SKY LIGHT HOLDINGS LIMITED
天彩控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3882)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2018	2017	Change
	HK$'000	*HK$'000*	
	(Unaudited)	(Unaudited)	
REVENUE	**558,786**	306,028	82.6%
LOSS FOR THE PERIOD	**(237,950)**	(166,353)	43.0%
LOSS DIVIDED BY BUSINESS UNIT			
— Loss for the period from ION360 business	**(179,500)**	(122,847)	46.1%
— Loss for the period from ODM/JDM business	**(58,450)**	(43,506)	34.3%
	(237,950)	(166,353)	43.0%
FURTHER BREAKDOWN — LOSS ATTRIBUTABLE TO ODM/JDM BUSINESS			
— Impairment loss of trade receivable and other receivable from ODM/JDM business	**(33,845)**	(5,430)	523.3%
— Operating loss from ODM/JDM business	**(24,605)**	(38,076)	–35.4%
	(58,450)	(43,506)	34.3%

The board (the "**Board**") of directors ("**Directors**") of Sky Light Holdings Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 ("**2018 Interim**"), together with the comparative figures for the six months ended 30 June 2017 ("**2017 Interim**"). These results have been reviewed by the Company's audit committee (the "**Audit Committee**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**558,786**	306,028
Cost of sales		**(605,168)**	(240,462)
Gross profit		**(46,382)**	65,566
Other income and gains	*5*	**10,537**	12,703
Selling and distribution expenses		**(22,427)**	(93,786)
Administrative expenses		**(101,690)**	(62,558)
Research and development expenses		**(64,402)**	(72,520)
Other expenses		**(6,510)**	(12,285)
Finance costs	*7*	**(896)**	(788)
Share of losses of associates		**(3,096)**	–
LOSS BEFORE TAX	*6*	**(234,866)**	(163,668)
Income tax expense	*8*	**(3,084)**	(2,685)
LOSS FOR THE PERIOD		**(237,950)**	(166,353)
Attributable to:			
Owners of the parent		**(237,950)**	(166,353)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic		**HK(27.9) cents**	HK(19.7) cents
Diluted		**HK(27.9) cents**	HK(19.7) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	**(237,950)**	(166,353)
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	**–**	206
Exchange differences on translation of foreign operations	**(2,401)**	12,298
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of financial assets at fair value through other comprehensive income	**(2,835)**	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(5,236)**	12,504
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(243,186)**	(153,849)
Attributable to:		
Owners of the parent	**(243,186)**	(153,849)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2018

	Notes	**30 June 2018 HK$'000 (Unaudited)**	31 December 2017 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**96,800**	107,447
Prepaid land lease payments		**2,657**	2,705
Intangible assets		**10,400**	11,801
Investments in associates		**18,594**	21,690
Available-for-sale investments		**–**	16,631
Financial assets at fair value through other comprehensive income		**10,313**	–
Prepayments and other receivables		**9,261**	6,263
Deferred tax assets		**–**	3,099
Total non-current assets		**148,025**	169,636
CURRENT ASSETS			
Inventories	*11*	**250,604**	414,653
Trade receivables	*12*	**152,982**	114,423
Available-for-sale investments		**–**	10,805
Financial assets at fair value through other comprehensive income		**2,781**	–
Due from a related party		**828**	835
Prepayments, deposits and other receivables		**88,830**	71,947
Cash and cash equivalents		**82,245**	203,129
Total current assets		**578,270**	815,792
CURRENT LIABILITIES			
Interest-bearing bank borrowings	*13*	**9,370**	89,265
Trade and bills payables	*14*	**241,900**	228,423
Other payables and accruals		**54,479**	79,159
Contract liabilities		**16,741**	–
Tax payable		**17,065**	17,150
Due to related parties		**3,631**	296
Total current liabilities		**343,186**	414,293
NET CURRENT ASSETS		**235,084**	401,499
TOTAL ASSETS LESS CURRENT LIABILITIES		**383,109**	571,135

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	**383,109**	571,135
NON-CURRENT LIABILITIES		
Due to a related party	**52,583**	–
Deferred tax liabilities	**871**	871
Total non-current liabilities	**53,454**	871
Net assets	**329,655**	570,264
EQUITY		
Equity attributable to owners of the parent		
Share capital	**8,572**	8,571
Shares held for Share Award Scheme	**(9,333)**	(9,333)
Reserves	**330,416**	571,026
Total equity	**329,655**	570,264

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, 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 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 PRESENTATION

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

During the period, the Group suffered a loss of HK$237,950,000, and had net current assets of HK$235,084,000 as at 30 June 2018. The directors have carefully assessed the Group's liquidity position having taken into account (i) the estimated operating cash inflows of the Group for the next twelve months from the end of the current reporting period; and (ii) obtaining of the new bank loans within the next twelve months and the unutilized banking facilities. The directors believe that the Group can satisfy its financial obligations in the foreseeable future and accordingly, the interim financial report has been prepared on a going concern basis.

The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and available-for-sale investments which have been measured at fair value. The interim condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of the following new standards, interpretations and amendments as of 1 January 2018, noted below:

HKFRS 9	*Financial instruments*
HKFRS 15	*Revenue from contracts with customers and the related amendments*
HK(IFRIC)-Int 22	*Foreign currency transactions and advance consideration*
Amendments to HKFRS 2	*Classification and measurement of share-based payment transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts*
Amendments to HKAS 28	*Investments in associates and joint ventures clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*
Amendments to HKAS 40	*Transfers of investment property*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

The application of the above new and amendments to HKFRSs in the current interim period has had no material impact on the amounts and/or disclosures reported in these condensed consolidated financial statements, except for the adoption of new standards as set out below.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption.

(a) Sale of goods

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.

(b) Presentation and disclosure requirements

As required for the condensed consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 4 for the disclosure on disaggregated revenue.

The application of HKFRS 15 in the current interim period has had no material impact on the amounts and/or disclosures reported in these condensed consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The following adjustments were made to the consolidated statement of financial position at the date of initial application, 1 January 2018. The effect of adopting HKFRS 9 is, as follows:

	Note	**Under HKAS 39**	**Reclassification**	**Under HKFRS 9**
Financial assets — at fair value through other comprehensive income ("**FVOCI**")				
Available-for-sale investments	*(a)*	27,436	(27,436)	–
Financial Assets — FVOCI	*(a)*	–	27,436	27,436

The adoption of HKFRS 9 does not impact the interim condensed consolidated statement of profit or loss and other comprehensive income and the interim condensed consolidated statement of cash flows for the six month ended 30 June 2017.

(a) Classification and measurement

Except for certain trade receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("**FVPL**"), amortised cost, or fair value through other comprehensive income ("**FVOCI**"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "**SPPI criterion**").

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables, and loans included under other non-current financial assets.

- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Currently the Group does not hold any assets of this category.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. Under IAS 39, the Group's equity instruments were classified as available-for-sale financial assets.

- Financial assets at FVPL comprise derivative instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018. The assessment on whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the fact and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other receivables included in current and non-current financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payment exceeds the credit terms. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of HKFRS 9 resulted in increases in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in adjustment to accumulated losses.

In preparing these interim condensed consolidated financial statements, the significant judgements and estimates made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 31 December 2017, except those due to accounting policy change disclosed above.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the ODM/JDM business segment focuses on the sales, development and manufacturing of imaging products which mainly comprises home surveillance cameras, 360-degree cameras and other digital imaging products;

(b) the ION360 business segment engages in the sales, development of cameras under its own brands.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

All of the revenue in ODM/JDM business segment and ION360 business segment are from sale of goods, which is recognised when the goods are transferred at a point in time.

For the six months ended 30 June 2018 (unaudited)

	ODM/JDM business *HK$'000*	**ION360 business** *HK$'000*	**Total** *HK$'000*
Segment revenue:			
Sales to external customers	**557,707**	**1,079**	**558,786**
Intersegment sales	**26,768**	**–**	**26,768**
	584,475	**1,079**	**585,554**
Reconciliation:			
Elimination of intersegment sales	**(26,768)**	**–**	**(26,768)**
Revenue	**557,707**	**1,079**	**558,786**
Segment results	**(49,676)**	**(179,500)**	**(229,176)**
Reconciliation:			
Elimination of intersegment results	**(5,690)**	**–**	**(5,690)**
Loss before tax	**(55,366)**	**(179,500)**	**(234,866)**

For the six months ended 30 June 2017 (unaudited)

	ODM/JDM business *HK$'000*	ION360 business *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	286,681	19,347	306,028
Intersegment sales	27,638	–	27,638
	314,319	19,347	333,666
Reconciliation:			
Elimination of intersegment sales	(27,638)	–	(27,638)
Revenue	286,681	19,347	306,028
Segment results	(38,892)	(123,394)	(162,286)
Reconciliation:			
Elimination of intersegment results	(1,382)	–	(1,382)
Loss before tax	(40,274)	(123,394)	(163,668)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
United States of America	**377,011**	233,016
Mainland China	**111,676**	26,827
European Union	**56,567**	32,470
Other countries and areas	**13,532**	13,715
	558,786	306,028

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

(b) Non-current assets

	30 June	31 December
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Mainland China	**129,153**	138,004
Hong Kong	**7,270**	10,421
Other countries	**1,289**	1,481
	137,712	149,906

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

Information about major customers

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

	Six months ended 30 June 2018
	HK$'000
	(Unaudited)
Customer A	**251,216**
Customer B	**55,002**
Customer C	**45,872**

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the period.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**558,786**	306,028
Other income and gains		
Bank interest income	**273**	1,367
Government grants:		
Related to income*	**4,720**	10,908
Exchange gains	**4,676**	–
Others	**868**	428
	10,537	12,703

* The amount mainly represents rewards or subsidies for research activities received from the local government. There are no unfulfilled conditions or contingencies relating to these grants.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**461,152**	232,712
Depreciation	**17,451**	15,606
Amortisation of prepaid land lease payments	**48**	48
Amortisation of intangible assets*	**1,326**	3,744
Research and development costs	**64,402**	72,520
Minimum lease payments under operating leases	**14,012**	9,505
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**76,220**	82,856
Pension scheme contributions	**7,167**	8,692
Equity-settled share option expense	**507**	7,202
Equity-settled share award scheme expense	**1,749**	3,847
	85,643	102,597
Write-down of inventories to net realisable value	**144,016**	7,750
Impairment of prepayments and other receivable	**8,200**	5,430
Impairment of trade receivables	**36,264**	–
Exchange (gains)/losses, net	**(4,676)**	4,983
Loss on disposal of items of property, plant and equipment	**1,975**	16
Bank interest income	**(273)**	(1,367)
Government grants	**(4,720)**	(10,908)

* The amortisation of software is included in "Research and development expenses" and the amortisation of other intangible assets is included in "Selling and distribution expenses" in the interim condensed consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**896**	788

8. 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% on the estimated assessable profits arising in Hong Kong for the reporting period.

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 to two (2017: two) of the Group's principal operating subsidiaries, Sky Light Electronics (Shenzhen) Limited and Sky Light Technology (Heyuan) Limited, since they were recognised as High and New Technology Enterprises and they were entitled to a preferential tax rate of 15% for the six months ended 30 June 2018 and 2017.

The Group's subsidiaries in the United States are subject to the federal tax rate of 35%, and also subject to the statutory applicable state corporate income tax.

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current — Mainland China	**–**	242
Current — Hong Kong	**11**	914
Deferred	**3,073**	1,529
Total tax charge for the period	**3,084**	2,685

9. DIVIDENDS

The directors do not recommend the payment of any interim dividend during the period (six months ended 30 June 2017: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 852,752,000 (six months ended 30 June 2017: 844,084,000) in issue during the period.

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 2018 and 2017.

The calculations of basic and diluted loss per share are based on:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculations	**(237,950)**	(166,353)
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	**852,752,000**	844,084,000
Basic loss per share	**HK(27.9) cents**	HK(19.7) cents
Diluted loss per share	**HK(27.9) cents**	HK(19.7) cents

11. INVENTORIES

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Raw materials	**143,819**	186,753
Work in progress	**50,977**	93,738
Finished goods	**55,808**	134,162
	250,604	414,653

12. TRADE RECEIVABLES

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Trade receivables	**189,246**	114,423
Less: provision for impairment of receivables	**(36,264)**	–
	152,982	114,423

The Group requires most of its customers to make payment in advance, however, the Group grants certain credit periods to those customers with good payment history. The credit period for specific customers is considered on a case-by-case basis and is set out in the sales contracts, as appropriate.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing and the carrying amounts of the trade receivables approximate to their fair values.

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

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Within 30 days	**105,772**	56,809
31 to 60 days	**45,528**	25,840
61 to 90 days	**48**	13,689
Over 90 days	**37,898**	18,085
	189,246	114,423
Less: provision for impairment of receivables	**(36,264)**	–
	152,982	114,423

An ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Neither past due nor impaired	**149,615**	108,252
Less than 1 month past due	**2,809**	3,002
1 to 3 months past due	**558**	3,169
	152,982	114,423

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

13. INTEREST-BEARING BANK BORROWINGS

	30 June 2018 (Unaudited)			31 December 2017 (Audited)		
	Effective interest rate ***(%)***	**Maturity**	***HK$'000***	Effective interest rate *(%)*	Maturity	*HK$'000*
Current						
Bank loans — unsecured	**–**	**–**	**–**	1.8–2.9	2018	89,265
Bank loans — secured	**2.6–3.3**	**2018**	**9,370**	–	–	–
			9,370			89,265

	30 June 2018 ***HK$'000*** **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Analysed into:		
Bank loans:		
Within one year	**9,370**	89,265

The Group's banking facilities amounting to HK$10,000,000 as at 30 June 2018 (31 December 2017: HK$275,817,000), of which HK$9,370,000 (31 December 2017: HK$89,265,000) had been utilised as at the end of the reporting period.

The Group's banking facilities amounting to HK$10,000,000 are secured by mortgages over the Group's building.

All borrowings are denominated in United States dollars.

14. TRADE AND BILLS PAYABLES

	30 June 2018 ***HK$'000*** **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Trade payables	**241,900**	209,843
Bills payables	**–**	18,580
	241,900	228,423

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**110,324**	99,727
31 to 60 days	**5,897**	68,345
61 to 90 days	**31,886**	26,845
Over 90 days	**93,793**	14,926
	241,900	209,843

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

15. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its plant, office premises and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to eight years.

At 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**26,879**	18,034
In the second to fifth years, inclusive	**66,314**	24,511
After five years	**9,614**	3,026
	102,807	45,571

16. COMMITMENTS

In addition to the operating lease commitments detailed in note 15 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Plant and machinery	**1,283**	1,419

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's interim condensed consolidated statement of financial position, interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income and the related notes thereto for the six months ended 30 June 2018 as set out in this preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's interim condensed consolidated financial statements for the period. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group is principally engaged in the sales, development and manufacturing of home surveillance cameras, 360-degree cameras and other digital imaging products such as car camcorders, police cameras and other imaging products for various purposes. In particular, the Group is one of the leading digital imaging device and solutions providers for the home surveillance camera industry. Leveraging its substantial experience spanning a diverse range of digital imaging products, the Group differentiates itself from other manufacturers by offering design-driven joint design manufacturing ("**JDM**") and original design manufacturing ("**ODM**") solutions to customers.

Since its establishment, the Group's core operations have mainly focused on imaging products. The Group has successfully shifted from positioning as a traditional imaging products manufacturer to an action camera vendor, and further introduced home surveillance cameras starting in 2014. It has successfully launched 360-degree cameras in 2016 and introduced security lights and doorbell cameras in 2018.

ION360 business

Due to the disappointing results of ION360 business, the Group substantially reduced the number of ION360 staff in April 2018 and implemented cost reduction initiatives. After careful consideration, the Group has made impairment provision for all the finished goods stock of ION360. Meanwhile, the Group is actively negotiating with independent third parties for the disposal of ION360 business.

ODM/JDM business

For 2018 Interim, the Group's turnover from the ODM/JDM business significantly increased by approximately HK$271.0 million to approximately HK$557.7 million from approximately HK$286.7 million for the same period in 2017. The increase was primarily caused by the substantial increase in the shipment volume of home surveillance cameras products to the Group's key customers as compared with the same period in 2017.

For 2018 Interim, the shipment volume of digital imaging products of ODM/JDM business remained the same as the corresponding period in 2017, with increase in sales of 360-degree cameras and decrease in sales of police cameras.

Home surveillance cameras of the Group's ODM/JDM business have become its major revenue source following the substantial increase in the shipment volume, and contributed approximately 71% of the Group's total revenue for 2018 Interim. Meanwhile it is also expected that the sales of new models of digital imaging products to existing and new customers will steadily pick up in the second half of 2018 or later.

Prospects

The Group considers that, the second half of the year will be challenging with the uncertainties in the business environment brought about by the potential trade war between the People's Republic of China ("China") and the United States of America (the "US") in the short term. Cameras as consumption goods are mainly manufactured in China. Unifying Tariff will raise the domestic selling price in US, and affect our sales to a certain extent. The Group is actively negotiating with its business partners in Asia for production cooperation.

In spite of the above, the Group firmly believes that intelligent imaging products and solutions will be widely used and their demand will increase continuously and the Group's management is confident in our future. Thus, the Group continues its efforts to increase market share and deliver high-quality products and solutions to its customers by pursuing the following strategies:

- Continue to develop innovative products by further investing in product planning and research and development capabilities

- Strengthen customer relationships and further expand its customer base

- Actively explore the market in Mainland China

- Improve operation and production efficiencies and optimise the organisational structure

Financial review

Turnover

The Group's products mainly consist the following two categories: (i) home surveillance cameras, and (ii) digital imaging products. It generates revenue predominantly from sales of these products, as well as from sales of other electronic products or services such as tooling fees associated with products that it manufactures for customers. It expects the contribution from home surveillance cameras and new imaging products, will increase in the next few years. The following tables set out the breakdown of the revenue from sales of major products by product type for the periods indicated:

	Six months ended 30 June				
	2018		2017		
	HK$'000	**% of total**	*HK$'000*	% of total	Revenue
	(Unaudited)	**revenue**	(Unaudited)	revenue	change
ODM/JDM BUSINESS					
Home surveillance cameras	**396,896**	**71.0%**	124,232	40.6%	219.5%
Digital imaging products	**130,298**	**23.3%**	138,823	45.3%	-6.1%
Others	**30,513**	**5.5%**	23,626	7.7%	29.2%
SUB-TOTAL	**557,707**	**99.8%**	286,681	93.7%	94.5%
ION360 BUSINESS	**1,079**	**0.2%**	19,347	6.3%	-94.4%
TOTAL	**558,786**	**100.0%**	306,028	100.0%	82.6%

For 2018 Interim, the Group recorded a turnover of approximately HK$1.1 million from the ION360 business (2017 Interim: approximately HK$19.3 million), representing a substantial decrease of approximately 94.4% as compared to 2017 Interim. The decrease was mainly due to the performance of ION360 business did not meet the expected market response.

For 2018 Interim, the Group recorded a turnover of approximately HK$557.7 million from the ODM/JDM business (2017 Interim: approximately HK$286.7 million), representing a significant increase of approximately 94.5% as compared to 2017 Interim. This increase was mainly attributable to the significant increase in the shipment units of home surveillance cameras.

The Group sells its products mainly to customers in the US and expects the US market will continue to account for the majority of its revenue in the foreseeable future. The significant increase in the sales in the US in 2018 Interim as compared to the same period in 2017 was due to the increase in the sales to the Group's key customers, which are located in the US. The following table sets out the breakdown of revenue by location of customers for the periods indicated:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
US	**377,011**	233,016
Mainland China	**111,676**	26,827
European Union	**56,567**	32,470
Other countries and areas	**13,532**	13,715
Total	**558,786**	306,028

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, including mainly depreciation of production equipment and indirect labour.

For 2018 Interim, cost of sales of the Group amounted to approximately HK$605.2 million (2017 Interim: approximately HK$240.5 million), representing an increase of approximately 151.6% as compared to 2017 Interim, and amounted to approximately 108.3% (2017 Interim: approximately 78.6%) of its turnover during the period. This increase was mainly attributable to a substantial increase in the shipment units and impairment provision of approximately HK$132.4 million for the inventories of ION360.

Gross profit and gross profit margin

	Six months ended 30 June	
ION360 business	**2018**	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**1,079**	19,347
Cost of sales	**(135,672)**	(37,521)
Gross profit	**(134,593)**	(18,174)
Gross profit margin	**-12,473.9%**	-93.9%

The Group's ION360 business recorded a negative gross profit margin due to the impairment provision for inventories.

ODM/JDM business	Six months ended 30 June **2018**	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**557,707**	286,681
Cost of sales	**469,496**	202,941
Gross profit	**88,211**	83,740
Gross profit margin	**15.8%**	29.2%

The Group recorded a gross profit of approximately HK$88.2 million from the ODM/JDM business for 2018 Interim (2017 Interim: approximately HK$83.7 million), representing an increase of approximately 5.3% as compared to 2017 Interim. The increase was mainly due to the increase in the shipping volume. The gross profit margin decreased from approximately 29.2% for 2017 Interim to approximately 15.8% for 2018 Interim, mainly due to the increase of cost of materials and the decrease of selling price of certain products.

Other income and gains

Other income and gains include mainly (i) bank interest income; (ii) government grants, which mainly consist rewards and subsidies for research activities granted by the local government with no unfulfilled conditions or contingencies; and (iii) exchange gains arising mainly from fluctuation of Renminbi ("**RMB**") against US dollar ("**US$**") between the invoice and settlement dates of its sales and purchases, and from translation of its US$-denominated trade payables and receivables.

For 2018 Interim, other income and gains of the Group slightly decreased by approximately 17.1% to approximately HK$10.5 million as compared to 2017 Interim, which was primarily attributable to a decrease of approximately HK$6.2 million in government grants related to the research and development activities of the Group.

Selling and distribution expenses

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

Selling and distribution expenses significantly reduced from approximately HK$93.8 million in 2017 Interim to approximately HK$22.4 million in 2018 Interim. Decrease in expense for 2018 Interim was mainly attributable to the reduction in the majority of cost for ION360 business.

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; (iv) other taxes and levies payable to government authorities; (v) bad debt provision for trade receivables; and (vi) entertainment expenses.

For 2018 Interim, administrative expenses increased by approximately 62.6% to approximately HK$101.7million (2017 Interim: approximately HK$62.6 million). The increase was primarily due to the increase of rental expense of leased factory incurred from the relocation of factory in Shenzhen and the bad debt provision for trade receivables.

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 2018 Interim, the Group recorded research and development costs of approximately HK$64.4 million, which decreased by approximately 11.2% from approximately HK$72.5 million for 2017 Interim. This decrease was mainly attributable to the substantial decrease of fees such as certification expense after the shrinking of ION360 business.

Other expenses

Other expenses include principally (i) loss of sales from slow-moving materials; and (ii) disposal loss of fixed assets.

For 2018 Interim, other expenses decreased to approximately HK$6.5 million from approximately HK$12.3 million for 2017 Interim. Other expenses for 2018 Interim were mainly used for the clearance of slow-moving materials of approximately HK$4.3 million.

Finance costs

For 2018 Interim, the finance costs of the Group were approximately HK$0.9 million (2017 Interim: approximately HK$0.8 million), representing a slight increase of approximately 13.7% as compared to 2017 Interim. This increase was attributable to an increase in average borrowing rate of US$ amounts from certain banks in Hong Kong.

Income tax expense

For 2018 Interim, the income tax expense of the Group were approximately HK$3.1 million (2017 Interim: approximately HK$2.7 million), representing an increase of approximately HK$0.4 million as compared to 2017 Interim, which was due to the reversal of deferred tax asset.

Net loss

As a result of the foregoing, the Group recorded a loss of approximately HK$238.0 million for 2018 Interim with a net loss margin of approximately 42.6%, of which loss for ODM/JDM business was approximately HK$58.5 million and loss for ION360 business was approximately HK$179.5 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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash flows used in operating activities	**(88,736)**	(23,933)
Net cash flows used in investing activities	**(334)**	(33,364)
Net cash flows used in financing activities	**(28,159)**	(93,375)
Net decrease in cash and cash equivalents	**(117,229)**	(150,672)
Cash and cash equivalents at beginning of period	**203,129**	480,436
Effect of foreign exchange rate, net	**(3,655)**	9,655
Cash and cash equivalents at end of period	**82,245**	339,419

Net cash used in operating activities for 2018 Interim was approximately HK$88.7 million, which primarily reflected (i) the adjusted loss before tax of approximately HK$19.3 million; (ii) prepayments, deposits and other receivables of approximately HK$61.3 million.

Net cash used in investing activities for 2018 Interim was approximately HK$0.3 million, which mainly reflected (i) payment of approximately HK$13.4 million for purchases of property, plant and equipment and intangible assets; and (ii) proceeds from disposal of financial assets at fair value through other comprehensive income of approximately HK$11.5 million.

Net cash used in financing activities for 2018 Interim was approximately HK$28.2 million, which mainly reflected (i) net repayment of bank borrowings of approximately HK$79.9 million as the Group utilised less interest-bearing bank borrowings to settle trade payables; and (ii) the non-interest-bearing shareholder's loan of approximately HK$52.6 million.

The Group's cash and cash equivalents were mainly denominated in US$, HK$ and RMB as at 30 June 2018.

Borrowing and the pledge of assets

The aggregate amount of the Group's banking facilities as at 31 December 2017 and 30 June 2018 was approximately HK$275.8 million and approximately HK$10.0 million, respectively. As at the relevant dates, total bank loans in the amounts of approximately HK$89.3 million and approximately HK$9.4 million were outstanding, respectively, which were repayable within one year. The Group utilised less interest-bearing bank borrowings to settle trade payables due to the shrink of the bank facilities limit.

The Group's bank and other borrowings are all denominated in US$ and bear fixed interest rates. As at 30 June 2018, the annual interest rate of bank borrowings ranged from 2.6% to 3.3% (31 December 2017: 1.8% to 2.9%).

Further details of the Group's bank borrowings are set out in note 13 to the interim condensed financial statements.

Gearing ratio

Gearing ratio is calculated by dividing total debt (which equals interest-bearing bank and other borrowings) by total equity as at the end of the each period. The Group's gearing ratio as at 31 December 2017 and 30 June 2018 was approximately 15.7% and approximately 2.8%, respectively. The decrease in gearing ratio was primarily due to significant decrease in interest-bearing bank borrowings remained outstanding as at 30 June 2018 following the shrink of purchase scale.

Capital expenditure

During 2018 Interim, the Group invested approximately HK$13.4 million (2017 Interim: approximately HK$4.8 million) in fixed assets and intangible assets, which was mainly used for the expense for the relocation of factory in Shenzhen.

Off balance sheet transactions

During 2018 Interim, the Group did not enter into any material off balance sheet transactions.

Foreign exchange exposure and exchange rate risk

The Group has transactional currency exposure, which arises from sales in currencies other than the relevant operating units, that is, functional currencies. Approximately 89.1% and 85.1% of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sales, whilst approximately 40.3% and 47.0% of inventory costs were denominated in their functional currencies for 2017 Interim and 2018 Interim, respectively.

The Group used forward currency contracts to manage currency risk. However, due to the fluctuation in exchange rate during the period, the Group did not enter into any forward currency contracts during 2018 Interim and had no outstanding forward currency contracts as at 30 June 2018 (31 December 2017: Nil).

Events after the reporting period

There are no significant events occurring after the reporting period of 2018 Interim up to the date of this announcement.

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 (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 2018 Interim, the Group did not have any investment under its treasury policies.

Employees and emoluments policy

As at 30 June 2018, the Group employed a total of 1,819 employees (31 December 2017: 1,889). The staff costs of the Group, excluding directors' emoluments and any contributions to pension scheme, were approximately HK$85.6 million for 2018 Interim (2017 Interim: approximately HK$102.6 million), approximately HK$2.3 million (2017 Interim: approximately HK$11.0 million) of which are expenses for the Group's share option schemes and share award scheme. 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 talent. 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 on 29 May 2015 and the share option scheme on 12 June 2015, under which grantees are entitled to exercise the options to subscribe for shares subject to the terms and conditions of the respective schemes. In addition to the share option schemes, the Group also adopted the share award scheme on 20 September 2016 and 26 April 2018 to: (i) recognise the contributions by certain employees and to provide them with incentives in order to retain talent; and (ii) attract suitable personnel for the Group's further development.

Significant investments held

As at 30 June 2018, the Group held unlisted equity investments of approximately HK$28.9 million (31 December 2017: approximately HK$38.3 million). These unlisted equity investments were made in start-up companies which have synergies with the Group's business.

Application of global offering proceeds

The Company was listed on the Stock Exchange on 2 July 2015. The net proceeds raised from the global offering were approximately HK$613.0 million after deduction of related expenses. The Company applied proceeds from the Listing as follows:

The unused net proceeds have been placed as interest bearing deposits with licensed banks in Hong Kong and Mainland China in accordance with the intention of the Board as disclosed in the prospectus of the Company dated 19 June 2015 (the "**Prospectus**"). The Company has not utilised and will not utilise any net proceeds for purposes other than those disclosed in the Prospectus.

On 23 January 2018 and as disclosed, the Board has resolved to change the use of and propose to apply the above unutilized net proceeds for the purpose of the Company's (i) marketing expenditures relating to the development and promotion of house brands; (ii) research and development expenditures relating to development of new products and the recruitment of additional engineers; and (iii) purchases of raw materials.

Use of proceeds	**Actual net proceeds** *HK$ million*	**Actual utilisation up to 30 June 2018** *HK$ million*	**Balance as at 30 June 2018** *HK$ million*
Purchase of land or completed properties or offices and purchase of production machinery	71.8	71.8	–
Marketing expenditures	138.9	138.9	–
Possible mergers and acquisitions	116.5	116.5	–
Research and development expenditures	156.4	156.4	–
Working capital and general corporate purposes	129.4	129.4	–
	613.0	613.0	–

Commitment

As at 30 June 2018, the Group's operating lease and capital commitment amounted to approximately HK$102.8 million (31 December 2017: approximately HK$45.6 million) and approximately HK$1.3 million (31 December 2017: approximately HK$1.4 million), respectively. The increase in lease commitment was due to a new lease agreement entered in relation to the relocation of the Group's Shenzhen plant to the new site.

Future plans for material investments or capital assets

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

Material acquisitions and disposals of subsidiaries and associated companies

The Company intends to dispose the ION360 business as and when suitable opportunity arises, in light of the significant loss incurred in ION360 business and the Company's strategy to operate manage its finance in a cautious and prudent manner.

Contingent liabilities

As at 30 June 2018, the Group had no significant contingent liabilities.

Dividends

The Board does not recommend the payment of interim dividend for 2018 Interim (2017 Interim: Nil).

OTHER INFORMATION

Purchase, sale or redemption of listed securities

The Company is empowered by the applicable Companies Law, Cap 22 of the Cayman Islands and the articles of association of the Company to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during 2018 Interim.

Model code for securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct governing its directors' securities transactions. Specific enquiries have been made with all Directors and they have confirmed that they have complied with the Model Code during 2018 Interim.

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

Audit Committee

The Company established Audit Committee on 12 June 2015 with its written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems, nominate and monitor external auditors and provide advice and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, being Mr. Tse Yat Hong, Dr. Cheung Wah Keung and Mr. Chan Tsu Ming Louis, all are independent non-executive Directors. Mr. Tse Yat Hong currently serves as the chairman of the Audit Committee.

Before the date of this announcement, a meeting of the Audit Committee has been held with the management and auditor of the Company for reviewing the unaudited interim financial report of the Group for the six months ended 30 June 2018. The review report will be included in the interim report to be despatched to the shareholders of the Company.

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 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 2018 up to the date of this announcement, 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 Mr. Tang Wing Fong Terry is the chairman of the Board and chief executive officer of the Company, the Company has deviated from the code provision A.2.1. The Board considers that having Mr. Tang Wing Fong Terry acting as both the chairman of the Board and the chief executive officer of the Company will provide a strong and consistent leadership to the Company and allow for more effective planning and management for the Group. In view of Mr. Tang's extensive experience in the industry, personal profile and critical role in the Group and its historical development, the Board considers that it is beneficial to the business prospects of the Group that Mr. Tang continues to act as both the chairman of the Board and the chief executive officer of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement for 2018 Interim has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.sky-light.com.hk). The interim report of the Company for the six months ended 30 June 2018 containing information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 29 August 2018

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