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SKY LIGHT HOLDINGS LIMITED

天彩控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3882)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS	Six months ended 30 June		CHANGE
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	
REVENUE	139,111	142,940	(2.7%)
COST OF SALES	(109,745)	(123,140)	(10.9%)
GROSS PROFIT	29,366	19,800	48.3%
GROSS PROFIT MARGIN (%)	21.1%	13.9%	7.2p.p.t
LOSS FOR THE PERIOD	(39,602)	(49,567)	(20.1%)
Attributable to:			
OWNERS OF THE COMPANY	(24,635)	(39,030)	(36.9%)
NON-CONTROLLING INTERESTS (“NCI”)	(14,967)	(10,537)	42.0%
	(39,602)	(49,567)	(20.1%)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
BASIC AND DILUTED	<u>HK(2.4) cent</u>	<u>HK(4.0) cent</u>	<u>(40.0%)</u>

The board (the “**Board**”) of directors (“**Directors**”) of Sky Light Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**2024 Interim**”), together with the comparative figures for the six months ended 30 June 2023 (the “**2023 Interim**”). The condensed consolidated interim financial statements for 2024 Interim have not been audited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Six months ended 30 June	
	<i>Note</i>	2024	2023
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	139,111	142,940
Cost of sales		<u>(109,745)</u>	<u>(123,140)</u>
Gross profit		29,366	19,800
Other income and other gains		6,129	8,383
Selling and distribution expenses		(15,577)	(20,299)
Administrative expenses		(27,571)	(33,934)
Research and development expenses		(16,433)	(19,893)
Other expenses		(12,913)	(2,693)
Loss on disposal of a subsidiary		(432)	–
Loss from operations		(37,431)	(48,636)
Finance costs	6	(1,820)	(836)
Share of loss of an associate		(347)	(95)
Loss before tax		(39,598)	(49,567)
Income tax expense	7	(4)	–
Loss for the period	8	(39,602)	(49,567)
Attributable to:			
Owners of the Company		(24,635)	(39,030)
NCI		(14,967)	(10,537)
		(39,602)	(49,567)
Loss per share			
Basic	10	HK(2.4) cent	HK(4.0) cent
Diluted	10	HK(2.4) cent	HK(4.0) cent

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	<u>(39,602)</u>	<u>(49,567)</u>
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")	(32)	(656)
<i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(4,144)</u>	<u>(10,459)</u>
Other comprehensive expense for the period, net of tax	<u>(4,176)</u>	<u>(11,115)</u>
Total comprehensive expense for the period	<u>(43,778)</u>	<u>(60,682)</u>
Attributable to:		
Owners of the Company	(28,528)	(49,778)
NCI	<u>(15,250)</u>	<u>(10,904)</u>
	<u>(43,778)</u>	<u>(60,682)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

		30 June 2024	31 December 2023
	<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		11,814	16,064
Intangible assets		2,875	3,676
Right-of-use assets		21,226	28,046
Equity investment designated at FVTOCI		10,072	10,104
Investment in an associate		2,209	2,681
		48,196	60,571
Total non-current assets			
Current assets			
Inventories		89,308	118,985
Trade and factoring receivables	11	47,323	56,826
Prepayments and other receivables		21,618	38,145
Financial asset at fair value through profit or loss (“FVTPL”)		5,370	5,329
Restricted and pledged bank deposits	12	2,733	2,735
Cash and cash equivalents		27,500	35,352
		193,852	257,372
Assets held for sale	15	16,329	–
		210,181	257,372
Total current assets			
Current liabilities			
Trade payables	13	42,363	64,733
Other payables and accruals		86,527	116,531
Interest-bearing bank and other borrowings	14	13,246	14,703
Lease liabilities		8,158	16,346
		150,294	212,313
Liabilities directly associated with the assets held for sale	15	54,752	–
		205,046	212,313
Total current liabilities			

	30 June 2024	31 December 2023
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Net current assets	<u>5,135</u>	<u>45,059</u>
Total assets less current liabilities	<u>53,331</u>	<u>105,630</u>
Non-current liabilities		
Lease liabilities	<u>11,960</u>	<u>20,481</u>
Total non-current liabilities	<u>11,960</u>	<u>20,481</u>
Net assets	<u>41,371</u>	<u>85,149</u>
Equity		
Equity attributable to owners of the Company		
Share capital	10,086	10,086
Reserves	<u>104,033</u>	<u>132,561</u>
	114,119	142,647
NCI	<u>(72,748)</u>	<u>(57,498)</u>
Total equity	<u>41,371</u>	<u>85,149</u>

NOTES

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 Third 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 2023 (the "**2023 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.

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 2024:

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	Non-current liabilities with Covenants
Amendments to HKFRS 16	Lease Liabilities in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 2023 Annual Report.

4. 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 (Unaudited)	Operation of AI vending machines HK\$'000 (Unaudited)	For the six months ended 30 June 2024 HK\$'000 (Unaudited)
Revenue from external customers	136,075	3,036	139,111
Cost of sales	<u>(108,457)</u>	<u>(1,288)</u>	<u>(109,745)</u>
Segment results	27,618	1,748	29,366
Other income and gains			6,129
Share of loss of an associate			(347)
Loss on disposal of a subsidiary			(432)
Finance costs			(1,820)
Impairment loss on property, plant and equipment and right-of-use assets			(7,340)
Unallocated expenses			(65,154)
Income tax expense			<u>(4)</u>
Loss for the period			<u>(39,602)</u>
	Manufacture and sales of camera products and related accessories business HK\$'000 (Unaudited)	Operation of AI vending machines HK\$'000 (Unaudited)	For the six months ended 30 June 2023 HK\$'000 (Unaudited)
Revenue from external customers	138,863	4,077	142,940
Cost of sales	<u>(121,195)</u>	<u>(1,945)</u>	<u>(123,140)</u>
Segment results	17,668	2,132	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			<u>–</u>
Loss for the period			<u>(49,567)</u>

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
European Union	62,066	73,134
United States of America	38,729	32,618
Mainland China	26,676	25,790
Other countries/regions	11,640	11,398
	<u>139,111</u>	<u>142,940</u>

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

(b) Non-current assets

	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Mainland China	28,549	38,759
Hong Kong	1,026	1,484
Other countries/regions	6,340	7,543
	<u>35,915</u>	<u>47,786</u>

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

Information about major customers

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	32,908	57,394
Customer B	25,097	13,201
Customer C	14,592	–
	<u>72,597</u>	<u>70,595</u>

5. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Type of goods or services		
Sale of industrial products	135,528	138,395
Sales of goods through AI vending machines	3,036	4,077
Provision of manufacturing services	547	468
	<u>139,111</u>	<u>142,940</u>
Total revenue from contracts with customers	139,111	142,940
Timing of revenue recognition		
Goods transferred at a point in time	<u>139,111</u>	<u>142,940</u>

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.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on:		
Bank and other borrowings	1,160	288
Lease liabilities	660	548
	<u>1,820</u>	<u>836</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
— PRC Corporate Income Tax (“CIT”)	<u>4</u>	<u>—</u>

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% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one (2023: one) subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 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 (2023: two) of the Group’s principal operating subsidiaries, Sky Light Electronics (Shenzhen) Limited and 西安天睿軟件有限公司, since they were recognised as High and New Technology Enterprises and entitled to a preferential tax rate of 15% during the reporting period.

The Group’s subsidiaries in the United States of America are subject to the federal tax at a rate of 21% (2023: 21%), and also subject to the statutory applicable state corporate income tax at a rate of 7% (2023: 7%).

The Group’s subsidiary in the United Kingdom is subject to corporate income tax at a rate of 19% (2023: 19%).

The Group’s subsidiary in Vietnam is subject to corporate income tax at a rate of 20% (2023: 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.

8. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	109,745	123,140
Depreciation of property, plant and equipment	4,538	8,141
Depreciation of right-of-use assets	7,874	8,126
Amortisation of intangible assets ⁽ⁱ⁾	638	2,179
Research and development expenses	16,433	19,893
Employee benefit expense (excluding directors' and chief executive's remuneration):		
— Wages and salaries	32,435	41,311
— Pension scheme contributions ⁽ⁱⁱ⁾	2,890	3,092
	35,325	44,403
Allowance for inventories	4,824	16,505
Reversal of allowance for inventories ⁽ⁱⁱⁱ⁾	(7,815)	(7,888)
(Reversal of allowance)/allowance for inventories (included in cost of inventories sold)	(2,991)	8,617
Impairment losses of trade and factoring receivables	3,010	2,555
Impairment losses of property, plant and equipment and right-of-use assets	(7,340)	–
Exchange gains, net	(3,612)	(7,384)
Gain on disposals of property, plant and equipment	(817)	(230)

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 2024 and 2023, 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 2024 and 31 December 2023 under the PRC Retirement Scheme and MPF Scheme which may be used by the Group to reduce the contribution payable in future years.

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

9. DIVIDEND

The Directors do not recommend the payment of any interim dividend during the period (six months ended 30 June 2023: Nil).

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of calculating basic and diluted loss per share (HK\$’000)	<u>(24,635)</u>	<u>(39,030)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>1,008,587,455</u>	<u>984,004,122</u>

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2024 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.

11. TRADE AND FACTORING RECEIVABLES

	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	45,991	51,026
Impairment losses	(13,868)	(11,682)
	<u>32,123</u>	<u>39,344</u>
Factoring receivables	15,382	17,707
Impairment losses	(182)	(225)
	<u>15,200</u>	<u>17,482</u>
	<u>47,323</u>	<u>56,826</u>

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

The Group has entered into receivable purchase arrangements with a bank for the factoring of trade receivables with a designated customer. As at 30 June 2024, trade receivables factored to the bank aggregated to HK\$15,382,000 (At 31 December 2023: HK\$17,707,000).

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 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 1 month	32,492	42,841
1 to 2 months	4,078	2,911
2 to 3 months	50	4,575
Over 3 months	10,703	6,499
	<u>47,323</u>	<u>56,826</u>

12. RESTRICTED AND PLEDGED BANK DEPOSITS

	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Restricted and pledged bank deposits	<u>2,733</u>	<u>2,735</u>

The Group's restricted and pledged bank deposits represented deposits pledged to a bank to secure banking facilities granted to the Group.

13. TRADE PAYABLES

	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables	<u>42,363</u>	<u>64,733</u>

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

	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 1 month	24,561	31,668
1 to 2 months	4,230	9,195
2 to 3 months	4,637	5,855
Over 3 months	<u>8,935</u>	<u>18,015</u>
	<u>42,363</u>	<u>64,733</u>

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

		30 June 2024	31 December 2023
	<i>Note</i>	HK\$'000 (Unaudited)	<i>HK\$'000</i> <i>(Audited)</i>
Bank loans — secured	<i>(ii)</i>	6,672	11,393
Factoring loans — secured	<i>(iii)</i>	6,574	—
Other borrowings		—	3,310
		<u>13,246</u>	<u>14,703</u>
Interest-bearing bank and other borrowings		<u>13,246</u>	<u>14,703</u>
The borrowings are repayable as follows:			
Within one year		<u>13,246</u>	<u>14,703</u>

Notes:

- (i) The Group's banking facilities amounting to HK\$47,926,000 (As at 31 December 2023: HK\$47,947,000), of which HK\$13,246,000 (As at 31 December 2023: HK\$11,393,000) 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, bank deposits, personal guarantee executed by a controlling shareholder of the Company and corporate guarantees executed by two subsidiaries of the Group respectively.
- (iii) Factoring loan of HK\$6,574,000 (As at 31 December 2023: Nil) is secured by the pledge of the Group's factoring receivables.
- (iv) The secured bank and factoring loans carry effective interest rates ranging from 6.6% to 6.8% (As at 31 December 2023: 6.7% to 6.9%) per annum.
- (v) All borrowings are denominated in the US\$ and RMB.

15. DISPOSAL GROUP HELD FOR SALE

During the current interim period, the Group has intention to dispose of its entire equity interests in Hugo Investment Limited and its subsidiaries (the “**Target Group**”) and the Group has entered into a sales and purchase agreement on 31 July 2024 with a third party in relation to the disposal. The Target Group is principally engaged in the business of unmanned convenience store operations. Accordingly, the Target Group is presented as a disposal group held for sale.

As at 30 June 2024, the disposal group comprised assets of approximately HK\$16,329,000 and liabilities of HK\$54,752,000, detailed as follow:

	<i>HK\$'000</i> (Unaudited)
Property, plant and equipment	134
Inventories	1,131
Trade receivables	2,125
Prepayments and other receivables	12,687
Cash and cash equivalents	252
Trade payables	(5,378)
Other payables and accruals	(33,788)
Interest-bearing bank and other borrowings	(3,287)
Lease liabilities	(12,299)
	<u>(38,423)</u>

16. CAPITAL COMMITMENTS

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

	30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
Contracted, but not provided for:		
Purchases of plant and machinery	2,003	2,624
Purchases of intangible assets	25	27
	<u>2,028</u>	<u>2,651</u>

17. SUBSEQUENT EVENT

On 31 July 2024, the Group announced the Group has entered into a sales and purchase agreement with a third party to sell its entire equity interests in Hugo Investment Limited and its subsidiaries for HK\$500,000. The disposal was completed on 31 July 2024. Details of the disposal are set out in the announcement of the Company dated 31 July 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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 2024 Interim, the Group’s camera products and related accessories business recorded a revenue of approximately HK\$136.1 million, representing a decrease of about 2.0% as compared to approximately HK\$138.9 million with 2023 interim.

Although we improved the efficiency and reduced the cost in all aspects, the global demand for consumer electronics products remained weak. Camera business was recorded a loss of around HK\$21.6 million compared to loss of HK\$ 35.7 million in the same period of 2023.

Due to the weak worldwide economics, most of our customers were very conservative on launching new products. The Group has initiated several new projects in 2023, but the progress and the result of the projects was below our expectation.

2. *Retailing business through operation of AI vending machines*

For the 2024 Interim, the Group recorded a revenue of approximately HK\$3.0 million from retailing business through operation of AI vending machines and recorded a loss of approximately HK\$17.5 million. The performance of the retailing business was disappointed due to the following reasons:

1. The domestic consumer market of the PRC remained weak;
2. Severe competition from online and on-demand delivery services; and
3. The sluggish real estate market in China also challenged for Wuhan Show Life Convenience Store Co., Ltd* (武漢秀生活便利店有限公司) (“**Wuhan Show Life**”), a non-wholly owned company of the Company, in expanding its vending machines network coverage in residential areas.

Prospects

1. *Camera products and related accessories business:*

In the first half of 2024, the Group developed some ODM products to promote to customers. The Group expected the new products will contribute to its revenue from the fourth quarter of 2024.

In the second half of 2024, the Group will continue working hard to improve its efficiency and lower its cost in all aspects.

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 product category;
- Deepen all aspects of the Group's core product lines and strengthen the competitive advantages in the product categories;
- Strengthen the sales force; and
- Optimize the Group's operations and provide efficient service to customers.

2. *Retailing business through operation of AI vending machines*

As Wuhan Show Life has continued to incur loss since the Group acquired its business in November 2022 and the signs of recovery of the domestic consumer market in China are uncertain in short to medium term, the management of the Company expects that Wuhan Show Life will have difficulty in generating a profit or even achieving a break even in the near future, the Company thus considers that the continuance of the retailing business through AI vending machines via Wuhan Show Life will hinder the development and resource allocation of the Group. The Board has decided to cease the retailing business through AI vending machines of the Group by way of disposal on 31 July 2024. For details of the disposal, please refer to the paragraph headed "Events after the reporting period" below.

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 (including but not limited to, accessories for camera and tooling fees) (“**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 also engaged in retailing business through operation of 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				
	2024		2023		Revenue change
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
Manufacturing business					
Sales of Products					
Home surveillance cameras	69,889	50.2%	78,558	55.0%	(11.0%)
Digital imaging products	48,120	34.6%	31,112	21.8%	54.7%
Other Products	17,519	12.6%	28,725	20.0%	(39.0%)
	<u>135,528</u>	<u>97.4%</u>	<u>138,395</u>	<u>96.8%</u>	<u>(2.1%)</u>
Manufacturing service income	<u>547</u>	<u>0.4%</u>	<u>468</u>	<u>0.3%</u>	<u>16.9%</u>
SUB-TOTAL	136,075	97.8%	138,863	97.1%	(2.0%)
Retailing business through operation of AI vending machines					
Retailing income	<u>3,036</u>	<u>2.2%</u>	<u>4,077</u>	<u>2.9%</u>	<u>(25.5%)</u>
TOTAL	139,111	100.0%	142,940	100.0%	(2.7%)

For the 2024 Interim, the Group recorded a turnover of approximately HK\$139.1 million (2023 Interim: approximately HK\$142.9 million), representing a slightly decrease of approximately 2.7% as compared to the 2023 Interim. This decrease was mainly attributable to the significantly decrease in the shipment units of Other Products.

The Group sells its camera products and related accessories products mainly to customers in the United States of America (“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	
	2024	2023
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
European Union	62,066	73,134
US	38,729	32,618
Mainland China	26,676	25,790
Other countries and areas	11,640	11,398
	<hr/>	<hr/>
Total	139,111	142,940
	<hr/>	<hr/>

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 2024 Interim, cost of sales of the Group amounted to approximately HK\$109.7 million (2023 Interim: approximately HK\$123.1 million), representing a decrease of approximately 10.9% as compared to the 2023 Interim, and amounted to approximately 78.9% (2023 Interim: approximately 86.1%) of its turnover for the 2024 Interim. Cost of sales decrease was mainly due to the decrease in the sales of the shipment units.

Gross profit and gross profit margin

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	139,111	142,940
Cost of sales	(109,745)	(123,140)
Gross profit	29,366	19,800
Gross profit margin	21.1%	13.9%

The Group recorded a gross profit of approximately HK\$29.4 million for the 2024 Interim (2023 Interim: approximately HK\$19.8 million), representing an increase of approximately 48.3% as compared to the 2023 Interim. The gross profit margin increased from approximately 13.9% for the 2023 Interim to approximately 21.1% for the 2024 Interim. This increase was mainly due to the decrease of costs caused by reversal and allowance for inventories, net (included in cost of inventories sold), resulting in an increase in gross profit.

Other income and other gains

Other income and gains mainly include (i) bank interest income; (ii) exchange gains 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 property, plant and equipment.

For the 2024 Interim, other income and other gains of the Group significantly decreased to approximately HK\$6.1 million as compared to 2023 Interim of approximately HK\$8.4 million, which was primarily attributable to the decrease of approximately HK\$3.8 million on exchange net gains 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.

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 2024 Interim, selling and distribution expenses of the Group significantly decreased by approximately 23.3% to approximately HK\$15.6 million from approximately HK\$20.3 million for 2023 Interim. The decrease was mainly due to the Group's stringent cost control during 2024 Interim.

Administrative expenses

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

For the 2024 Interim, administrative expenses of the Group significantly decreased by approximately 18.8% to approximately HK\$27.6 million from approximately HK\$33.9 million for the 2023 Interim. The decrease was mainly due to the Group's stringent cost control during 2024 Interim.

Research and development costs

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

For the 2024 Interim, the Group recorded research and development costs of approximately HK\$16.4 million, which decreased by approximately 17.4% from approximately HK\$19.9 million for the 2023 Interim. The decrease was mainly due to the decrease of approximately HK\$2.8 million salaries and benefits of the Group's research and development staff and the Group's stringent cost control during 2024 Interim.

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 2024 Interim, other expenses of the Group significantly increased to approximately HK\$12.9 million from approximately HK\$2.7 million for the 2023 Interim. The increase mainly consisted of increase of approximately HK\$7.3 million in impairment losses of property, plant, equipment and right-of-use assets during 2024 Interim.

Finance costs

For the 2024 Interim, the finance costs of the Group increased to approximately HK\$1.8 million, which significantly increased by approximately 117.7% from approximately HK\$0.8 million for the 2023 Interim. The increase was mainly due to the increase of approximately HK\$0.9 million interest on bank and other borrowings.

Net loss

As a result of the foregoing, the Group recorded a loss of approximately HK\$39.6 million for the 2024 Interim (attributable to non-controlling interests was a loss of approximately HK\$15.0 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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash flows generated from/(used in) operating activities	8,476	(60,497)
Net cash flows used in investing activities	(1,188)	(16,323)
Net cash flows (used in)/generated from financing activities	(10,191)	71,427
Net decrease in cash and cash equivalents	(2,903)	(5,393)
Effect of foreign exchange rate changes	(4,697)	(8,764)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	35,352	81,447
Cash and cash equivalents at 30 June	27,752	67,290

Net cash generated from operating activities for the 2024 Interim was approximately HK\$8.5 million, which primarily reflected (i) the loss before tax of approximately HK\$39.6 million; (ii) the decrease in inventories of approximately HK\$25.6 million; (iii) the decrease in trade receivables of approximately HK\$4.4 million; and (iv) the decrease in prepayments and other receivables of approximately HK\$3.8 million.

Net cash used in investing activities for the 2024 Interim was approximately HK\$1.2 million. This mainly consisted of purchases of property, plant and equipment approximately HK\$3.5 million.

Net cash used in the financing activities for the 2024 Interim was approximately HK\$10.2 million, which was mainly reflected principal elements of lease payments approximately HK\$10.2 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 2024.

Borrowings and the pledge of assets

The Group's banking facilities amounting to approximately HK\$47.9 million as at 30 June 2024 (At 31 December 2023: approximately HK\$47.9 million), of which approximately HK\$13.3 million (At 31 December 2023: approximately HK\$11.4 million) had been utilised as at the end of the 2024 Interim.

The bank loans were secured by the pledge of the Group's life insurance policy, bank deposits, personal guarantee executed by a controlling shareholder of the Company and corporate guarantees executed by two subsidiaries of the Group, respectively. The factoring loan of approximately HK\$6.6 million (At 31 December 2023: Nil) was secured by the pledge of the Group's factoring receivables.

The Group's borrowings are all denominated in US\$ and RMB, the secured bank and factoring loans carry effective interest rates ranging from 6.6% to 6.8% (At 31 December 2023: 6.7% to 6.9%) 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 2023 and 30 June 2024 was approximately 80.1% and approximately 60.5%, respectively. The increase in gearing ratio was primarily due to significantly loss during 2024 Interim.

Capital expenditure

During the 2024 Interim, the Group invested approximately HK\$3.5 million (2023 Interim: approximately HK\$34.8 million) in fixed assets and intangible assets.

Off balance sheet transactions

During the 2024 Interim, the Group did not enter into any material off balance sheet transactions.

Foreign exchange exposure and exchange rate risk

The Group has transactional currency exposure, which arises from sales in currencies other than the relevant operating units, that is, functional currencies. Approximately 76.8% and 76.6% of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sales, whilst approximately 26.3% and 31.7% of inventory costs were denominated in their functional currencies for the 2023 Interim and the 2024 Interim, respectively.

During the 2024 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 2024 Interim (2023 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

On 31 July 2024, the Company and Mr. Wu Wenlin (the “**Purchaser**”) entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”), pursuant to which, the Purchaser had conditionally agreed to acquire and the Company had conditionally agreed to sell the entire issued share capital of Hugo Investment Limited, at a consideration of HK\$0.5 million. Hugo Investment Limited and its subsidiaries has been conducting a retailing business through operation of AI vending machines in China via Wuhan Show Life. Completion took place immediately after the execution of the Sale and Purchase Agreement. Following completion, Hugo Investment Limited and its subsidiaries ceased to be subsidiaries of the Company and the Group ceased to operate the retailing business through operation of AI vending machines.

For further details, please refer to the announcement of the Company dated 31 July 2024 and notes 15 and 17 to the unaudited condensed consolidated interim results contained in this announcement.

Save as disclosed above, there were no significant events affecting the Group which occurred after the reporting period of the 2024 Interim and up to the date of this announcement.

Treasury policies

During the 2024 Interim, the Group did not have any investment under its treasury policies.

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

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

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

Employees and emoluments policy

As at 30 June 2024, the Group employed a total of 795 employees (31 December 2023: 848). The staff costs of the Group, excluding directors’ emoluments and any contributions to pension scheme, were approximately HK\$35.3 million for the 2024 Interim (2023 Interim: approximately HK\$44.4 million), none (2023 Interim: none) 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

There was no investment held by the Group with a value of 5% or more of the Company’s total assets during the 2024 Interim.

Future plans for material investments or capital assets

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

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the 2024 Interim.

Contingent liabilities

As at 30 June 2024, the Group had no significant contingent liabilities (31 December 2023: Nil).

Dividend

The Board does not recommend the payment of interim dividend for the 2024 Interim (2023 Interim: Nil).

Financial position as at 30 June 2024

As at 30 June 2024, the Group's total equity was approximately HK\$41.4 million (31 December 2023: approximately HK\$85.1 million), total assets amounted to approximately HK\$258.4 million (31 December 2023: approximately HK\$317.9 million) and total liabilities stood at approximately HK\$217.0 million (31 December 2023: approximately HK\$232.8 million).

OTHER INFORMATION

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 2024 Interim.

Corporate Governance Practices

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard the interests of its 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 C1 to the Listing Rules (the "**CG Code**") as the basis of the Company's corporate governance practices. Throughout the 2024 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, the role(s) of chairman and chief executive should be separate and should not be performed by the same individual. As the duties of the chairman of the Board (“**Chairman**”) and the chief executive officer of the Company are performed by Mr. Tang Wing Fong Terry (“**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 for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in appendix C3 to the Listing Rules as its code of conduct governing its directors’ securities transactions. Specific enquiries have been made with all the Directors and they have confirmed that they have fully complied with the Model Code during the 2024 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 2024 Interim. In case when the Company is aware of any restricted period for dealings in the Company’s securities, the Company will notify its Directors and relevant employees in advance.

AUDIT COMMITTEE

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

This interim results of the Group for the 2024 Interim (the “**Interim Results**”) have been reviewed by all members of the Audit Committee. Based on such review, the Audit Committee was satisfied that the Group’s unaudited Interim Results were prepared in accordance with applicable accounting standards. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement for 2024 Interim has been published on the website of HKEXnews operated by the Stock Exchange (<https://www.hkexnews.hk>) and the website of the Company (<http://www.sky-light.com.hk>), respectively.

The interim report of the Company for the 2024 Interim containing all the relevant information required by the Listing Rules and the relevant laws and regulations will be sent to the shareholders of the Company in accordance with the Listing Rules and available on above websites in due course.

APPRECIATION

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

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

Hong Kong, 27 August 2024

As at the date of this announcement, the executive Directors are Mr. Tang Wing Fong Terry and Mr. Shan Chuanlong and the independent non-executive Directors are Mr. Wong Wai Ming, Mr. Lau Wai Leung Alfred and Ms. Lo Wan Man.