

INTERIM REPORT 2023

天彩控股有限公司

Sky Light Holdings Limited

Stock Code **3882**

Incorporated in the Cayman Islands with limited liability





Sky Light Holdings Limited

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2023
INTERIM REPORT

Financial Highlights

	Six months ended 30 June		CHANGE
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	
REVENUE	142,940	264,630	(46.0%)
COST OF SALES	(123,140)	(221,290)	(44.4%)
GROSS PROFIT	19,800	43,340	(54.3%)
GROSS PROFIT MARGIN (%)	13.9%	16.4%	(2.5 p.p.t.)
LOSS FOR THE PERIOD	(49,567)	(1,585)	3,027.3%
Attributable to:			
OWNERS OF THE COMPANY	(39,030)	1,611	(2,522.7%)
NON-CONTROLLING INTERESTS ("NCI")	(10,537)	(3,196)	229.7%
	(49,567)	(1,585)	3,027.3%
(LOSS)/PROFIT PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY BASIC AND DILUTED	HK(4.0) cent	HK0.2 cent	(2,100.0%)

Corporate Information

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

Executive Directors

Mr. Tang Wing Fong Terry (*Chairman*)
Mr. Shan Chuanlong
Mr. Lu Yongbin (*Note 3*)

Non-executive Director

Ms. Tang Kam Sau (*Note 5*)

Independent Non-executive Directors

Mr. Wong Wai Ming (*Note 1*)
Professor Jian Wang
Ms. Lo Wan Man
Dr. Cheung Wah Keung (*Note 2*)

Committees of the Board

Audit Committee (the “Audit Committee”)

Ms. Lo Wan Man (*Chairlady*)
Professor Jian Wang
Mr. Wong Wai Ming (*Note 1*)
Dr. Cheung Wah Keung (*Note 2*)

Remuneration Committee (the “Remuneration Committee”)

Ms. Lo Wan Man (*Chairlady*)
Mr. Tang Wing Fong Terry
Professor Jian Wang

Nomination Committee (the “Nomination Committee”)

Mr. Tang Wing Fong Terry (*Chairman*)
Ms. Lo Wan Man
Professor Jian Wang

Authorized Representatives

Mr. Tang Wing Fong Terry
Ms. Xu Jing

Company Secretary

Ms. Xu Jing

Registered Office

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

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

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

Principal Place of Business in Hong Kong

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

Auditor

D & Partners CPA Limited (*Note 4*)
Certified Public Accountants
Registered Public Interest Entity Auditor
2201, 22/F, West Exchange Tower
322 Des Voeux Road Central
Sheung Wan
Hong Kong

Hong Kong Legal Adviser

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

Corporate Information

Cayman Islands Principal Registrar and Transfer Office

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

Hong Kong Branch Share Registrar

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

Principal Bankers

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

Stock Code

3882

Company Website Address

www.sky-light.com.hk

Notes:

1. Appointed on 28 February 2023
2. Resigned on 28 February 2023
3. Resigned on 3 February 2023
4. Appointed on 12 January 2023
5. Resigned on 31 May 2023

Management Discussion and Analysis

Business review

Sky Light Holdings Limited (the “Company”), together with its subsidiaries (together, the “Group”), is principally engaged in manufacturing and sale of camera products and related accessories, and operating of artificial intelligence (“AI”) vending machines.

1. Camera products and related accessories business:

For the six months ended 30 June 2023 (the “2023 Interim”), the Group’s camera products and related accessories business recorded a revenue of approximately HK\$138.9 million, representing a decrease of about 47.5% as compared to approximately HK\$264.6 million in the corresponding period in 2022 (the “2022 Interim”).

During the first half of 2023, the global demand for consumer electronics products remained weak, coupled with ongoing customer destocking, which significantly impacts the performance of the Group. The lifting of early-year pandemic-related restrictions facilitated smoother communication with overseas clients. The Group has initiated several new projects. However, it takes some time to make the new projects put into operation. The Group estimates the new projects will contribute to the Group’s performance in the second half of the year.

2. Retailing business through AI vending machines

The Group acquired 51% of Wuhan Show Life Convenience Store Co., Ltd.* (武漢秀生活便利店有限公司) (“Wuhan Show Life”), in November 2022. Wuhan Show Lift is engaged in retailing business through AI vending machines for selling food and beverage and is still in the early stage of development. For the 2023 Interim, the Group recorded a revenue of approximately HK\$4.1 million from retailing business through AI vending machines. The Group estimates the strategic cooperation between Wuhan Show Lift and one of the largest household appliance companies headquartered in the PRC and one of the largest property management companies in the PRC in April 2023 and June 2023, respectively, will facilitate the rapid and stable development of Wuhan Show Life and will contribute to the Group’s performance in the second half of 2023.

* For identification only

Management Discussion and Analysis

Prospects

1. Camera products and related accessories business:

In 2023, deglobalization in the world, high inflation and high interest rates in America and the European Union will be the main challenge for the Group's camera products and related accessories business. In the 2023 Interim, the inventory backlog of the Group's customers still affected their needs from the products of the Group.

The lifting of early-year pandemic-related restrictions facilitated smoother communication with customers. The Group has initiated several new projects, which will begin scale production in August 2023 or later. The Group estimates its camera products and related accessories business will be improved in the second half of the year.

In order to improve its financial performance, the Group 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 and actively expand the products category;
- Work deeper in the main product lines of the Group in all aspect and strengthen the competitive advantages in the product categories;
- Strengthen the sales force; and
- Optimize the Group's operation and provide efficient service to customers.

2. Retailing business through AI vending machines

Wuhan Show Life will actively carry out strategic cooperation with more property management companies and place more AI vending machines in residential buildings, office buildings, hotels, schools, hospitals, sports centers and parks in China to increase sales revenue.

Management Discussion and Analysis

Financial review

Turnover

The Group's camera products and related accessories 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 Group is engaged in retailing business through AI vending machines for selling food and beverage. The following table sets out the breakdown of the revenue for the periods indicated:

	Six months ended 30 June				
	2023 HK\$'000	% of total revenue	2022 HK\$'000	% of total revenue	Revenue change
Manufacturing business					
Sales of Products					
Home surveillance cameras	78,558	55.0%	165,035	62.4%	(52.4%)
Digital imaging products	31,112	21.8%	50,442	19.0%	(38.3%)
Other products	28,725	20.0%	42,243	16.0%	(32.0%)
	138,395	96.8%	257,720	97.4%	(46.3%)
Manufacturing service income	468	0.3%	6,910	2.6%	(93.2%)
SUB-TOTAL	138,863	97.1%	264,630	100%	(47.5%)
Retailing business through AI vending machines					
Retailing income	4,077	2.9%	–	–	–
TOTAL	142,940	100.0%	264,630	100%	(46.0%)

For the 2023 Interim, the Group recorded a turnover of approximately HK\$142.9 million (2022 Interim: approximately HK\$264.6 million), representing a significant decrease of approximately 46.0% as compared to the 2022 Interim. This decrease was mainly attributable to the significantly decrease in the shipment units of home surveillance cameras.

Management Discussion and Analysis

The Group sells its camera products and related accessories products mainly to customers in the US and the European Union and food and beverage to customers in Mainland China. 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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
European Union	73,134	88,009
United States of America	32,618	130,345
Mainland China	25,790	32,589
Other countries and areas	11,398	13,687
Total	142,940	264,630

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 or purchasing costs.

For the 2023 Interim, cost of sales of the Group amounted to approximately HK\$123.1 million (2022 Interim: approximately HK\$221.3 million), representing a decrease of approximately 44.4% as compared to the 2022 Interim, and amounted to approximately 86.1% (2022 Interim: approximately 83.6%) of its turnover for the 2023 Interim. Cost of sales decrease was mainly due to the significantly decrease in the sales of the shipment units.

Gross profit and gross profit margin

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	142,940	264,630
Cost of sales	(123,140)	(221,290)
Gross profit	19,800	43,340
Gross profit margin	13.9%	16.4%

Management Discussion and Analysis

The Group recorded a gross profit of approximately HK\$19.8 million for the 2023 Interim (2022 Interim: approximately HK\$43.3 million), representing a decrease of approximately 54.3% as compared to the 2022 Interim. The gross profit margin decreased from approximately 16.4% for the 2022 Interim to approximately 13.9% for the 2023 Interim. This decrease was mainly due to the increase of costs caused by reversal and allowance for inventories, net (included in cost of inventories sold), resulting in a decrease in gross profit.

Other income and other gains

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

For the 2023 Interim, other income and other gains of the Group significantly decreased to approximately HK\$8.4 million as compared to 2022 Interim of approximately HK\$19.5 million, which was primarily attributable to the decrease of approximately HK\$10.8 million on the gain on disposal of non-current asset classified as held for sales.

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 the 2023 Interim, selling and distribution expenses of the Group significantly increased by approximately 44.3% to approximately HK\$20.3 million from approximately HK\$14.1 million for 2022 Interim. The increase was mainly due to increase of approximately HK\$6.4 million used in the retailing business through AI vending machines.

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 the 2023 Interim, administrative expenses of the Group significantly increased by approximately 33.9% to approximately HK\$33.9 million from approximately HK\$25.3 million for the 2022 Interim. The increase was mainly due to the increase of approximately HK\$8.1 million used in the retailing business through AI vending machines.

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 the 2023 Interim, the Group recorded research and development costs of approximately HK\$19.9 million, which decreased by approximately 15.3% from approximately HK\$23.5 million for the 2022 Interim. The decrease was mainly due to the decrease of approximately HK\$3.3 million salaries and benefits of the Group's research and development staff.

Management Discussion and Analysis

Other expenses

Other expenses include principally (i) exchange losses arising mainly from fluctuations in exchange rates 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 the 2023 Interim, other expenses of the Group significantly increased to approximately HK\$2.7 million from approximately HK\$0.6 million for the 2022 Interim. The increase mainly consisted of the increase of approximately HK\$1.9 million allowance for bad debts.

Finance costs

For the 2023 Interim, the finance costs of the Group slightly decreased to approximately HK\$0.8 million (2022 Interim: approximately HK\$1.0 million).

Net loss

As a result of the foregoing, the Group recorded a loss of approximately HK\$49.6 million for the 2023 Interim (attributable to non-controlling interests was a loss of approximately HK\$10.5 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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash flows (used in)/generated from operating activities	(60,497)	5,612
Net cash flows (used in)/generated from investing activities	(16,323)	12,905
Net cash flows generated from/(used in) financing activities	71,427	(13,867)
Net (decrease)/ increase in cash and cash equivalents	(5,393)	4,650
Cash and cash equivalents at beginning of period	81,447	96,188
Effect of foreign exchange rate changes	(8,764)	(9,982)
Cash and cash equivalents at end of period	67,290	90,856

Net cash used in operating activities for the 2023 Interim was approximately HK\$60.5 million, which primarily reflected (i) the loss before tax of approximately HK\$49.6 million; (ii) the decrease in inventories of approximately HK75.2 million; (iii) the increase in trade receivables of approximately HK\$29.1 million; and (iv) the increase in prepayments and other receivables of approximately HK\$16.7 million.

Management Discussion and Analysis

Net cash used in investing activities for the 2023 Interim was approximately HK\$16.3 million. This mainly consisted of purchases of property, plant and equipment approximately HK\$16.5 million.

Net cash generated from the financing activities for the 2023 Interim was approximately HK\$71.4 million, which was mainly reflected (i) the net loans of bank borrowing of approximately HK\$13.3 million; and (ii) the net proceeds from issue of Shares of approximately HK\$67.8 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 2023.

Borrowings and the pledge of assets

The Group's banking facilities amounting to approximately HK\$46.5 million as at 30 June 2023 (At 31 December 2022: approximately HK\$46.4 million), of which approximately HK\$21.3 million (At 31 December 2022: approximately HK\$8.0 million) had been utilised as at the end of the 2023 Interim.

The bank loans were secured by the pledge of the Group's life insurance policy and bank deposits, personal guarantee executed by a controlling shareholder of the Company, corporate guarantees executed by a company controlled by the controlling shareholder of the Company and two subsidiaries of the Group, respectively. The factoring loan of approximately HK\$17.0 million (At 31 December 2022: Nil) was secured by the pledge of the Group's factoring receivables.

The Group's bank borrowings are all denominated in US\$, the secured bank and factoring loans carry effective interest rates ranging from 6.1% to 7.5% (At 31 December 2022: 1.5% to 6.0%) per annum. All borrowings are repayable within one year.

Gearing ratio

Gearing ratio is calculated by dividing total debt (which equals interest-bearing bank borrowings and lease liabilities) by total equity as at the end of each period. The Group's gearing ratio as at 31 December 2022 and 30 June 2023 was approximately 10.7% and approximately 27.2%, respectively. The increase in gearing ratio was primarily due to significantly increase in outstanding interest-bearing bank borrowings.

Capital expenditure

During the 2023 Interim, the Group invested approximately HK\$18.2 million (2022 Interim: approximately HK\$2.1 million) in fixed assets and intangible assets.

Off balance sheet transactions

During the 2023 Interim, the Group did not enter into any material off balance sheet transactions.

Management Discussion and Analysis

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 85.5% and 76.8% of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sales, whilst approximately 49.6% and 26.3% of inventory costs were denominated in their functional currencies for the 2022 Interim and the 2023 Interim, respectively.

During the 2023 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 the 2023 Interim (2022 Interim: Nil). In addition, the Group did not have any foreign currency net investments which have been hedged by currency borrowing and other hedging investments.

Events after the reporting period

There are no significant events affecting the Group which occurred after the reporting period of the 2023 Interim and up to the date of this report.

Treasury policies

During the 2023 Interim, the Group did not have any investment under its treasury policies.

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

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

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

Management Discussion and Analysis

Employees and emoluments policy

As at 30 June 2023, the Group employed a total of 950 employees (31 December 2022: 860). The staff costs of the Group, excluding directors' emoluments and any contributions to pension scheme, were approximately HK\$44.4 million for the 2023 Interim (2022 Interim: approximately HK\$65.3 million), none (2022 Interim: approximately HK\$0.1 million) of which are the expenses for the Company'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 Company has adopted a pre-IPO share option scheme and a share option scheme, under which grantees are entitled to exercise the options to subscribe for shares of the Company subject to the terms and conditions of the respective schemes.

Significant investments held

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

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

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

For the 2023 Interim, Kandao has strengthened the product promotion. It is expected that there will be a steady development trend in the next half year.

As at 30 June 2023, the investment accounted for 5.3% of the Group's total assets and the fair value of this investment held by the Group was approximately HK\$20.4 million (31 December 2022: approximately HK\$21.1 million) presenting approximately HK\$0.7 million unrealized loss for the 2023 Interim. No dividend was received from this investment during the 2023 Interim (2022 Interim: Nil).

The Board believes 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:

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

Save as disclosed above, as at 30 June 2023, there was no an investment held by the Group with a value of 5% or more of the Company's total assets.

Management Discussion and Analysis

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

In order to respond prudently and actively utilizing the current idle production capacity of Sky Light Electronic Joint Stock Company (“JSC”), on 1 June 2023, Sky Light International (Vietnam) Limited (“SL Vietnam”) (the holding company of JSC and an indirect wholly-owned subsidiary of the Company, Sky Light Electronic Limited (天彩電子有限公司) (“SL Electronic”)) and Tech Idea Limited (奧信有限公司) (“Tech Idea”) entered into a subscription agreement, pursuant to which, SL Electronic and Tech Idea have conditionally agreed to subscribe for, and SL Vietnam has conditionally agreed to allot and issue, 5,099 new shares in SL Vietnam (“SLV Shares”) and 4,900 new SLV Shares, respectively, at the subscription price of HK\$1.00 per new SLV Share (the “June Subscription”).

Upon completion of the June Subscription on 1 June 2023, SL Vietnam was held as to 51% by SL Electronic and as to 49% by Tech Idea, respectively. SL Vietnam was remained as a non-wholly owned subsidiary of the Company.

The SLV Shares allotted and issued under the June Subscription represent 99.99% of the issued share capital of SL Vietnam as enlarged by the June Subscription. The Group’s interest in SL Vietnam was diluted from 100% to 51%, and the subscription of the 4,900 new SLV Shares by Tech Idea was regarded as a deemed disposal for the Company pursuant to Rule 14.29 of the Listing Rules.

For details of the above deemed disposal, please refer to the announcement of the Company dated 1 June 2023.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the 2023 Interim.

Contingent liabilities

As at 30 June 2023, the Group had no significant contingent liabilities (31 December 2022: Nil).

Dividend

The Board does not recommend the payment of interim dividend for the 2023 Interim (2022 Interim: Nil).

Financial position as at 30 June 2023

As at 30 June 2023, the Group’s total equity was approximately HK\$171.9 million (31 December 2022: approximately HK\$289.8 million), total assets amounted to approximately HK\$387.5 million (31 December 2022: approximately HK\$541.7 million) and total liabilities stood at approximately HK\$215.6 million (31 December 2022: approximately HK\$251.8 million).

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

As at 30 June 2023, 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 (the "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 Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity/Nature of interest	Personal Interest in Shares ⁽¹⁾	Corporate interests	Total	Approximate percentage of total issued Shares ⁽⁴⁾
Tang Wing Fong Terry ("Mr. Tang")	Interest in a controlled corporation	–	417,717,600 (L) ⁽²⁾	658,203,557 (L)	65.26%
	Interest in a controlled corporation	–	30,146,000 (L) ⁽³⁾		
	Beneficial owner	210,339,957 (L)	–		

Notes:

- (1) The letter "L" denotes the Directors' long position in the Shares.
- (2) The disclosed interest represents the interest in 417,717,600 Shares beneficially held by Fortune Six Investment Limited., which is wholly-owned by Mr. Tang and Mr. Tang was deemed to be interested in the 417,717,600 Shares by virtue of Part XV of the SFO.
- (3) The disclosed interest represents the interest in 30,146,000 Shares beneficially held by Happy Bull Investment Limited, which is wholly-owned by Mr. Tang. By virtue of the SFO, Mr. Tang was deemed to be interested in Happy Bull Investment Limited's interest in the Company by virtue of the SFO.
- (4) Based on a total of 1,008,587,455 Shares in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, 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.

Other Information

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

To the best knowledge of the Directors, as at 30 June 2023, the following persons (other than the Directors or chief executive of the Company), were directly or indirectly, interested in 5% or more of the Shares or short positions in the Shares and the underlying Shares of the Company, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name of shareholder	Capacity/Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of total issued Shares ⁽³⁾
Fortune Six Investment Limited ⁽²⁾	Beneficial owner	417,717,600 (L)	41.42%

Notes:

- (1) The letter "L" denotes a person's long position in the Shares.
- (2) The Shares beneficially held by Fortune Six Investment Limited, which is wholly-owned by Mr. Tang, an executive Director. Mr. Tang was deemed to be interested in the 417,717,600 Shares by virtue of Part XV of the SFO.
- (3) Based on a total of 1,008,587,455 Shares in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, the Directors are not aware of any other corporation or individual (other than the Directors or chief executive of the Company) who had an interest or a short positions in the Shares or underlying Shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

Save as disclosed above, as at 30 June 2023, 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.

Contracts of Significance

Save as disclosed in the note 27 to the condensed consolidated financial statements, the Group has not entered into any transaction, arrangement or contract of significance in relation to the business of the Group, in which a Director or an entity connected with the Director had a material interest, either directly or indirectly, and to which the Company, its holding company or subsidiaries or any of its controlling shareholders (as defined in the Listing Rules) or any of its subsidiaries was a party subsisted as at 30 June 2023 or at any time during the 2023 Interim.

There was no transaction, arrangement or contract of significance for the provision of services to the Group by a controlling shareholders (as defined in the Listing Rules) or any of its subsidiaries had been entered into by the Group during the 2023 Interim or subsisted as at 30 June 2023.

Directors' Interest in Competing Business

During the 2023 Interim, none of the Directors nor his/her close associates (as defined under the Listing Rules) 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 under the section headed "Share Option Scheme" below, neither at the end of the 2023 Interim nor at any time during the 2023 Interim did there subsist any arrangements which 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 (Law 3 of 1961, as consolidated or revised from time to time) of the Cayman Islands and the articles of association of the Company to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange and the applicable laws of the Cayman Islands. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the 2023 Interim.

Issue of Equity Securities

Activity One:

On 4 January 2023, Mr. Tang (as the vendor), Prime China Securities Limited (as the placing agent of Mr. Tang) (the "Placing Agent") and the Company entered into a placing agreement (the "January Placing Agreement"), pursuant to which Mr. Tang agreed to sell and the Placing Agent agreed to place, on a best effort basis, a total of up to 25,000,000 existing ordinary Shares (the "January Placing Shares") at the placing price of HK\$1.15 per January Placing Share (the "January Placing"). On the same date, Mr. Tang and the Company entered into a subscription agreement (the "January Subscription Agreement"), pursuant to which Mr. Tang agreed to subscribe for up to 25,000,000 new Shares, which is equal to the total number of the January Placing Shares actually placed by the Placing Agent in the January Placing (the "January Subscription Shares"), at the subscription price of HK\$1.15 per January Subscription Share (the "January Subscription"). The aggregate nominal value of the January Subscription Shares was HK\$250,000.00. The closing price per Share as quoted on the Stock Exchange on the date of the January Placing Agreement and the January Subscription Agreement was HK\$1.420. The Directors are of the view that the January Placing and the January Subscription represent a good opportunity to broaden the shareholders base and capital base of the Company and to raise capital for the Group's business operation and working capital requirements.

Other Information

The January Placing and the January Subscription were completed on 9 January 2023 and 16 January 2023, respectively. A total of 25,000,000 January Placing Shares were successfully placed to not less than six independent placees and the 25,000,000 January Subscription Shares had been allotted and issued to Mr. Tang pursuant to the general mandate. The net subscription price for the January Subscription (after the deduction of the expenses incurred by Mr. Tang (which, in turn, were borne by the Company) in relation to the January Placing and the January Subscription) was approximately HK\$1.104 for each January Subscription Share. The gross proceeds from the January Subscription amounted to approximately HK\$28.750 million. The Company received total net proceeds of approximately HK\$27.6 million from the January Subscription and has used up all the net proceeds as the Group's general working capital as at 30 June 2023. There was no material deviation for the actual usages from the original intended uses.

Activity Two:

On 5 May 2023, Mr. Tang (as the vendor), the Placing Agent (as the placing agent) and the Company entered into a placing agreement (the "May Placing Agreement"), pursuant to which Mr. Tang agreed to sell and the Placing Agent agreed to place, on a best effort basis, a total of up to 30,000,000 existing Shares (the "May Placing Shares") at the placing price of HK\$1.40 per May Placing Share (the "May Placing"). On the same date, Mr. Tang and the Company entered into a subscription agreement (the "May Subscription agreement"), pursuant to which Mr. Tang agreed to subscribe for up to 30,000,000 new Shares, which is equal to the total number of the May Placing Shares actually placed by the Placing Agent in the May Placing (the "May Subscription Shares"), at the subscription price of HK\$1.40 per May Subscription Share (the "May Subscription"). The aggregate nominal value of the May Subscription Shares was HK\$300,000.00. The closing price per Share as quoted on the Stock Exchange on the date of the May Placing Agreement and the May Subscription Agreement was HK\$1.490. The Directors are of the view that the May Placing and the May Subscription represent a good opportunity to broaden the shareholders base and capital base of the Company and to raise capital for the Group's business operation and working capital requirements.

The May Placing and the May Subscription were completed on 10 May 2023 and 16 May 2023, respectively. A total of 30,000,000 May Placing Shares were successfully placed to not less than six independent placees and the 30,000,000 May Subscription Shares had been allotted and issued to Mr. Tang pursuant to the general mandate. The net subscription price for the May Subscription (after the deduction of the expenses incurred by Mr. Tang (which, in turn, were borne by the Company) in relation to the May Placing and the May Subscription) was approximately HK\$1.34 for each May Subscription Share. The gross proceeds from the May Subscription amounted to approximately HK\$42 million. The Company received total net proceeds of approximately HK\$40.3 million from the May Subscription and has used approximately HK\$36.6 million of the net proceeds as the Group's general working capital as at 30 June 2023. There was no material deviation for the actual usages from the original intended uses. The unutilized proceeds of approximately HK\$3.7 million is expected to be used as the Group's general working capital by the end of 31 December 2023.

For details of above the placings and subscriptions, please refer to the announcements of the Company dated 4 January 2023, 16 January 2023, 5 May 2023 and 16 May 2023, respectively.

Save as disclosed above, the Company did not allot and issue any equity securities (including securities convertible into equity securities) during the 2023 interim.

Share Option Scheme

A share option scheme (the “Share Option Scheme”) was conditionally adopted by the shareholders of the Company (the “Shareholders”) 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
- (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 the Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to the 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 the Group, the assessment criteria of which are:
 - (a) contribution to the development and performance of the Group;
 - (b) quality of work performed for the Group;
 - (c) initiative and commitment in performing his/her duties; and
 - (d) length of service or contribution to the 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.

Other Information

- (3) The maximum entitlement of each Eligible Participant in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares in issue as at the date of offer to grant.

Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director (or any of their respective associates) that would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other schemes of the Company in the 12-month period up to and including the date of grant representing in aggregate over 0.1% of the Shares in issue and having an aggregate value, based on the official closing price of the Shares on the date of grant, in excess of HK\$5,000,000, such grant of options is subject to the approval of the independent non-executive Directors and the Shareholders in general meeting, with voting to be taken by way of poll.

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

As at the date of this report, the total number of Shares available for issue under the Share Option Scheme is 67,576,000 Shares, representing approximately 6.7% of the total number of Shares in issue.

Other Information

A summary of the movements of the share options granted by the Company pursuant to the Share Option Scheme during the 2023 Interim are as follows:

Grantee name/category	Date of grant	Exercise period and Vesting period	Exercise price per Share (HK\$)	Closing price of Shares immediately before the date on which the Share Options were granted (HK\$)	Outstanding at 1 January 2023	Granted during the 2023 Interim	Exercised during the 2023 Interim	Lapsed during the 2023 Interim	Cancelled during the 2023 Interim	Outstanding as at 30 June 2023
Former Directors										
Lu Yongbin	18.05.2017	Note 3	2.206	2.18	210,000	-	-	70,000	-	140,000
	26.04.2018	Note 4	0.94	0.90	252,000	-	-	-	-	252,000
Cheung Wah Keung	15.09.2016	Note 1	1.70	1.56	500,000	-	-	500,000	-	-
Employees										
	15.09.2016	Note 1	1.70	1.56	3,834,000	-	-	130,000	-	3,704,000
	18.05.2017	Note 3	2.206	2.18	5,685,000	-	-	2,215,000	-	3,470,000
Other eligible participants:										
Members of a supplier of the Group	01.12.2016	Note 2	1.986	2.04	4,000,000	-	-	-	-	4,000,000
Total:					14,481,000	-	-	2,915,000	-	11,566,000

Other Information

Notes:

- (1) One-third of these share options became vested on 15 September 2017 and were exercisable at any time during the period commenced on 15 September 2017 and ended on 14 September 2022 (both dates inclusive), a further one-third became vested on 15 September 2018 and shall be exercisable at any time during the period commenced on 15 September 2018 and ending on 14 September 2023 (both dates inclusive), and the remaining one-third became vested on 15 September 2019 and shall be exercisable at any time during the period commenced on 15 September 2019 and ending on 14 September 2024 (both dates inclusive).
- (2)
 - (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 were exercisable at any time during the period commenced on 1 December 2017 and ended on 30 November 2022 (both dates inclusive), a further one-third became vested on 1 December 2018 and shall be exercisable at any time during the period commenced on 1 December 2018 and ending on 30 November 2023 (both dates inclusive), and the remaining one-third became vested on 1 December 2019 and shall be exercisable at any time during the period commenced on 1 December 2019 and ending on 30 November 2024 (both dates inclusive);
 - (b) For the share options granted to persons who are senior management, (i) conditional upon the achievement of certain performance targets by the Group, up to one-third of these share options became vested on 31 January 2018 and were exercisable at any time during the period commenced on 31 January 2018 and ended on 30 January 2023 (both dates inclusive); (ii) conditional upon the achievement of certain performance targets by the Group, up to one-third of these share options became vested on 31 January 2019 and shall be exercisable at any time during the period commenced on 31 January 2019 and ending on 30 January 2024 (both dates inclusive); and (iii) conditional upon the achievement of certain performance targets by the Group, up to one-third of these share options shall become vested on 31 January 2020 and shall be exercisable at any time during the period commenced on 31 January 2020 and ending on 30 January 2025 (both dates inclusive);
 - (c) For the share options granted to members of a supplier of the Group, one-third of these share options became vested on 1 December 2017 and were exercisable at any time during the period commenced on 1 December 2017 and ended on 30 November 2022 (both dates inclusive), a further one-third became vested on 1 December 2018 and shall be exercisable at any time during the period commenced on 1 December 2018 and ending on 30 November 2023 (both dates inclusive), and the remaining one-third became vested on 1 December 2019 and shall be exercisable at any time during the period commenced on 1 December 2019 and ending on 30 November 2024 (both dates inclusive); and
 - (d) For the share options granted to an agent developing the Group's sales channels, (i) conditional upon the achievement of certain performance targets by the Group, up to one-third of these share options became vested on 31 January 2018 and were exercisable at any time during the period commenced on 31 January 2018 and ended on 30 January 2023 (both dates inclusive); (ii) conditional upon the achievement of certain performance targets by the Group, up to one-third of these share options became vested on 31 January 2019 and shall be exercisable at any time during the period commenced on 31 January 2019 and ending on 30 January 2024 (both dates inclusive); (iii) conditional upon the achievement of certain performance targets by the Group, up to one-third of these share options became vested on 31 January 2020 and shall be exercisable at any time during the period commenced on 31 January 2020 and ending on 30 January 2025 (both dates inclusive).
- (3) One-third of these share options became vested on 18 May 2018 and were exercisable at any time during the period commenced on 18 May 2018 and ended on 17 May 2023 (both dates inclusive), a further one-third became vested on 18 May 2019 and shall be exercisable at any time during the period commenced on 18 May 2019 and ending on 17 May 2024 (both dates inclusive), and the remaining one-third became vested on 18 May 2020 and shall be exercisable at any time during the period commenced on the 18 May 2020 and ending on 17 May 2025 (both dates inclusive).
- (4) One-third of these share options became vested on 26 April 2019 and shall be exercisable at any time during the period commenced on 26 April 2019 and ending on 25 April 2024 (both dates inclusive), a further one-third became vested on 26 April 2020 and shall be exercisable at any time during the period commenced on 26 April 2020 and ending on 25 April 2025 (both dates inclusive), and the remaining one-third became vested on 26 April 2021 and shall be exercisable at any time during the period commenced on 26 April 2021 and ending on 25 April 2026 (both dates inclusive).
- (5) No participant was granted with share options in excess of the individual limit as set out in the Share Option Scheme.
- (6) During the 2023 Interim, no share options were granted by the Company pursuant to the Share Option Schemes. Given that no Share Option has been granted during the 2023 Interim, it is not applicable for the Company to set out the number of Shares that may be issued in respect of the share options granted under the Share Option Scheme during the 2023 Interim divided by the weighted average number of Shares of the relevant class in issue for the 2023 Interim.
- (7) The total number of options available for grant under the Share Option Scheme as at 1 January 2023 and 30 June 2023 were 64,661,000 Shares and 67,576,000 Shares, respectively, representing approximately 6.8% and 6.7% of the Company's issued share capital as at the respective dates.

Other Information

The valuation of share 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
Expected volatility (per year)	45.69%–65.81%	57.63%–61.27%	59.03%–62.75%
Expected life of options (year)	6.0–8.17	6.0–8.0	6.0–8.0
Average risk-free interest rate (per year)	1.44%–2.09%	1.16%–1.22%	2.11%–2.13%
Expected dividend yield (per year)	3.93%–5.32%	5.32%	5.74%
Estimated rate of leaving service (per year)	0%–25%	25%	27.5%

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.

No share option expense was recognized during the 2023 Interim (2022 Interim: recognized share option expense of approximately HK\$0.11 million) in relation to the share options granted by the Company.

Pension Scheme

The Group contributes to defined contribution retirement plans which are available for eligible employees in the PRC and Hong Kong.

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

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

During the 2023 Interim, the Group had no forfeited contributions under the PRC Retirement Scheme and MPF Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 30 June 2023 under the PRC Retirement Scheme and the MPF Scheme which may be used by the Group to reduce the contribution payable in future years.

Other Information

Corporate Governance Practices

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

The Company has adopted the principles and code provisions (the “Code provisions”) of the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the “CG Code”) as the basis of the Company’s corporate governance practices. Throughout the 2023 Interim, the Company has complied with all applicable code provisions of the CG Code except for Code Provision C.2.1.

Pursuant to Code Provision C.2.1 of the CG Code, the role(s) of chairman and chief executive should be separate and should not be performed by the same individual. As the duties of the chairman of the Board (“Chairman”) and the chief executive officer of the Company are performed by Mr. Tang, the Company has deviated from Code Provision C.2.1. The Board considers that having Mr. Tang 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.

Model Code For Securities Transactions by Directors

The Company has adopted the Model Code as its code of conduct governing its directors’ securities transactions. Specific enquiries have been made with all the Directors and they have confirmed that they have complied with the Model Code during the 2023 Interim.

The Company has also established written guidelines on terms no less exacting terms than the Model Code (the “Employees Written Guidelines”), for securities transactions by relevant employees (including directors or employees of a subsidiary or holding company of the Company) who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the 2023 interim. In case when the Company is aware of any restricted period for dealings in the Company’s securities, the Company will notify its Directors and relevant employees in advance.

Change in Directors' Information

Ms. Tang Kam Sau resigned as a non-executive Director with effect from 31 May 2023;

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

Audit Committee

The Audit Committee consists of three members, being Ms. Lo Wan Man, Professor Jian Wang and Mr. Wong Wai Ming, all are independent non-executive Directors. Ms. Lo Wan Man currently serves as the chairlady of the Audit Committee.

The Group's 2023 Interim report have been reviewed by all members of the Audit Committee. Based on such review, the Audit Committee was satisfied that the Group's unaudited interim report were prepared in accordance with applicable accounting standards. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

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 2023 up to the date of this report.

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

Hong Kong
29 August 2023

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	6	142,940	264,630
Cost of sales		(123,140)	(221,290)
Gross profit		19,800	43,340
Other income and other gains	7	8,383	19,535
Selling and distribution expenses		(20,299)	(14,067)
Administrative expenses		(33,934)	(25,339)
Research and development expenses		(19,893)	(23,498)
Other expenses		(2,693)	(620)
Loss from operations		(48,636)	(649)
Finance costs	8	(836)	(986)
Share of (loss)/profit of an associate		(95)	67
Loss before tax		(49,567)	(1,568)
Income tax expense	9	–	(17)
Loss for the period	10	(49,567)	(1,585)
Attributable to:			
Owners of the Company		(39,030)	1,611
Non-controlling interests ("NCI")		(10,537)	(3,196)
		(49,567)	(1,585)
(Loss)/profit per share			
Basic	12	HK(4.0) cent	HK0.2 cent
Diluted	12	HK(4.0) cent	HK0.2 cent

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss for the period	(49,567)	(1,585)
Other comprehensive expense:		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value changes of equity investment designated at fair value through other comprehensive income ("FVTOCI")	(656)	(4,658)
<i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(10,459)	(10,487)
Other comprehensive expense for the period, net of tax	(11,115)	(15,145)
Total comprehensive expense for the period	(60,682)	(16,730)
Attributable to:		
Owners of the Company	(49,778)	(13,553)
NCI	(10,904)	(3,177)
	(60,682)	(16,730)

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	Note	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	13	29,994	24,403
Provisional goodwill		127	161,217
Intangible assets		7,108	32,058
Right-of-use assets	14	24,663	21,584
Equity investment designated at FVTOCI		20,425	21,081
Investment in an associate		2,336	2,449
Total non-current assets		84,653	262,792
Current assets			
Inventories		129,657	139,873
Trade and factoring receivables	15	61,170	29,513
Prepayments and other receivables	16	36,727	20,076
Financial asset at fair value through profit or loss ("FVTPL")	17	5,297	5,222
Pledged bank deposits	18	2,743	2,729
Cash and cash equivalents		67,290	81,447
Total current assets		302,884	278,860
Current liabilities			
Trade payables	19	67,800	64,963
Other payables and accruals	20	100,392	95,050
Interest-bearing bank borrowings	21	21,338	8,035
Lease liabilities		10,702	14,771
Total current liabilities		200,232	182,819
Net current assets		102,652	96,041
Total assets less current liabilities		187,305	358,833
Non-current liabilities			
Lease liabilities		14,701	8,194
Deferred tax liabilities		669	6,692
Contingent consideration	22	–	54,117
Total non-current liabilities		15,370	69,003
Net assets		171,935	289,830

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	Note	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Equity			
Equity attributable to owners of the Company			
Share capital	23	10,086	9,536
Reserves	24	191,176	279,783
		191,176	289,319
NCI		(19,241)	511
Total equity		171,935	289,830

Approved by the Board of Directors on 29 August 2023 and are signed on its behalf by:

Tang Wing Fong Terry
Director

Shan Chuanlong
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Unaudited											
	Attributable to owners of the Company											Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Fair value reserve of equity investment designated at FVTOCI HK\$'000	Capital reserve HK\$'000	Share-based payments reserve HK\$'000	Contingent consideration-share HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Foreign currency translation reserve HK\$'000	Total HK\$'000	NCI HK\$'000	
At 1 January 2022	9,528	752,853	(3,967)	148,807	15,152	–	37,050	(722,166)	(15,312)	221,945	(973)	
Loss for the period	–	–	–	–	–	–	–	1,611	–	1,611	(3,196)	(1,585)
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(10,506)	(10,506)	19	(10,487)
Changes in fair value of equity investment designated at FVTOCI, net of tax	–	–	(4,658)	–	–	–	–	–	–	(4,658)	–	(4,658)
Partial disposal of interest in a subsidiary without loss of control	–	–	–	–	–	–	–	3,074	2	3,076	(627)	2,449
Total comprehensive income for the period:	–	–	(4,658)	–	–	–	–	4,685	(10,504)	(10,477)	(3,804)	(14,281)
Lapse of share option	–	–	–	–	(715)	–	–	715	–	–	–	–
Equity-settled share option arrangements	–	–	–	–	109	–	–	–	–	109	–	109
At 30 June 2022	9,528	752,853	(8,625)	148,807	14,546	–	37,050	(716,766)	(25,816)	211,577	(4,777)	206,800
At 1 January 2023	9,536	753,201	(9,958)	148,807	9,707	116,187	37,050	(740,690)	(34,521)	289,319	511	289,830
Loss for the period	–	–	–	–	–	–	–	(39,030)	–	(39,030)	(10,537)	(49,567)
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(10,092)	(10,092)	(367)	(10,459)
Changes in fair value of equity investment designated at FVTOCI, net of tax	–	–	(656)	–	–	–	–	–	–	(656)	–	(656)
Partial disposal of interest in a subsidiary without loss of control	–	–	–	–	–	–	–	–	–	–	5	5
Total comprehensive income for the period:	–	–	(656)	–	–	–	–	(39,030)	(10,092)	(49,778)	(10,899)	(60,677)
Issue of shares pursuant to the share subscription	550	67,272	–	–	–	–	–	–	–	67,822	–	67,822
Remeasurement of contingent consideration – share consideration	–	–	–	–	–	(116,187)	–	–	–	(116,187)	(8,853)	(125,040)
At 30 June 2023	10,086	820,473	(10,614)	148,807	9,707	–	37,050	(779,720)	(44,613)	191,176	(19,241)	(171,935)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(60,497)	5,612
Purchases of property, plant and equipment	(16,472)	(2,000)
Purchases of intangible assets	(1,721)	(144)
Proceeds from disposals of property, plant and equipment	1,776	193
Interest received	89	34
Proceed from disposal of non-current asset classified as held for sales	–	14,822
Net cash in flow from partial disposal of the shares of a subsidiary	5	–
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(16,323)	12,905
Proceeds from issue of shares	67,822	–
Inception of interest-bearing bank borrowings	32,154	52,218
Repayments of interest-bearing bank borrowings	(18,851)	(60,192)
Interest paid	(836)	(152)
Principal elements of lease payments	(8,862)	(8,190)
Proceed from disposal of interest in a subsidiary without loss of control	–	2,449
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	71,427	(13,867)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,393)	4,650
Effect of foreign exchange rate changes	(8,764)	(9,982)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	81,447	96,188
CASH AND CASH EQUIVALENTS AT 30 JUNE	67,290	90,856

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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 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
- Operation of artificial intelligence (AI) vending machine

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 ("HKAS") 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.

The accounting policies and methods of computation used in the preparation of the Condensed Consolidated Financial Statements are consistent with those adopted in preparing the annual financial statements of the Group for the year ended 31 December 2022 (the "2022 Annual Report"), except for the new and revised HKFRSs issued by the HKICPA that are effective for the current accounting period of the Group. At the date of authorisation of the Condensed Consolidated Financial Statements, the Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective for the current period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 January 2023:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction

The application of the amendments to HKFRSs has had no material impact on the Group’s financial performance and position for the current and prior periods and/or on the disclosures set out in the Condensed Consolidated Financial Statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Condensed Consolidated Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates. In preparing the Condensed Consolidated Financial Statements, the significant judgements made by the management in applying the Group’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the 2022 Annual Report.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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 2023 HK\$'000
Recurring fair value measurements:				
Financial assets at FVTOCI:				
Unlisted equity investment	–	–	20,425	20,425
Financial assets at FVTPL:				
Investment in a life insurance policy	–	5,297	–	5,297
	–	5,297	20,425	25,722

Description	Fair value measurements using:			Total
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	31 December 2022 HK\$'000
Recurring fair value measurements:				
Financial assets at FVTOCI:				
Unlisted equity investment	–	–	21,081	21,081
Contingent consideration				
— Promissory notes payables	–	–	54,117	54,117
Financial assets at FVTPL:				
Investment in a life insurance policy	–	5,222	–	5,222
	–	5,222	75,198	80,420

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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

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

	Financial assets at FVTOCI	
	2023 HK\$'000	2022 HK\$'000
At 1 January	21,081	27,072
Total losses recognised in other comprehensive income	(656)	(5,991)
At 30 June/31 December	20,425	21,081

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

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

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

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

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

5. Operating Segment Information

The Group focuses primarily on the manufacture and distribution of home surveillance cameras, digital imaging products, other electronic products and operation of AI vending machines 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. At the end of the reporting period, the operations of the Group constitute two reportable segments: Manufacture and sales of camera products and related accessories business and operation of AI vending machines.

The chief operating decision-marker (“CODM”) reviews the Group’s result by the each of the business line in order to assess performance and allocation of resources. Other than segment results, no segment assets and liabilities are available for the assessment of performance and allocation of resources for the year as in the opinion of the directors, the cost to develop it would be excessive. The CODM reviews the segment results of the Group as a whole to make decisions.

	Manufacture and sales of camera products and related accessories business HK\$'000	Operation of AI vending machines HK\$'000	For the six months ended 30 June 2023 HK\$'000
Revenue from external customers	138,863	4,077	142,940
Cost of sales	(121,206)	(1,934)	(123,140)
Segment results	17,657	2,143	19,800
Other income and gains			8,383
Share of loss of an associate			(95)
Finance costs			(836)
Unallocated expenses			(76,819)
Income tax expense			–
Loss for the period			(49,567)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

5. Operating Segment Information *(Continued)*

	Manufacture and sales of camera products and related accessories business HK\$'000	Operation of AI vending machines HK\$'000	For the six months ended 30 June 2022 HK\$'000
Revenue from external customers	264,630	–	264,630
Cost of sales	(221,290)	–	(221,290)
Segment results	43,340	–	43,340
Other income and gains			19,535
Share of profit of an associate			67
Finance costs			(986)
Unallocated expenses			(63,524)
Income tax expense			–
Loss for the period			(1,568)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
European Union	73,134	88,009
United States of America	32,618	130,345
Mainland China	25,790	32,589
Other countries/regions	11,398	13,687
	142,940	264,630

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 2023

5. Operating Segment Information *(Continued)*

Geographical information *(Continued)*

(b) Non-current assets

	30 June 2023 HK\$'000 <i>(Unaudited)</i>	31 December 2022 HK\$'000 <i>(Audited)</i>
Mainland China	44,460	65,373
Hong Kong	892	1,580
Other countries/regions	16,413	11,092
	61,765	78,045

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

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	
	2023 HK\$'000 <i>(Unaudited)</i>	2022 HK\$'000 <i>(Unaudited)</i>
Customer A	57,394	77,181
Customer B	13,201	64,796

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

6. Revenue

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue from contracts with customers		
Type of goods or services		
Sale of industrial products	138,395	257,720
Sale of goods through AI vending machines	4,077	–
Provision of manufacturing services	468	6,910
Total revenue from contracts with customers	142,940	264,630
Timing of revenue recognition		
Goods transferred at a point in time	142,940	264,630

The performance obligation for sale of industrial products 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.

The performance obligation for sale of goods through AI vending machines is satisfied upon delivery of the retail products and payment is due on delivery.

7. Other Income and Other Gains

	Six months ended 30 June	
	2023	2022
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Bank interest income	89	34
Government grants*	539	1,749
Fair value gain on financial assets at FVTPL	75	78
Gain on disposal of non-current asset held for sales	–	10,790
Other payables written off	–	173
Exchange gains, net	7,384	6,570
Gain/(loss) on disposals of property, plant and equipment	230	(204)
Others	66	345
	8,383	19,535

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

8. Finance Costs

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interests on:		
Bank borrowings	288	152
Lease liabilities	548	834
	836	986

9. Income Tax Expense

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current tax:		
— PRC Corporate Income Tax ("CIT")	—	17

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one (2022: one) subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income. Preferential tax treatments were available for two (2022: one) of the Group's principal operating subsidiaries, Sky Light Electronics (Shenzhen) Limited and 西安天睿软件有限公司, since they were recognised as High and New Technology Enterprises and entitled to a preferential tax rate of 15% during the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

9. Income Tax Expense *(Continued)*

The Group's subsidiaries in the United States of America are subject to the federal tax at a rate of 21% (2022: 21%), and also subject to the statutory applicable state corporate income tax at a rate of 7% (2022: 8.84%).

The Group's subsidiary in the United Kingdom is subject to corporate income tax at a rate of 19% (2022: 19%).

The Group's subsidiary in Vietnam is subject to corporate income tax at a rate of 20% (2022: 20%). Pursuant to the relevant laws and regulations in Vietnam, entities in Vietnam engaged in qualified investment projects are eligible for Vietnam CIT exemption for the first year to the second year, and a 50% reduction for the third year to the sixth year starting from the year in which the entities first generate income from the investment projects, on the assessable profits from such investment projects.

10. Loss for the Period

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cost of inventories sold	123,140	221,290
Depreciation of property, plant and equipment	8,141	7,090
Depreciation of right-of-use assets	8,126	8,119
Amortisation of intangible assets ⁽ⁱ⁾	2,179	1,007
Research and development expenses	19,893	23,498
Employee benefit expense (excluding directors' and chief executive's remuneration):		
— Wages and salaries	41,311	60,679
— Pension scheme contributions ⁽ⁱⁱ⁾	3,092	4,618
— Equity-settled share-based payments	—	96
	44,403	65,393
Allowance for inventories	16,505	8,031
Reversal of allowance for inventories ⁽ⁱⁱⁱ⁾	(7,888)	(29,741)
Net impairment losses/(reversals) of allowance for inventories (included in cost of inventories sold)	8,617	(21,710)
Impairment losses of trade and factoring receivables	2,555	620
Exchange gains, net	(7,384)	(6,570)
(Gain)/loss on disposals of property, plant and equipment	(230)	204
Gain on disposal of non-current asset classified as held for sale	—	(10,790)
Other payables written off	—	(173)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

10. Loss for the Period *(Continued)*

Notes:

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

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

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

During the six months ended 30 June 2023 and 2022, the Group had no forfeited contributions under the PRC Retirement Scheme and MPF Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 30 June 2023 and 31 December 2022 under the PRC Retirement Scheme and MPF Scheme which may be used by the Group to reduce the contribution payable in future years.

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

11. Dividend

The Directors do not recommend the payment of any interim dividend during the period (six months ended 30 June 2022: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

12. (Loss)/Profit Per Share

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

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
(Loss)/profit		
(Loss)/profit for the purpose of calculating basic and diluted (loss)/profit per share (HK\$'000)	(39,030)	1,611
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/profit per share	984,004,122	952,739,455

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2023 in respect of a dilution as the impact of the share option schemes had an antidilutive effect on the basic loss per share amounts presented.

13. Property, Plant and Equipment

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of HK\$16,472,000 (six months ended 30 June 2022: HK\$2,000,000).

Certificates of ownership in respect of buildings of the Group located in Mainland China with a net carrying value of HK\$2,530,000 as at 30 June 2023 (At 31 December 2022: HK\$2,726,000) 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 2023, the Group entered into new lease agreements for use of office, factory and staff quarters for 3 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised HK\$11,980,000 of right-of-use assets and lease liabilities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

15. Trade and Factoring Receivables

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade receivables	44,599	25,779
Impairment losses	(10,099)	(7,538)
	34,500	18,241
Factoring receivables	26,815	11,423
Impairment losses	(145)	(151)
	26,670	11,272
	61,170	29,513

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 2023, trade receivables factored to the bank aggregated to HK\$26,815,000 (At 31 December 2022: HK\$11,423,000).

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 1 month	50,856	20,837
1 to 2 months	3,049	716
2 to 3 months	172	167
Over 3 months	7,093	7,793
	61,170	29,513

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

16. Prepayments and Other Receivables

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Prepayments	16,910	3,338
Value added tax receivables	4,844	8,062
Deposits and other receivables	14,973	8,676
	36,727	20,076

17. Financial Asset At FVTPL

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Investment in life insurance policy	5,297	5,222

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 2023 and 31 December 2022, 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 2023

18. Pledged Bank Deposits

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Pledged bank deposits	2,743	2,729

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 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade payables	67,800	64,963

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 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 1 month	37,686	31,030
1 to 2 months	14,104	13,022
2 to 3 months	6,016	8,486
Over 3 months	9,994	12,425
	67,800	64,963

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 2023

20. Other Payables and Accruals

	Note	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Contract liabilities		37,902	39,603
Other payables		10,979	9,103
Salary and welfare payables		6,036	7,717
Accruals		336	–
Amount due to a director	(i)	38,805	31,804
Withholding tax payables		6,334	6,823
		100,392	95,050

Note:

- (i) Amount due to a director is non-trade in nature, unsecured and non-interest-bearing. It included an amount of HK\$36,635,000 which is payable on 30 June 2024 and the others is payable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

21. Interest-Bearing Bank Borrowings

	Note	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Bank loans — secured	(ii)	4,307	8,035
Factoring loans — secured	(iii)	17,031	–
		21,338	8,035
The borrowings are repayable as follows:			
Within one year		21,338	8,035

Notes:

- (i) The Group's banking facilities amounting to HK\$46,512,000 (As at 31 December 2022: HK\$46,390,000), of which HK\$21,338,000 (As at 31 December 2022: HK\$8,035,000) had been utilised as at the end of the reporting period.
- (ii) The bank loans were secured by the pledge of the Group's life insurance policy as set out in note 17 and bank deposits as set out in note 18, personal guarantee executed by a controlling shareholder of the Company, corporate guarantees executed by a company controlled by the controlling shareholder of the Company and two subsidiaries of the Group respectively.
- (iii) Factoring loan of HK\$17,031,000 (As at 31 December 2022: Nil) is secured by the pledge of the Group's factoring receivables as disclosed in note 15.
- (iv) The secured bank and factoring loans carry effective interest rates ranging from 6.1% to 7.5% (As at 31 December 2022: 1.5% to 6.0%) per annum.
- (v) All borrowings are denominated in the US\$.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

22. Contingent Consideration

	Note	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Contingent Consideration		–	170,304
Classified as:			
Promissory notes payable		–	54,117
Share consideration through equity		–	116,187
		–	170,304

Note: The Group acquired 51% equity interests of Wuhan Show Life on 30 November 2022. The consideration of this acquisition is divided into two parts: promissory notes and the Company's own equity shares. As at the reporting date, neither the promissory notes and/or the Company's own equity shares are in issue. The settlement of the consideration is deferred to two allotment dates subject to a profit guarantee arrangement provided by the vendor.

As at 30 June 2023, the Group remeasured, on provisional basis, a contingent consideration — promissory note payable amounted to Nil (31 December 2022: HK\$54,117,000) as financial liabilities measured at fair value through profit or loss and a contingent consideration — share consideration amounted to Nil (31 December 2022: HK\$116,187,000) as equity instruments. The contingent consideration as at the acquisition-date fair value is determined mainly based on discounted cash flow calculation.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

23. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 December 2022 (Audited) and 30 June 2023 (Unaudited)	2,000,000,000	20,000
Issued and fully paid:		
At 1 January 2022 (Audited)	952,739,455	9,528
Issue of shares pursuant to share option scheme	848,000	8
At 31 December 2022 and 1 January 2023 (Audited)	953,587,455	9,536
Issue of shares pursuant to share subscription (note)	55,000,000	550
At 30 June 2023 (Unaudited)	1,008,587,455	10,086

Note:

On 16 January 2023, an aggregate of 25,000,000 subscription shares have been issued and allotted to the subscribers at the subscription price of HK\$1.15 per subscription share pursuant to the terms and conditions of the subscription agreement. In addition, on 16 May 2023, an aggregate of 30,000,000 subscription shares have been issued and allotted to the subscribers at the subscription price of HK\$1.40 per subscription share pursuant to the terms and conditions of the subscription agreement.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

24. 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 page 30 of this report.

(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.

25. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2023 (As at 31 December 2022: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

26. Capital Commitments

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Contracted, but not provided for:		
Purchases of plant and machinery	2,121	2,219

27. Related Party Transactions

Compensation of key management personnel of the Group

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Short-term employee benefits	1,827	1,446
Post-employment benefits	36	74
Equity-settled share option payment	–	5
Total compensation paid to key management personnel	1,863	1,525

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

28. Acquisition of a Subsidiary

In November 2022, the Group acquired 51% of the issued share capital of Wuhan Show Life for a contingent consideration as at the reporting date fair value of Nil. Wuhan Show Life is engaged in the business of unmanned convenience store operations. The acquisitions are for the purpose of expanding its business operation.

The fair value of the identifiable assets and liabilities recognised as at the date of acquisition are adjusted as follows:

	HK\$'000
Property, plant and equipment	461
Right-of-use assets	7,225
Intangible asset	2,677
Inventories	996
Trade and other receivables	2,970
Cash and cash equivalent	18
Trade and other payables	(6,618)
Deferred tax liabilities	(669)
Lease liabilities	(7,309)
Total identifiable net liabilities at fair value	(249)
Non-controlling interests	(122)
	(127)
Provisional goodwill	127
	–
Satisfied by:	
Contingent consideration	–
Net cash outflow arising on acquisition:	
Cash consideration paid	–
Cash and cash equivalents acquired	18
	18

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

28. Acquisition of a Subsidiary *(Continued)*

As at 30 June 2023, the Group is still in process to gather certain information from the vendor and other parties in order to conclude the measurement of the identifiable assets and liabilities, contingent consideration and also the provisional goodwill thereon. As of the end of the reporting date, the above fair values had been determined on a provisional basis, in which the fair value of the identifiable assets and liabilities, contingent consideration and also the provisional goodwill thereon presented is based on the best estimation of the management by referring to the information readily available. Management of the Company expects the measurement will be concluded within one year upon the date of acquisition.

The Group recognises non-controlling interests in an acquired entity at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets on provisional basis.

The contingent consideration is divided into two parts: promissory notes and the Company's own equity shares. Neither the promissory notes and/or the Company's own equity shares are in issue at the reporting date. The settlement is deferred to two allotment dates in which the amount of consideration to be settled is subject to a profit guarantee provided by the vendor. Details of the contingent consideration are set out in the Company's announcement dated 17 November 2022.

The provisional goodwill is attributable to the anticipated future profit contribution of the Wuhan Show Life and the anticipated future synergies in business development of the Group.

29. Approval of Condensed Consolidated Financial Statements

The condensed consolidated financial statements of the Group for the six months ended 30 June 2023 were approved and authorised for issue by the Board on 29 August 2023.