencing on the 18 May 2020 and ending on 17 May 2025 (both dates inclusive).
- (10) One-third of these share options became vested on 26 April 2019 and shall be exercisable at any time during the period commencing 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 commencing 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 commencing 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 commencing on 16 May 2020 and ending 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 commencing on 16 May 2021 and ending 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 commencing 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 commencing 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\$0.30 million during 2021 Interim (2020 Interim: recognized share option expense of approximately HK\$0.30 million) in relation to the share options granted by the Company.

The fair value of the share option granted during 2021 Interim was approximately HK\$0.27 million.

# Other Information

## Pension Scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

For the year ended 31 December 2020 and during 2021 Interim, there was no forfeited contribution utilized to offset employers’ contributions and there was no forfeited contribution available to reduce the contribution payable in the future years as at 31 December 2020 and 30 June 2021, respectively.

## 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 shareholders of the Company and to enhance corporate value, accountability and transparency of the Company.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules as the basis of the Company’s corporate governance practices. Throughout the period from 1 January 2021 up to the date of this report, the Company has complied with all applicable code provisions of the CG Code except for code provision A.2.1.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. As the duties of chairman of the Board (“Chairman”) and chief executive of the Company are performed by Mr. Tang Wing Fong Terry, the Company has deviated from the code provision A.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

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## 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 throughout the period from the 1 January 2021 up to the date of this report.

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 2021 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.

## 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.

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

RSM Hong Kong was appointed as auditor of the Company on the annual general meeting dated 26 May 2021.

The condensed consolidated financial statements of the Group for 2021 Interim included in this report have not been audited but have been reviewed by RSM Hong Kong in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) “Engagements to Review Historical Financial Statements” 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

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## 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 2021 up to the date of this report.

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

Hong Kong  
27 August 2021

# Independent Practitioner's Review Report



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## TO THE BOARD OF DIRECTORS OF SKY LIGHT HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

We have reviewed the interim condensed consolidated financial statements of Sky Light Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 48 that comprise the condensed consolidated statement of financial position as at 30 June 2021, and the 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 a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Interim Condensed Consolidated Financial Statements

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting", and for such internal control as directors determine is necessary to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

# Independent Practitioner's Review Report

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## Practitioner's Responsibility

Our responsibility is to express a conclusion on the interim condensed consolidated financial statements 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

We conducted our review in accordance with Hong Kong Standard on Review Engagements ("HKSRE") 2400 (Revised), "Engagements to Review Historical Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants. HKSRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim condensed consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. HKSRE 2400 (Revised) also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with HKSRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with Hong Kong Standards on Auditing. Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

### **RSM Hong Kong**

Certified Public Accountants

Hong Kong

27 August 2021

# Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

	Note	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Revenue</b>	6	<b>317,228</b>	157,568
Cost of sales		<b>(259,372)</b>	(125,354)
<b>Gross profit</b>		<b>57,856</b>	32,214
Other income and gains	7	<b>4,276</b>	8,901
Selling and distribution expenses		<b>(15,858)</b>	(13,325)
Administrative expenses		<b>(23,458)</b>	(24,260)
Research and development expenses		<b>(25,198)</b>	(22,942)
Other expenses		<b>(4,676)</b>	(1,851)
<b>Loss from operations</b>		<b>(7,058)</b>	(21,263)
Finance costs	8	<b>(934)</b>	(1,200)
<b>Loss before tax</b>		<b>(7,992)</b>	(22,463)
Income tax expense	9	<b>–</b>	–
<b>Loss for the period</b>	10	<b>(7,992)</b>	(22,463)
<b>Attributable to:</b>			
Owners of the Company		<b>(8,176)</b>	(20,540)
Non-controlling interests ("NCI")		<b>184</b>	(1,923)
		<b>(7,992)</b>	(22,463)
<b>Loss per share</b>			
Basic	12	<b>HK(0.9) cents</b>	HK(2.2) cents
Diluted	12	<b>HK(0.9) cents</b>	HK(2.2) cents

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Loss for the period</b>	<b>(7,992)</b>	(22,463)
<b>Other comprehensive income:</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value changes of equity investments designated at fair value through other comprehensive income ("FVTOCI")	280	(956)
<i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	3,611	(5,200)
<b>Other comprehensive income for the period, net of tax</b>	<b>3,891</b>	(6,156)
<b>Total comprehensive income for the period</b>	<b>(4,101)</b>	(28,619)
<b>Attributable to:</b>		
Owners of the Company	(4,312)	(26,696)
NCI	211	(1,923)
	<b>(4,101)</b>	(28,619)

# Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Note	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment property		4,111	4,192
Property, plant and equipment	13	36,168	40,967
Right-of-use assets	14	31,384	34,080
Intangible assets		9,528	8,754
Equity investments designated at FVTOCI		24,667	24,387
Prepayments and other receivables	16	2,756	3,016
<b>Total non-current assets</b>		<b>108,614</b>	115,396
<b>Current assets</b>			
Inventories		239,266	147,924
Trade and factoring receivables	15	56,233	64,697
Prepayments and other receivables	16	31,623	23,566
Financial assets at fair value through profit or loss ("FVTPL")	17	5,022	5,022
Restricted and pledged bank deposits	18	3,556	4,498
Cash and cash equivalents		86,290	97,486
<b>Total current assets</b>		<b>421,990</b>	343,193
<b>Current liabilities</b>			
Trade payables	19	152,875	131,220
Other payables and accruals	20	94,294	62,101
Interest-bearing bank borrowings	21	36,853	12,003
Lease liabilities		12,379	12,300
<b>Total current liabilities</b>		<b>296,401</b>	217,624
<b>Net current assets</b>		<b>125,589</b>	125,569
<b>Total assets less current liabilities</b>		<b>234,203</b>	240,965
<b>Non-current liabilities</b>			
Lease liabilities		21,300	24,264
Deferred tax liabilities		871	871
<b>Total non-current liabilities</b>		<b>22,171</b>	25,135
<b>Net assets</b>		<b>212,032</b>	215,830



# Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Note	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	22	9,528	9,528
Reserves	23	203,770	207,779
		<b>213,298</b>	217,307
<b>NCI</b>		<b>(1,266)</b>	(1,477)
<b>Total equity</b>		<b>212,032</b>	215,830

Approved by the Board of Directors on 27 August 2021 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 2021

	Unaudited										
	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000 Note 23(b)(i)	Fair value reserve of equity investments 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 2020	9,528	752,853	(4,963)	148,807	23,715	37,050	(663,744)	(35,882)	267,364	5,985	273,349
Total comprehensive income for the period	-	-	(956)	-	-	-	(20,540)	(5,200)	(26,696)	(1,923)	(28,619)
Share-based payments	-	-	-	-	303	-	-	-	303	-	303
Changes in equity for the period	-	-	(956)	-	303	-	(20,540)	(5,200)	(26,393)	(1,923)	(28,316)
At 30 June 2020	9,528	752,853	(5,919)	148,807	24,018	37,050	(684,284)	(41,082)	240,971	4,062	245,033
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
Total comprehensive income for the period	-	-	280	-	-	-	(8,176)	3,584	(4,312)	211	(4,101)
Share-based payments	-	-	-	-	303	-	-	-	303	-	303
Changes in equity for the period	-	-	280	-	303	-	(8,176)	3,584	(4,009)	211	(3,798)
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

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	<b>(28,813)</b>	29,466
Purchases of property, plant and equipment and intangible assets	(3,170)	(427)
Proceeds from disposals of property, plant and equipment	86	3,009
Interest received	652	403
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>	<b>(2,432)</b>	2,985
Inception of interest-bearing bank borrowings	48,854	7,044
Repayments of interest-bearing bank borrowings	(24,005)	(16,678)
Interest paid	(122)	(185)
Principal elements of lease payments	(7,505)	(7,718)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>17,222</b>	(17,537)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(14,023)</b>	14,914
Effect of foreign exchange rate changes	2,827	(5,651)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>97,486</b>	106,899
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>86,290</b>	116,162

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 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 2020. 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 2020.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 3. Adoption of New and Revised Hong Kong Financial Reporting Standards

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. 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 2020. A number of new standards or amended standards are effective from 1 January 2021 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 2021 HK\$’000
<b>Recurring fair value measurements:</b>				
Financial assets at FVTOCI:				
Unlisted equity investments	–	–	24,667	24,667
Financial assets at FVTPL:				
Investment in a life insurance policy	–	5,022	–	5,022
	–	5,022	24,667	29,689

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 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 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	31 December 2020 HK\$'000
<b>Recurring fair value measurements:</b>				
Financial assets at FVTOCI:				
Unlisted equity investments	–	–	24,387	24,387
Financial assets at FVTPL:				
Investment in a life insurance policy	–	5,022	–	5,022
	–	5,022	24,387	29,409

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

	Financial assets at FVTOCI	
	2021 HK\$'000	2020 HK\$'000
At 1 January	24,387	26,076
Total gains or losses recognised in other comprehensive income	280	(1,689)
At 30 June/31 December	24,667	24,387

The total gains or losses recognised in other comprehensive income are presented in fair value changes of equity investments 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 2021

## 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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
United States of America	214,361	90,565
Mainland China	32,487	24,039
European Union	60,184	29,500
Other countries/regions	10,196	13,464
	<b>317,228</b>	157,568

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 2021

## 5. Operating Segment Information *(Continued)*

### *Geographical information (Continued)*

#### (b) Non-current assets

	30 June 2021 HK\$'000 <i>(Unaudited)</i>	31 December 2020 HK\$'000 <i>(Audited)</i>
Mainland China	60,003	66,284
Hong Kong	4,522	5,087
Other countries/regions	19,422	19,638
	<b>83,947</b>	91,009

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

### *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	
	2021 HK\$'000 <i>(Unaudited)</i>	2020 HK\$'000 <i>(Unaudited)</i>
Customer A	158,725	N/A <sup>1</sup>
Customer B	42,623	N/A <sup>1</sup>
Customer C	N/A <sup>1</sup>	46,913

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 6. Revenue

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Revenue from contracts with customers</b>		
<b>Type of goods or services</b>		
Sale of industrial products	311,162	157,568
Provision of manufacturing services	6,066	–
Total revenue from contracts with customers	317,228	157,568
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	317,228	157,568

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 Gains

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Bank interest income	652	403
Government grants*	2,982	6,257
Gain on disposal of property, plant and equipment	–	1,139
Gain on disposal of right-of-use assets	–	36
Rental income	213	254
Exchange gains, net	–	571
Others	429	241
	4,276	8,901

\* Government grants mainly represents rewards or subsidies for research and financing activities received from the local governments without unfulfilled conditions.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 8. Finance Costs

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interests on:		
Bank borrowings	122	185
Lease liabilities	812	1,015
	<b>934</b>	1,200

## 9. Income Tax Expense

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% (2020: 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 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on the taxable income. Preferential tax treatments were available for one (2020: 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% (2020: 21%), and also subject to the statutory applicable state corporate income tax at a rate of 7% (2020: 8.84%).

The Group's subsidiary in Britain is subject to corporate income tax at a rate of 19% (2020: 19%).

The Group's subsidiary in Vietnam is subject to corporate income tax at a rate of 20% (2020: 20%).

The Group has no tax charge for the period (2020: Nil).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 10. Loss for the Period

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Cost of inventories sold	250,574	116,491
Depreciation of investment property	81	80
Depreciation of property, plant and equipment	8,193	11,940
Depreciation of right-of-use assets	7,481	7,196
Amortisation of intangible assets*	769	630
Direct operating expenses of investment properties that generate rental income	62	24
Research and development expenses	25,198	22,942
Short-term and low value lease payments	–	3
Employee benefit expense (excluding directors' and chief executive's remuneration):		
— Wages and salaries	50,800	40,268
— Retirement benefit scheme contributions	4,371	2,289
— Equity-settled share-based payments	256	194
	<b>55,427</b>	42,751
Allowance for inventories	8,798	8,863
Allowance for trade and factoring receivables	234	229
Allowance for prepayments and other receivables	–	1,685
Exchange losses/(gains), net	3,489	(571)
Loss/(gain) on disposal of property, plant and equipment	62	(1,139)
Gain on disposal of right-of-use assets	–	(36)

\* The amortisation of software is included in "research and development expenses" and "administrative expenses" and the amortisation of other intangible assets is included in "selling and distribution expenses" in the condensed consolidated statement of profit or loss.

## 11. Dividend

The directors do not recommend the payment of any interim dividend during the period (six months ended 30 June 2020: Nil).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 12. Loss Per Share

The calculation of basic and diluted loss per share is based on the following:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Loss</b>		
Loss for the purpose of calculating basic and diluted loss per share	<b>(8,176)</b>	(20,540)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<b>952,739,455</b>	952,739,455

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 and 2020.

## 13. Property, Plant and Equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment of HK\$2,085,000 (six month ended 30 June 2020: HK\$627,000).

Certificates of ownership in respect of buildings of the Group located in Mainland China with a net carrying value of HK\$3,295,000 as at 30 June 2021 (31 December 2020: HK\$3,378,000) 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 2021, the Group entered into new lease agreements for use of office, factory and staff quarters for 2 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised HK\$4,446,000 of right-of-use assets and lease liabilities.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 15. Trade and Factoring Receivables

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	36,468	68,496
Allowance for doubtful debts	(3,239)	(3,799)
	<b>33,229</b>	64,697
Factoring receivables	23,799	–
Allowance for doubtful debts	(795)	–
	<b>23,004</b>	–
	<b>56,233</b>	64,697

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 2021, trade receivables factored to the bank aggregated to HK\$23,799,000 (At 31 December 2020: Nil).

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 1 month	32,939	38,188
1 to 2 months	6,524	19,001
2 to 3 months	6,595	4,047
Over 3 months	10,175	3,461
	<b>56,233</b>	64,697

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 16. Prepayments and Other Receivables

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
<b>Non-current assets</b>		
Non-current prepayments	2,756	3,016
<b>Current assets</b>		
Prepayments	12,316	3,420
Deposits and other receivables	19,307	20,146
	<b>31,623</b>	23,566

## 17. Financial Assets At FVTPL

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Investment in life insurance policy	5,022	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 2021 and 31 December 2020, 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.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 18. Restricted and Pledged Bank Deposits

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Restricted bank deposits	838	1,784
Pledged bank deposits	2,718	2,714
	<b>3,556</b>	4,498

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.

## 19. Trade Payables

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade payables	<b>152,875</b>	131,220

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 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 1 month	<b>70,078</b>	48,403
1 to 2 months	<b>10,713</b>	34,184
2 to 3 months	<b>23,044</b>	14,867
Over 3 months	<b>49,040</b>	33,766
	<b>152,875</b>	131,220

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 20. Other Payables and Accruals

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Contract liabilities	71,248	33,915
Other payables	6,422	9,601
Salary and welfare payables	10,208	12,180
Accruals	129	130
Withholding tax payables	6,287	6,275
	<b>94,294</b>	62,101

## 21. Interest-Bearing Bank Borrowings

	Note	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Bank loans — unsecured		—	714
Bank loans — secured	(ii)	21,325	11,289
Factoring loans — secured	(iii)	15,528	—
		<b>36,853</b>	12,003
The borrowings are repayable as follows:			
Within one year		36,853	11,289
More than one year, but not exceeding two years		—	714
		<b>36,853</b>	12,003

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 21. Interest-Bearing Bank Borrowings *(Continued)*

Notes:

- (i) The Group's banking facilities amounting to HK\$46,291,000 (At 31 December 2020: HK\$23,000,000), of which HK\$36,853,000 (At 31 December 2020: HK\$11,289,000) 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, two subsidiaries of the Group and the Company respectively.
- (iii) Factoring loan of HK\$15,528,000 (At 31 December 2020: Nil) is secured by the pledge of the Group's trade receivables of HK\$15,528,000 (At 31 December 2020: Nil).
- (iv) The secured bank and factoring loans carry effective interest rates ranging from 1.3% to 1.6% (At 31 December 2020: 1.0% to 1.5%) per annum.
- (v) All borrowings are denominated in the US\$.

## 22. Share Capital

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 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 2020: 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 2021

## 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 30 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 2021

## 24. Contingent Liabilities

The Group did not have any significant contingent liabilities at 30 June 2021 (At 31 December 2020: Nil).

## 25. Capital Commitments

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Contracted, but not provided for: Purchases of plant and machinery	966	204

## 26. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in this condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Rental expenses to XinYongYi Technology Park (Heyuan) Limited ("XinYongYi")	–	1,200

The rental expenses to XinYongYi, which was controlled by a shareholder of a subsidiary of the Group, for a lease of plant and office premises located in Heyuan and were charged in the form of monthly rentals of HK\$200,000 for the six months ended 30 June 2020. The rental was determined based on mutual agreement between the parties

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 26. Related Party Transactions *(Continued)*

### *(b) Compensation of key management personnel of the Group*

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Short-term employee benefits	1,411	1,356
Post-employment benefits	65	37
Equity-settled share option payment	24	99
Total compensation paid to key management personnel	1,500	1,492

## 27. Comparative Figures

Certain comparative figures have been reclassified to conform 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 2021 were approved and authorised for issue by the Board of Directors on 27 August 2021.